COVER SHEET

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STI EDUCATION SERVICES
GROUP, INC.

(Company's Full Name)

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

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

ARSENIO C. CABRERA, JR.	(632) 8813 7111
Contact Person	Company Telephone Number

0 6	3 0	Definitive Information Statement	1st Thursday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting ("ASM") of **STI EDUCATION SERVICES GROUP, INC.** ("STI ESG") shall be held on Wednesday, 18 November 2020, at 11 o'clock in the morning, via remote communication, for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 30 October 2019 Stockholder's Meeting
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 30 October 2019 up to 18 November 2020
7. Amendment of Article II of the Articles of Incorporation to include provisions for the following:
   - 7.1 operation of branches of STI Schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name;
   - 7.2 to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center;
   - 7.3 to provide entrepreneurship assistance to its students; and
   - 7.4 inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.
8. Election of Directors
9. Appointment of External Auditors
10. Adjournment

The record date for stockholders entitled to notice and vote at the Annual Stockholders' Meeting is set on 15 October 2020 ("Stockholders of Record").

In the light of the COVID-19 pandemic and to ensure the welfare and safety of our stockholders, the 2020 Annual Stockholders' Meeting of STI ESG will be conducted virtually. Stockholders of Record may attend/participate via proxy, remote communication or vote in absentia. For the detailed registration and voting procedures, please visit https://www.sti.edu/stiedu-disclosures_details.asp and refer to the "**Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy**".

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to accabrera@htc-law.com.ph on or before 4 November 2020.

Validated stockholders will be provided access to the live streaming of the meeting and can cast their votes in absentia by submitting accomplished voting forms via email to accabrera@htc-law.com.ph on or before 13 November 2020 through the Company's secure online voting facility. All votes cast shall be subject to validation. LOIs and voting forms may be downloaded at https://www.sti.edu/stiedu-disclosures_details.asp.

The Company is not soliciting for proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to accabrera@htc-law.com.ph, not later than on 13 November 2020.

Stockholders of record may send their queries and comments to the Management Report and other items in the Agenda to accabrera@htc-law.com.ph on or before 13 November 2020.

The Definitive Information Statement containing the attendance/voting (via remote communication) and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, and other information related to the Annual Stockholders' Meeting can be accessed at https://www.sti.edu/stiedu-disclosures_details.asp.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

EXPLANATION AND RATIONAL OF EACH ITEM IN THE AGENDA

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Jesli A. Lapus, will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify that notices of the Annual Stockholders' Meeting ("ASM") were distributed to the stockholders of record at least fifteen (15) days before the date of the ASM. Atty. Carl Mark A. Ganhinhin of STI ESG shall issue a Certification attesting to the delivery of the ASM Notice. Copy of the ASM Notice was also posted at the Company's website.

   The Corporate Secretary will further certify the presence of a quorum. The stockholders representing a majority of the outstanding voting capital stock of the Company, present in person or by proxy, shall constitute a quorum for the transaction of the business.

   Except for the amendment of Articles of Incorporation, all the items in the Agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM. Each one (1) outstanding share of stock entitles the registered stockholders to one (1) vote.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 30 October 2019

   The minutes are available at the Company website, https://www.sti.edu/stiedu-disclosures_details.asp.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 30 October 2019 as appearing in the Minutes Book of the Corporation be approved."*

   The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

4. The Management Report

   The President, Mr. Peter K. Fernandez, shall render the Management Report, which provides the highlights of the performance of the Company for FY 2019-2020 and the outlook of the Company for FY 2020-2021 and beyond.

   The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Company for FY 2019-2020. The report will also include significant events affecting the Company's performance for FY 2019-2020.

The Annual Report is also posted on the Company's website, https://www.sti.edu/stiedu-disclosures_details.asp. A resolution noting the Management Report will be presented to the stockholders for adoption.

Below is the proposed resolution:

> *"RESOLVED, that that the Management Report for FY 2019-2020 be noted and approved."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020

   The approval of Parent and Consolidated Audited Financial Statements (FS) of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020 prepared by SyCip Gorres Velayo & Co., will be presented to the stockholders. The FS is attached in the Definitive Information Statement and Annual Report. The Audit Committee has recommended, and the Board has approved, the FS.

   A resolution approving the FS will be presented to the stockholders, who will be given opportunity to ask questions on the Annual Report and the FS.

   Below is the proposed resolution:

   > *"RESOLVED, that the Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020 as discussed in the Annual Report be noted and approved."*

   The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 30 October 2019 Annual Stockholders' Meeting up to 18 November 2020. A list of the corporate acts to be ratified are enumerated in Item 16, page 22 of the 20-IS.

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 30 October 2019 Annual Stockholders' Meeting up to 18 November 2020 be approved, confirmed and ratified."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

7. Amendment of Articles of Incorporation

To comply with the requirement of the CHED, Article II of the Articles of Incorporation will be amended.

A motion for the approval of the following resolutions will be presented:

> *"RESOLVED, That the primary purpose of the Corporation be amended to include provisions for: (i) inclusion of all of the branches doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name; (ii) to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center; (iii) to provide entrepreneurship assistance to its students; and (iv) inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.*
>
> *"RESOLVED FURTHER, That Article II of the Articles of Incorporation be, as it is hereby amended in part to read as follows:*
>
>> *"To establish, maintain and operate educational institutions providing pre-elementary, elementary, secondary, and tertiary as well as post graduate courses, post-secondary, lower tertiary non degree programs and other technical-vocational programs* ***through a network of schools and branches in the Philippines; to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and assessment center; to provide entrepreneurship assistance to its students,*** *and in connection therewith develop, adopt and/or acquire, entirely or in part, such curricula or academic services as may be necessary in the pursuance thereof, relating but not limited to information technology services, information technology enabled services, nursing, education, care giving etc.;*
>>
>> ***To operate, own and manage schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name, including the existing schools enumerated below and such other schools which the Corporation may own, manage and operate in the future:***

STI Schools/Branches	Location
STI College Baguio	1 Private Road, New Lucban Street, Baguio City
STI College Cagayan De Oro	Mortola Street corner JR Borja Street, Cagayan De Oro City
STI College Calamba	Brgy. Uno, National Highway, Calamba City, Laguna
STI Calbayog	Magsaysay Extension, Barangay Rawis, Calbayog City, 6710 Samar
STI College Carmona (STI College Southwoods)	Lot 2A, Maduya, Carmona, Cavite
STI College Cebu	40 Salinas Drive, Lahug, Cebu City
STI College Cubao	STI Academic Center Cubao, P. Tuason Blvd., corner 5th Avenue, Cubao, Quezon City
STI College Dagupan	20 Burgos Street, Dagupan City
STI College Davao	506 J.P. Laurel Ave., cor. Acacia, Davao City
STI Dumaguete	Libertad Street, Dumaguete City, 6200 Negros Oriental
STI College Fairview	STI Academic Center, 70 Regalado Avenue, North Fairview, Quezon City
STI College Global City	STI Academic Center, University Parkway Drive, Bonifacio Global City, Taguig
STI College Iligan	Quezon Avenue cor. Mabini Street, Iligan City
STI College Kalibo	Capitol Site, Kalibo, Aklan
STI College Laoag	JP Rizal cor. Don E. Ruiz Street, Laoag City
STI College Las Piñas	STI Academic Center Las Piňas, Alabang-Zapote Road, cor. V. Guinto St., Las Piňas City
STI College Legazpi	692 Rizal Street, Old Albay, Legazpi City
STI College Lucena	Quezon Avenue cor. Perez Street, Lucena City
STI College Malaybalay	Fortich Street, Malaybalay City
STI College Meycauayan	MacArthur Highway, Banga, Meycauayan, Bulacan
STI College Naga	STI Academic Center, Central Business District (CBD) II, Brgy. Triangulo, Naga City 4400
STI College Ortigas-Cainta	STI Academic Center, Ortigas - Cainta, Ortigas Avenue Extension, Cainta, Rizal
STI College Pasay-Edsa (Formerly STI College Taft)	STI Academic Center, #2818 EDSA Extension corner P. Celle Street, Barangay 75, San Rafael, Pasay City
STI College Puerto Princesa	Lacao Street, Puerto Princesa City, Palawan
STI College San Jose Del Monte	STI Academic Center San Jose Del Monte, Altaraza Town Center, San Jose Del Monte, Bulacan
STI College San Pablo	Lopez Jaena Street, San Pablo City
STI College Sta. Cruz	1522 P. Guevarra Ave., Sta. Cruz, Laguna
STI College Sta. Mesa (STI College Shaw)	STI Academic Center Sta. Mesa P. Sanchez Street corner Pat Antonio, Sta. Mesa, Manila
STI College Tanay	Manila East Road, Barangay Tandang Kutyo, Tanay, 1980 Rizal
STI College Valencia	Purok 11 Sayre Highway, Valencia City, Bukidon

*"This shall not be construed as a grant of authority to operate the schools; the establishment, operation, administration and management of said schools shall be subject to existing laws, rules and regulations and policies and standards of the **Department of Education (DepEd)**, Technical Education and Skill Development Authority (TESDA) and Commission on Higher Education (CHED) pursuant to Batas Pambansa Blg. 232 otherwise known as "Education Act of 1992"; **Republic Act 9155 or the Governance of Basic Education Act**; Republic Act 7796 or the "TESDA Act of 1994"; and Republic Act No. 7722 or the "Higher Education Act of 1994";*

"xxx……..xxx";

"xxx……..xxx";

"xxx……..xxx";

"RESOLVED FINALLY, That the President, the Corporate Secretary and other officers of the Corporation be, as they are hereby authorized to perform all acts including but not limited to the filing of the necessary documents with the Securities and Exchange Commission and to sign, execute and deliver, for and on behalf of the Corporation, any and all documents as may be necessary and/or appropriate to implement the foregoing resolution."

The affirmative vote of stockholders constituting at least 2/3 of the outstanding voting capital stock of the Company is necessary to approve the foregoing resolutions.

8. Election of directors, including independent directors

In accordance with Section 2, Article IV of the Company's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 2 October 2020. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected, or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he shall see fit. The eleven (11) directors receiving the highest number of votes will be declared elected as directors of the Company.

In evaluating the nominations to the Board, the Corporate Governance Committee was guided by its established nomination principles and procedures set forth hereafter.

9. Appointment of external auditor

A resolution for the approval of the appointment of the Company's external auditor will be presented to the stockholders. The Audit Committee has recommended, and the Board has approved the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company.

The profile of the proposed external auditors will be provided in the Information Statement.

Below is the proposed resolution:

> *"RESOLVED, to approve the appointment of the firm of SyCip Gorres Velayo & Co. as external auditor of the Corporation for the FY 2020-2021."*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the stock of the Company present at the ASM is necessary to approve the resolution.

10. Consideration of such other business as may properly come before the meeting

Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed, accordingly.

11. Adjournment

Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned. The meeting proceedings shall be recorded in audio and video format to be safe kept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to accabrera@htc-law.com.ph.

PROXY

The undersigned stockholder of **STI EDUCATION SERVICES GROUP, INC.** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via remote communication on **18 November 2020** at 11**:00 a.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 30 October 2019			
2.	Approval of the Management Report for FY 2019-2020			
3.	Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020			
4.	Ratification of all acts, resolutions, proceedings of Management and the Board of Directors from 30 October 2019 to 18 November 2020			
5.	Election of Directors			
	Eusebio H. Tanco			
	Monico V. Jacob			
	Peter K. Fernandez			
	Maria Vanessa Rose L. Tanco			
	Joseph Augustin L. Tanco			
	Raul B. De Mesa			
	Martin K. Tanco			
	Rainerio M. Borja			
	Paolo Martin O. Bautista			
	Jesli A. Lapus (Independent Director)			
	Robert G. Vergara (Independent Director)			
6.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2020-2021			

At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

Date	*Printed Name of Stockholder*
	Signature of Stockholder/ Authorized Signatory

This proxy should be received by the Corporate Secretary **on or before 13 November 2020**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

STI EDUCATION SERVICES GROUP, INC.
2020 ANNUAL STOCKHOLDERS' MEETING
18 November 2020 at 11:00 a.m. via remote communication

Guidelines for Participating via Remote Communication and Voting in Absentia and through Proxy

A. Attendance by Remote Communication and Voting in Absentia

1. Stockholders intending to participate by remote communication and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to accabrera@htc-law.com.ph on or before 04 November 2020, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

   1.1.1 Complete Registered Name
   1.1.2 Complete Registered Residential/Mailing Address
   1.1.3 Active e-Mail Address
   1.1.4 Active Mobile No.
   1.1.5 Active Landline No.

   1.2 Attach the following documents (e-copy/scanned copy):

   1.2.1 Valid government-issued ID with photo and signature (scanned front and back)

   1.2.2 Proof of Ownership, such as, but not limited to, the following:

   a) Stockholder's certificate (for certificated shares); or
   b) Broker's certification (for scripless or uncertificated shares); or
   c) Secretary's certificate for authorized representative (for corporate)

   1.2.3 Other supporting document, as applicable

   A template of the LOI may be downloaded at https://www.sti.edu/stiedu-disclosures_details.asp.

2. The validation process will be completed by the Office of the Corporate Secretary no later than three (3) business days from its receipt of the LOI. The Office of the Corporate Secretary reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links to the virtual meeting platform. For security purposes, the confirmation correspondence which includes access credentials, links and instructions for participation through remote communication shall only

be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided.

4. A stockholder may cast his vote on each of the agenda items as contained in the voting form which may be downloaded at https://www.sti.edu/stiedu-disclosures_details.asp. Accomplished voting forms may be submitted by email to accabrera@htc-law.com.ph. Deadline to vote in absentia is on 13 November 2020. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at https://www.sti.edu/stiedu-disclosures_details.asp and submitted on or before 13 November 2020 via email to accabrera@htc-law.com.ph, complete with the following requirements for validation purposes:

   1.1 For the stockholder, attach the following documents (e-copy):

      1.1.1 Valid government-issued ID (with photo)
      1.1.2 Proof of Ownership, such as, but not limited to, the following:
         a) Stockholder's certificate (for certificated shares); or
         b) Broker's certification (for scripless or uncertificated shares); or
         c) Secretary's certificate for authorized representative (for corporate)
      1.1.3 Other supporting document, as applicable

   1.2 For the Proxy, attach the following document (e-copy):

      1.2.1 Valid government-issued ID (with photo)

   1.3 A stockholder may designate the Chairman of the Meeting as Proxy. Likewise, if no name is indicated, the Chairman of the Meeting will act as the Proxy.

2. The validation process will be completed by the Office of the Corporate Secretary no later than three (3) business days from its receipt of the duly-accomplished proxy instrument. The Corporate Secretary reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure link to the virtual meeting platform. For security purposes, the confirmation correspondence which includes links and instructions

for participation through remote communication shall only be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided. It is the duty of the stockholder to securely provide the information on access credentials and instructions to the Proxy.

C. Participation and Determination of Quorum and Votes

1. Only those shareholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum.

2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to accabrera@htc-law.com.ph not later than 13 November 2020 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

3. The Office of the Corporate Secretary shall take down minutes of the meeting accordingly and shall note all comments and other relevant matters discussed covering the agenda of the meeting. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to accabrera@htc-law.com.ph.

4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those casts in absentia and by proxy. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

For ASM-related matters, please go to : https://www.sti.edu/stiedu-disclosures_details.asp. For ASM-related queries, please send an email to accabrera@htc-law.com.ph. For account updating/validation concerns, please get in touch with the Company's Corporate Secretary, Atty. Arsenio C. Cabrera, via email to accabrera@htc-law.com.ph.

AGENDA OF 2020 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order

2. Certification of Notice and Quorum

3. Approval of the Minutes of the 30 October 2019 Stockholder's Meeting

4. Management Report

5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 31 March 2020 and for the three (3) month period ended 30 June 2020

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 30 October 2019 up to 18 November 2020

7. Amendment of Article II of the Articles of Incorporation to include provisions for the following:

    7.1 operation of branches of STI Schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name;

    7.2 to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center;

    7.3 to provide entrepreneurship assistance to its students; and

    7.4 inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.

8. Election of Directors

9. Appointment of External Auditors

10. Adjournment

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

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

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

4. SEC Identification Number **0000113156**

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

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

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

8. **18 November 2020, 11:00 a.m. Through Remote Communication via Microsoft Teams link to be provided to validated registered stockholders**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **27 October 2020**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	**3,081,877,170**
Fixed Rate Bonds	**₽3,000,000,000**

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	18 November 2020
Time of Meeting	:	11:00 a.m.
Place of Meeting	:	To be conducted through Remote Communication due to COVID-19 via Microsoft Teams link to be provided to validated registered stockholders
Registrant's Mailing Address	:	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	27 October 2020

Item 2. Dissenters' Right of Appraisal

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

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

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 80);

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section. 80)

(3) In case of merger or consolidation (Section 80); and

(4) In case of investments of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

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

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

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

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

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

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

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

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

(1) Market Information

The Company has an Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty one million eight hundred seventy seven thousand one hundred seventy (3,081,877,170) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for the Company is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Foreign shareholders owned a total of 7,841,118 shares or 0.25% of the outstanding common shares of the Company as of 30 September 2020.

As of 30 September 2020, there were sixty-four (64) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 30 September 2020:

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.66
2	PRUDENT RESOURCES, INC.	13,382,275	0.43
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12
6	SANTOS, MARIA LOURDES	1,725,000	0.06

7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01
11	VALERIO, MIKAEL M.S.	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	GARCIA, NOEL B.	83,190	0.00
19	MADRIGAL, VICTORIA P.	63,384	0.00
20	LAO, ERIENE C.	63,384	0.00

(3) Dividend Policy

On September 19, 2017, the BOD of the Company adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from the Group's main business which is education and other recurring income.

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

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

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

On 29 March 2019, the BOD amended the dividend policy to clarify that the core net income for distribution as cash dividends shall come from the core income of the Company and its subsidiaries.

Dividend History:

Declaration Date	Dividends per Share	Amount
20 September 2019	Php0.06	Php184.9 Million
27 September 2018	PhP0.06	PhP184.9 Million
19 September 2017	PhP0.08	PhP246.5 Million

On 19 September 2017, the Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at 30 September 2017. Such dividends were paid on 19 October 2017.

On 27 September 2018, the Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at 30 September 2018. Such dividends were paid on 10 October 2018.

On 20 September 2019, the Company's BOD approved the cash dividends declaration in the amount of Php0.06 per share for a total amount of ₱184.9 million in favor of the stockholders of record as at 30 September 2019. Such dividends were paid on 5 November 2019.

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 30 September 2020:

Title of Each Class	No. of Shares Outstanding	No. of Votes
Common Stock	3,081,877,170	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 15 October 2020 will be entitled to vote at the Annual Meeting.

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

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

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

(a) Security Ownership of Certain Record/Beneficial Owners as of 30 September 2020

As of 30 September 2020, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Class of Shares	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner**	**Nationality**	**Shares Owned**	**% Ownership**
Common	STI Education Systems Holdings, Inc.	Direct Owner Mr. Eusebio H. Tanco, the Chairman of the Board, is authorized to vote its shares in the Company.	Filipino	3,040,623,037	98.66%

(b) Security Ownership of Management as of 30 September 2020

The following table sets forth, as of 30 September 2020, the beneficial ownership of each director and executive officer of the Company:

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Jesli A. Lapus	Common	1	(D)	Filipino	0.00%
Monico V. Jacob	Common	2	(D)	Filipino	0.00%
Eusebio H. Tanco	Common	1	(D)	Filipino	0.00%
Peter K. Fernandez	Common	1	(D)	Filipino	0.00%
Raul B. De Mesa	Common	2	(D)	Filipino	0.00%
Joseph Augustin L. Tanco	Common	2	(D)	Filipino	0.00%
Maria Vanessa Rose L. Tanco	Common	1	(D)	Filipino	0.00%
Rainerio M. Borja	Common	2	(D)	Filipino	0.00%
Paolo Martin O. Bautista	Common	1	(D)	Filipino	0.00%
Martin K. Tanco	Common	1	(D)	Filipino	0.00%

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Robert G. Vergara	Common	1	(D)	Filipino	0.00%

(c) Voting Trust Holders of 5% or More

As of 30 September 2020, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

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

Item 5. Directors and Executive Officers

(1) Directors and Executive Officers

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

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

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

(a) Jesli A. Lapus
(b) Monico V. Jacob
(c) Eusebio H. Tanco
(d) Peter K. Fernandez
(e) Rainerio M. Borja
(f) Raul B. De Mesa
(g) Joseph Augustin L. Tanco
(h) Ma. Vanessa Rose L. Tanco
(i) Martin K. Tanco
(j) Paolo Martin O. Bautista
(k) Robert G. Vergara

Messrs. Jesli A. Lapus and Robert G. Vergara have been nominated as independent directors by the Corporate Governance Committee. The Certification of Messrs. Lapus and Vergara as independent directors are attached hereto as Annexes "A" and "B".

Pursuant to the Certification of Independent Director submitted by Messrs. Lapus and Vergara, they each possess all of the qualifications and none of the disqualifications to serve as the Company's independent directors for the ensuing year.
In accordance with Section 11, Article II of the Company's By-Laws and the 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting in accordance with the following procedure:

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

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

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

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

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

The Chairman of the Corporate Governance Committee is Mr. Robert G. Vergara. Messrs. Jesli A. Lapus, Monico V. Jacob and Joseph Augustin L. Tanco are members of the Corporate Governance Committee.

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Monico V. Jacob	Prudent Resources, Inc.	None	Filipino
Eusebio H. Tanco	Prudent Resources, Inc.	Chairman and President	Filipino
Peter K. Fernandez	Prudent Resources, Inc.	None	Filipino
Raul B. De Mesa	Prudent Resources, Inc.	None	Filipino
Maria Vanessa Rose L. Tanco	Prudent Resources, Inc.	None	Filipino
Joseph Augustin Eusebio L. Tanco	Prudent Resources, Inc.	None	Filipino
Martin K. Tanco	Prudent Resources, Inc.	None	Filipino
Rainerio M. Borja	Prudent Resources, Inc.	None	Filipino
Paolo Martin O. Bautista	Prudent Resources, Inc.	Director	Filipino
Jesli A. Lapus	Prudent Resources, Inc.	None	Filipino
Robert G. Vergara	Prudent Resources, Inc.	None	Filipino

The directors and officers of the Company are not connected with any government agency or instrumentality. A Certification to this effect is attached hereto as Annex "C".

From the date of the last Annual Stockholders' Meeting, none of the directors have resigned or declined to stand for re-election due to a disagreement with the Company on any matter relating to its operations, policies or practices.

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

Jesli A. Lapus, 70, Filipino, Independent Director

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

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

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

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

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

Monico V. Jacob, 75, Filipino, Director

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

Mr. Jacob is also the President and CEO of STI Holdings, and a member of its Executive, Compensation and Compliance Committees.

Mr. Jacob is the President of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Maestro Holdings, Inc. (Maestro Holdings) (formerly STI Investments, Inc.) and Tantivy Holdings, Inc. (formerly, Insurance Builders, Inc.)

Mr. Jacob is the Chairman of PhilLife, Philhealthcare, Inc. (PhilCare), Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc. (GROW), GROW Vite Staffing Services, Inc., and Rosehills Memorial Phils., Inc.

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

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.
Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

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

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

Eusebio H. Tanco, 70, Filipino, Director

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

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

Mr. Tanco is Chairman of the Board and President of Prudent Resources, Inc., and Prime Power Holdings Corporation. He is the Chairman of Mactan Electric Company, Philippines First Insurance Co. Inc.(PhilsFirst), Venture Securities Inc., GROW Vite, Inc., Delos Santos-STI College, STI WNU, and Eximious Holdings, Inc. He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is President of Total Consolidated Asset Management, Inc., EujoPhils, Inc., Cement Center Inc., First Optima Realty Corp, Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Tantivy Holdings, Inc., Bloom with Looms Logistics, Inc. (formerly Southern Textiles Mills, Inc.), Marbay Homes Inc., Global Resource for Outsourced Workers, Inc., Amina, Inc., International Hardwood & Veneer Corp., and CEO of Classic Finance Inc.

Mr. Tanco is also a director in PhilPlans, Maestro Holdings, PhilLife, Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., iACADEMY, PhilCare, Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

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

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

Peter K. Fernandez, 56, Filipino, President and Chief Operating Officer

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

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

Rainerio M. Borja, 56, Filipino, Director

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

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

Mr. Borja is the President of the Asia region for Alorica, comprising more than 34,0000 people in the Philippines, as well as delivery centers in Australia and China Japan, for a total of 25 sites. Under Mr. Borja's leadership, the Asia teams provide distinct capabilities to offer low-cost, high quality solutions to clients across the globe.

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

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

Often credited as the "man behind the success of the call center and BPO industry" in the country, Mr. Borja is one of the founders and former chairman of the Information Technology and Business Process Association of the Philippines (IBPAP), formerly the Business Processing Association of the Philippines (BPA/P). He continues to support the industry by taking on leadership roles and sitting on the Board of Directors for both IBPAP and the Contact Center Association of the Philippines (CCAP). His opinions and contributions are highly valued by government and industry officials in the formulation of legislations and policies that govern the country's Information and Communications Technology (ICT) and BPO industry. Being one of the country's BPO industry ambassadors who supported the industry's phenomenal growth to now being one of the country's major economic contributors, Mr. Borja was the first recipient of the Individual ICT Contributor Award in the Philippines in 2007.

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

Raul B. De Mesa, 78, Filipino, Director

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

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

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

Joseph Augustin L. Tanco, 40, Filipino

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

Mr. Tanco is a Director of STI Holdings since October 27, 2010. He is likewise the Vice President for Investor Relations and a member of the Compensation Committee.

Mr. Tanco is currently the President and Chief Executive Officer of Maestro Holdings, PhilLife, PhilCare, and Comm&Sense, Inc. He founded Comm&Sense, Inc., an integrated marketing and communications agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions, in 2005.

Mr. Tanco serves as the Director and Treasurer of PhilPlans, Director and Vice President of Eujo Phils. Inc., Director of Maestro Holdings, iACADEMY, PhilsFirst Insurance Corporation, STI WNU, Eximious Holdings Inc., Prime Power Holdings Corporation, GROW, Venture Securities, Inc., Bloom with Looms Logistics, Inc. and Biolim Holdings & Management Corporation.

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

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

Maria Vanessa Rose L. Tanco, 42, Filipino, Director

Ms. Tanco is a Director and a member Executive Committee of STI ESG.

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

She also holds directorships at STI WNU, PhilPlans, and PhilCare. Currently, she is the President and CEO of iACADEMY.

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

Martin K. Tanco, 54, Filipino, Director

Mr. Tanco is a Director of STI ESG.

He is also a Director of STI Holdings and is likewise a member of its Executive Committee and Audit Committees.

Mr. Tanco is the Director for Investment of Philplans First, Inc. He is also a Director of Philippine Life Financial Assurance Corporation, Techzone Philippines, Inc. and Techglobal Data Center, Inc. He is the President of the Philfirst Condominium Corporation and Vice President of Manila Bay Thread Corporation (formerly Coats Manila Bay).

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

Paolo Martin O. Bautista, 50, Filipino, Executive Director

Mr. Bautista was elected as an Independent Director of STI ESG on May 23, 2018.

Mr. Bautista has likewise served as a Director of STI Holdings since December 2012. Mr. Bautista is also the Chief Investment Officer, Head of Corporate Strategy and a member of the Audit Committee of STI Holdings.

Mr. Bautista is an advisor to the Investment Committee of PhilPlans. He has over 20-year experience in the areas of corporate finance, mergers and acquisition, debt and equity capital markets, credit risk management and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at Investment Banking Division of Credit Suisse.

Mr. Bautista obtained his Bachelor of Arts degree, Bachelor of Laws degree and Juris Doctor from the Ateneo de Manila University and obtained his Master of Science degree in Management from the Arthur D. Little School of Management, Cambridge, MA.

Robert G. Vergara, 59, Filipino, Independent Director

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

He served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS) from September 2010 to October 2016. As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council. Currently, he is a Director of Cabanatuan Electric Corporation and SEA Crest Master Fund Ltd.

Prior to his stint in GSIS, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited and was a Limited Partner at Cannizaro Capital Partners LLP (United Kingdom) from 2006 to 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He previously served as a Principal at Morgan Stanley Asia Ltd from 1997 to 2001 and was Managing Director of IFM Asia Ltd from 1990.

Mr. Vergara obtained his Master in Business Administration from the Harvard Business School in 1986. He graduated Magna Cum Laude with a Bachelor of Science in Management Engineering and Mathematics degree from Ateneo de Manila University in 1982.

Yolanda M. Bautista, 67, Filipino, Treasurer

Ms. Bautista has served as the Chief Finance Officer and Treasurer of STI ESG since 2003. She is likewise a member of the Compensation and Retirement Committees of STI ESG.

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

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

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc., Banclife Insurance Co., Inc., Tantivy Holdings, Inc., DLS-STI College, Inc., and iACADEMY. She is also the Group Chief Finance Officer of PhilLife and PhilCare as well as the Chief Finance Officer and Treasurer of STI WNU and Maestro Holdings. Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., GROW Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. She serves as Treasurer of PhilPlans, Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, Quantum Analytix, Inc., P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation and Techzone Philippines, Inc. She is also Assistant Treasurer of Total Consolidated Asset Management, Inc.

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

Arsenio C. Cabrera, Jr., 60, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

Atty. Arsenio C. Cabrera, Jr. is the Corporate Secretary, General Counsel, and Corporate Information Officer of STI ESG. He also serves as the Corporate Secretary and Corporate Information Officer of STI Holdings.

Atty. Cabrera is a Managing Partner of Herrera Teehankee & Cabrera Law Offices.

Atty. Cabrera is Chairman and Director in Excelsior Holdings, Inc., Grand Monaco Estate Developers, Inc., Rue Bau 17 Holdings, Inc. and Bauhinia 17 Equity Holdings, Inc.

Atty. Cabrera also serves as Corporate Secretary of Agustin Tanco Foundation, Inc., Amina, Inc., Arani Realty Corporation, Asiateleservices, Inc., BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Bountiful Geomines, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Cement Center, Inc., Classic Finance, Inc., Comm & Sense, Inc., Digitalme Services, Inc., Drysor, Inc., DLS-STI Colleges, Inc., DLS-STI College Quezon Avenue, Inc., Eximious Holdings, Inc., EUJO Phils. Incorporated, First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Gurango Software Corporation, Heritage Park Management, Inc., iACADEMY, International Hardwood & Veneer Company of the Philippines, Juska, Inc., Lasik Surgery, Inc., Maestro Holdings, Inc., Manila Bay Hosiery Mills, Inc., Masbate13 Philippines, Inc., Mina Tierra Gracia, Inc., My Space Properties, Inc., NiHAO Mineral Resources International, Inc., Oregalore, Inc., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, Philippines First Insurance Company, PhilLife, PhilCare, Inc., Philplans, Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI WNU, Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

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

Ana Carmina S. Herrera, 45, Filipino, Assistant Corporate Secretary

Atty. Herrera is a Senior Associate of Herrera Teehankee and Cabrera Law Offices. She also performs the role of Corporate Secretary of Dunes and Eagle Land Development Corporation, STI College Batangas, Inc., STI College of Kalookan, Inc., STI Dagupan, Inc., STI Diamond College, Inc. and STI Tuguegarao, Inc. She also serves as Assistant Corporate Secretary in a number of other corporations: Amica Corporation, Banclife Insurance Co., Inc., Palisades Condominium Corporation, PhilCare, PhilsFirst, Philippine First Condominium Corporation, PhilLife, STI Holdings and Venture Securities, Inc.

Atty. Herrera received her Bachelor of Laws degree from the University of the Philippines in 2000.

(2) Significant Employees

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

(3) Family Relationships

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

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

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

(4) Involvement in Certain Legal Proceedings

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

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

(b) any conviction by final judgment;

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

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

(5) Material Pending Legal Proceedings Affecting the Company

Girly G. Ico vs. Systems Technology Institute, Inc., et al.
NLRC NCR Case No. 00-06-07767-04
National Labor Relations Commission

A former employee filed a Petition with the Supreme Court after the Court of Appeals affirmed the dismissal by the National Labor Relations Commission ("NLRC") of the former employee's claims of illegal dismissal against the Company ("**illegal Dismissal Case"**). On August 13, 2014, the Company received the Supreme Court's Decision dated July 9, 2014, which (a) annulled the decision of the Court of Appeals and (b) ordered that the Company to reinstate the former employee to her former position, and pay (i) the exact salary, benefits, privileges and emoluments which the current holder of the position was receiving, (ii) damages and (iii) backwages from the date of the former employee's dismissal until fully paid, with legal interest.

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

After issuing a Writ of Execution on the aforesaid Decision, a Bank Order to release dated 20 October 2015 was issued to one of the Company's depository banks for the release of the garnished amount of ₱2.2 million representing the partial monetary award in favor of the former employee.

The Company filed a Petition to question the Writ of Execution to the NLRC on the ground that, among others, the amount was not yet final pending the issue on computation of backwages. The Company asserted that the former employee refused to return to work in October 2006 upon manifestation by the Company's decision to reinstate her pending appeal on the illegal Dismissal Case before the NLRC.

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

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

In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay in lieu of reinstatement.

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

The aforesaid two (2) Petitions filed by the Company was consolidated for decision by the NLRC.

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

On September 6, 2016, the Company received the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC.

While the said Petition for Certiorari was pending, the Company manifested that it would no longer seek the nullification of the Writ of Execution and moved that the ₱2.2 million garnished amount be considered as partial satisfaction of the subject judgment award.

After the filing of their respective pleadings in relation to the former employee's Petition for Certiorari, the Company received on June 6, 2017 the Court of Appeals' Decision. In the Decision, the Court of Appeals affirmed the inhibition of the labor arbiter but ordered that the issue on the computation of backwages and effect of the former employee's refusal to return to work in October 2006 should be resolved by the new labor arbiter, and not the NLRC.

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

On September 19, 2017, the Company received the former employee's Manifestation with Omnibus Motion filed with the new labor arbiter. In the said Manifestation with Omnibus Motion, the former employee sought for (a) computation of the updated judgment award, (b) resolution of the issue on waiver of reinstatement by the former employee in October 2006 raised by the Company and (c) issuance of Writ of Execution based on the updated judgment award.

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

Based on the record, the Company has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. The Company then moved for the new labor arbiter to issue a resolution that the Company has fully paid the judgment award of the former employee. While the former employee accepted the additional ₱2.0 million, she manifested that the same was only partial payment of the judgment award.

On February 13, 2018, the former employee filed her Reply. In the Reply, she argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of Corporation was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from the Corporation's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱ 11.0 million, less payments already made by the Company.

After the parties filed their respective responsive pleadings on the aforesaid issue, the new labor arbiter submitted to resolve all of the pending issues on the computation of the former employee's judgment award for resolution.

On September 9, 2020, the new labor arbiter issued the Order. In the Order, the new labor arbiter affirmed that the former employee's refusal to report to work in October 2006 interrupted the running of backwages. Consequently, the former employee was entitled to receive backwages from May 2004 until October 2006.

The new labor arbiter further determined that the attorney's fees of 10% should be computed from the total monetary award of the former employee, including the separation pay in lieu of reinstatement.

After computing the monetary award of the former employee, the new labor arbiter determined that the former employee's total monetary award amounted to around ₱4.4 million. Considering the prior payments made by the Company to the former employee amounting to ₱4.2 million, the Company is ordered to pay the former employee the balance of ₱200.0 thousand.

Either party may file a verified petition to question the aforesaid Order before the NLRC within ten (10) days from their receipt of the same.

Belinda Torres and Jocelyn Tumambing v. STI College Davao and Peter K. Fernandez

NLRC Case No. RAB-XI-07-00748-09
NLRC MAC No. 04-011330-2010
CA-G.R. SP No. No. 04176-MIN
G.R. No. 218368

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

After lengthy court proceedings in determining whether they are employees or corporate officers of STI Davao, the Supreme Court, in its Resolution dated August 19, 2015, affirmed the Court of Appeals' determination that the Complainants were employees.

On the basis of said final findings, the hearings before the Labor Arbiter commenced on September 18, 2017. During said hearings, Complainants provided STI Davao with a computation of what they are willing to accept for the amicable settlement of the case with total amount of ₱33.2 million.

During the December 5, 2017 hearing, no amicable settlement was reached by the parties, hence, they were directed to file their respective Position Papers.

On February 19, 2018, the Company filed its Position Paper. In the Position Paper, the Company asserted that the Complainants' termination from employment was based on just and valid causes. The Company averred that the Complainants' willfully disregarded and violated the Company's Basic Operations Manual and Code of Conduct, operating procedures and general work policies amounted to (a) gross and habitual neglect of duties, (b) serious misconduct, and (c) loss of confidence/willful breach of trust. Consequently, the Complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees.

After the parties filed their respective responsive pleadings, the Labor Arbiter dismissed the Complaint for lack of merit in its Decision dated June 28, 2018.

After due proceedings on the Complainant's appeal, the NLRC (CDO), in its Decision dated February 13, 2019, affirmed the Labor Arbiter's findings. The NLRC affirmed said Decision when it denied the Motion for Reconsideration filed by the Complainants in a Resolution dated March 26, 2019.

On June 10, 2019, the Company received a copy of the Petition for Certiorari filed by Complainants with the Court of Appeals-CDO.

On July 4, 2019, the Company received a copy of the Resolution dated June 25, 2019 of the Court of Appeals-CDO, which dismissed the Petition for Certiorari filed by Complainants for failure to comply with the requirements for filing said Petition.

A Motion for Reconsideration dated July 18, 2019 on the said Resolution of the Court of Appeals-CDO was filed by the Complainants. On September 11, 2019, the Company filed its Comment to the said Motion.

Without having received the Resolution of the Court of Appeals on the Motion for Reconsideration filed by the Complainants, the Company received a copy of Petitioner Belinda Torres' Petition for Review on Certiorari filed before the Supreme Court on August 3, 2020,

As at September 24, 2020, the Company has yet to receive any action by the Court of Appeals on the Motion for Reconsideration filed by the Complainants. The Supreme Court likewise has yet to render its initial action on the Petition.

STI Education Services Group Inc.
vs. Mobeelity Innovations, Inc.

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

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

MOBEELITY provided the Company access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, the Company paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY2016-2017 or from June to November 2016. On June 12, 2016, it came to the attention of the Company that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

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

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

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

Gan Tiak Kheng and Kelvin Y. Gan vs. STI
College Cebu, Inc. and Amiel C. Sangalang
Civil Case No. 15-135138
Branch 6, Regional Trial Court
City of Manila

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

After the Trial Court resolved the motions filed by both parties, the Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there was no perfected contract to sell or of sale between the Company and the Plaintiffs considering that (a) there was no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) the Finance Officer of the Company has no authority to bind the Company on the alleged contract to sell or sale of the Subject Property.

After failed negotiations for amicable settlement as required under the Rules of Court and the Trial Court allowed the (a) substitution of STI Cebu by the Company and (b) amendment of the Complaint and Answer, the case proceeded to trial proper.

During their presentation of evidence, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and the Company's Finance Officer only regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of the Finance Officer to bind the Company on said negotiations and (b) approval of the BOD of the Company on the terms and conditions discussed during said negotiations.

Meanwhile, the Defendants presented the Defendant Finance Officer, to testify, among others, that (a) he acted as liaison of the STI Cebu and the Company on the negotiations for the sale of the subject property and (b) the Boards of Directors of STI Cebu and the Company did not approve the proposal/offer to purchase of the Plaintiffs.

After the Defendants presented their external counsel's accountant to testify on their counterclaim for legal cost/fees incurred for the case, the Defendants terminated the presentation of their evidence on January 17, 2020.

After both parties completed the presentation of evidence and filed their respective Memoranda, the Defendants received the Decision of the Trial Court on June 22, 2020.

In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of the Company. There was no evidence showing that the Company, through its Board of Directors, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

However, the Trial Court determined that Defendant Finance Officer is liable to pay the Plaintiffs the total amount of ₱0.2 million representing temperate and exemplary damages ("**Damages**"). The Trial Court also determined that the actions of said Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from the Company during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

Lastly, the Trial Court ordered the Company to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of six percent (6%) per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

Both parties filed their respective Partial Motion for Reconsideration insofar as the (a) dismissal of the Complaint and (b) award of Damages.

On August 25, 2020, the Trial Court issued its *Order,* which modified the Decision only insofar as requiring the Company's Finance Officer to pay an additional ₱50.0 thousand as attorney's fees in favor of the Plaintiffs. The rest of the findings in the Decision is affirmed.

Both the Plaintiffs and the Finance Officer filed their respective Notice of Appeal.

Consequently, the parties will comply with the appeal procedures required under the Rules of Court.

Global Academy of Technology and Entrepreneurship, Inc. (formerly STI-College-Santiago, Inc.) vs. STI Education Services Group, Inc.
Civil Case No. 16-02676
Branch 58, Regional Trial Court
Makati City

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

After the Trial Court denied its Motion to Dismiss Ad Cautelam, the Company filed its Answer on June 9, 2017. In the Answer, the Company asserted that GATE has no cause of action against it because its decision not to renew the Licensing Agreement was in accordance with contractual stipulations therein that its renewal was upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE could not claim any damages on the Company's lawful exercise of its rights under the Licensing Agreement.

After the failed negotiations for amicable settlement as required by law and pre-trial proper, the parties presented their respective testimonial and documentary evidence.

On February 4, 2020, the Company received the Decision dated January 16, 2020. In the Decision, the Trial Court dismissed the instant case because the Plaintiffs failed to establish that the Company acted in abuse of rights when it refused to renew the Licensing Agreement with the Plaintiffs. The Trial Court confirmed that said Agreement clearly provided that the same can only be renewed by mutual agreement of the parties.

The Trial Court also ordered the payment by the Plaintiffs of the Company's counterclaim in the amount of ₱0.3 million as attorney's fees plus cost of suit.

Despite filing a Motion for Reconsideration, the Trial Court affirmed its dismissal of the Plaintiff's claim and the award of litigation cost in favor of the Company in an Order dated July 6, 2020.

On August 3, 2020, the Company received the Notice of Appeal filed by the Plaintiff.

Consequently, the parties will comply with the appeal procedures required under the Rules of Court.

(6) Certain Relationships and Related Transactions

As of 30 September 2020, the Company has the following major transactions with related parties:

Consultancy Agreement with STI Holdings

The Company entered into an agreement with STI Holdings on the rendering of advisory services starting January 01, 2013.

Contract of Lease

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

Deed of Assignment of net assets

On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches whereby STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, unto STI Novaliches all their rights, title and interest in its assets and liabilities for a consideration of ₱75.7 million, payable quarterly over five years. Consequently, the management contract between STI ESG and STI Diamond was terminated and as a result, the latter was derecognized as a subsidiary of STI ESG (see Note 19).

Deed of Assignment of net assets

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

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

Joint Venture Agreement

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

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

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

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

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

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

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

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

Contract of Lease

STI ESG entered into a Contract of Lease with Cement Center Inc. on August 15, 2017. The lease contract covers the rental of the lessor's property in Sta. Mesa with an area of 3,690.6 sqms for a period of 25 years commencing on the possession of STI ESG upon delivery of the leased premises. The term of the lease shall be renewable for another 25 years upon terms and conditions mutually agreed upon by the parties.

STI ESG shall pay a monthly rent of ₱50.0 per sqm or ₱184,000 per month, exclusive of taxes. STI ESG shall also pay an additional variable rent equivalent to 3% of the Divisible Gross Revenue (DGR), exclusive of taxes. DGR refers to Tuition and Other School Fees received by STI ESG on the school that it intends to set up on the leased premises, excluding miscellaneous and other pass-on revenues that STI ESG may receive.

Cooperation Agreement

On October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI Polytechnic Institute Inc. (collectively referred to as "STI") and Raft Shore People, Inc. (RAFT), entered into a Cooperation Agreement (the "Agreement") for the purpose of working together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. In summary, the parties agreed to:

a. Establish a culinary school offering modular culinary courses which shall prepare the students to work on board cruise vessels and to jointly oversee the preparation and implementation of modular culinary and catering courses;
b. Jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs and to endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW); and
c. Engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

The parties recognized that RAFT has already incurred expenses, including faculty costs in preparation for the execution of the Agreement. As such, STI agreed to reimburse RAFT US$150,000, with 50% payable upon signing of the Agreement while the remaining 50% will be payable within calendar year 2020. Additionally, and as compensation for jointly overseeing and providing academic governance, selection and management of faculty, as well as curriculum and courseware preparation and implementation for the courses agreed upon, STI shall pay RAFT the sum of US$10,000 per month beginning January 2020. The parties also agreed that a variable compensation of 5% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1% variable compensation for every 1,000 enrollees while RAFT shall receive 5% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

Transactions with Promoters

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

Disagreements with Directors

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(1) The directors each receive per diems amounting to ₱15,000, gross of all taxes, for their attendance to board and committee meetings. There is no arrangement for compensation of directors.

(2) The following table summarizes the aggregate compensation for the fiscal years ended March 31, 2018, 2019 and 2020. The amounts set forth in the table below have been prepared based on what the Company paid its directors and named executive officers as a group and other officers for the fiscal years ended March 31, 2018, 2019 and 2020 and what the Company expects to pay for the fiscal year ending March 31, 2021.

ANNUAL COMPENSATION

	Year Ended March 31	Salaries and Bonus	Other Compensation
Chief Executive Officer and the Top Four Highly Compensated Officers[2]	2018	₱31,566,845	None
	2019	₱33,196,249	None
	2020	₱28,972,567	None
	2021[1]	₱28,972,567	None
Board of Directors	2018	₱2,267,941	None
	2019	₱2,371,868	None
	2020	₱2,089,118	None

The compensation for board members comprises per diems.

Notes:

[1] Figure is an estimated amount.

[2] Executives namely: Monico V. Jacob (Vice Chairman and CEO), Peter K. Fernandez (President and COO), Engelbert L. De Guzman (VP for Communications and MIS), Wilfred S. Racadio (VP for Legal Affairs) and Juan Luis Fausto B. Tubongbanua (VP for Corporate and Information Services).

(3) There are no actions to be taken regarding any bonus, profit sharing, or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the Company will participate.

(4) There are no actions to be taken regarding any pension or retirement plan in which any such person will participate.

(5) There are no actions to be taken regarding the granting or extension to any such person of any option, warrant or right to purchase any securities.

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the Company's External Auditors for the past years. They were reappointed in the Annual Stockholders' Meeting held on October 30, 2019, as external auditors for the ensuing fiscal year.

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

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

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

As stated in the March 31, 2020 “Statement of Management Responsibility for Financial Statements”, SGV is the appointed independent auditor of STI ESG. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

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

Mr. Jesli A. Lapus is currently the Chairman of the Audit Committee while Messrs. Eusebio H. Tanco, Raul B. De Mesa and Robert G. Vergara are its members.

The aggregate fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the years ended March 31, 2020, 2019 and 2018 are shown below. The Company did not engage the external auditor and pay for any other services aside from the audit of the financial statements for the years ended March 31, 2020, 2019 and 2018.

March 31, 2020

	March 2020			
	Audit Fees	OPE	VAT	Total
AUDIT	8,718,900	871,890	1,150,895	10,741,685
OTHERS				
	8,718,900	871,890	1,150,895	10,741,685

** OPE for March 2020 is based on estimates*

March 31, 2019

	March 2019			
	Audit Fees	**OPE**	**VAT**	**TOTAL**
AUDIT	7,829,200	782,920	1,033,454	9,645,574
OTHERS				-
	7,829,200	782,920	1,033,454	9,645,574

March 31, 2018

	March 2018			
	Audit Fees	**OPE**	**VAT**	**TOTAL**
AUDIT	7,292,000	692,805	958,177	8,942,982
OTHERS				-
	7,292,000	692,805	958,177	8,942,982

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

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to mergers, consolidation, acquisition and similar matters.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 30 October 2019 Annual Stockholders' Meeting. The Minutes of the 30 October 2019 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Approval of the Minutes of the 26 October 2018 Annual Shareholders' Meeting
4. Presentation of Management Report
5. Approval of Audited Financial Statements as of 31 March 2019
6. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 26 October 2018 to 30 October 2019
7. Merger with NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc.
8. Election of Directors
9. Appointment of External Auditor
10. Adjournment

Based on the Minutes of the 30 October 2019 Annual Stockholders' Meeting, nine of the nominee directors were present at the meeting. The shareholders present at the meeting were as follows: (a) STI Education Systems Holdings, Inc., represented by Mr. Monico V. Jacob as proxy; (b) Prudent

Resources, Inc., with Mr. Eusebio H. Tanco as proxy; (c) Purificacion G. Rossi, with Emerita R. Domingo as proxy; (d) Maria Lourdes Santos; (e) Emerita R. Domingo; (f) Reynaldo A. Mones; (g) Vilma Caparos; (h) Monico V. Jacob; (i) Joseph Augustin Eusebio L. Tanco; (j) Raul B. De Mesa; (k) Rainerio M. Borja; (l) Eusebio H. Tanco; (m) Jesli A. Lapus; (n) Peter K. Fernandez; (o) Martin K. Tanco; and (p) Robert G. Vergara.

The Corporate Secretary certified that notices for the meeting were sent to all stockholders of record. The Corporate Secretary further certified that the attendance record and the proxies and powers of attorney showed that present in person and proxy were 3,064,082,965 shares out of the 3,087,829,443 issued and outstanding capital stock of the Company or 99.23% of the issued and outstanding capital stock. Hence, the Corporate Secretary certified as to the existence of quorum for the valid transaction of business.

At the 30 October 2019 Annual Stockholders' Meeting, each common share entitled the holder to one vote. At said meeting, each stockholder entitled to vote on a particular question or matter was entitled to vote for each share of stock standing in his name in the books of the Company as of record date.

Pursuant to the By-Laws of the Company, stockholders owning a majority of all of the issued and outstanding stock of the Company present or represented by proxy and entitled to vote, shall form a quorum for the transaction of business and the vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.
The voting was conducted viva voce and no contest was raised by any of the stockholders present at the 30 October 2019 Annual Stockholders' Meeting.

For the election of directors, the Secretary of the meeting, upon motion made and duly seconded, was instructed to count all votes represented at the meeting in favor of the nominees. Cumulative voting was followed.

Stockholders were likewise given the opportunity to ask questions. No questions or objections were raised by stockholders during the 30 October 2019 Annual Stockholders' Meeting.

The following items were unanimously approved by the stockholders present at the 30 October 2019 Annual Stockholders' Meeting: (a) the Minutes of the 26 October 2018 Annual Stockholders' Meeting; (b) the Management Report; (c) the 31 March 2019 Audited Financial Statements of the Company; (d) the ratification of legal acts, proceedings and resolutions of the Board of Directors and of management from 26 October 2018 up to 30 October 2019; (e) the merger with NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (f) the election of directors; and (g) the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company for fiscal year 2019 to 2020.

Item 16. Matters Not Required to be Submitted

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

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 30 October 2019 up to 18 November 2020. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting held on 30 October 2019 up to 18 November 2020 include, among others: (a) the appointment of officers, Committee Heads and Members; (b) approval of audited financial statements; (c) the opening, maintaining and updating of corporate bank accounts and the appointment of signatories; (d) application for credit line facilities and/or long term loans with various financial institutions, including renewal, extension, increase, or amendment thereof; (e) availment of Landbank of the Philippines Academe Lending Program; (f) restructuring of China Banking Corporation Corporate Notes Facility Agreement dated 20 March 2014; (g) amendment of China Bank Term Loan Facility Agreement dated 7 May 2019 and Trust Agreement dated 10 March 2017; (h) execution of contracts in the ordinary course of business ; (i) approval of budget; (j) the suspension or cessation of operations of certain schools and education centers; (k) the sale of the Company's 20% stake in Maestro Holdings, Inc.; (l) application for permits to offer various CHED courses and SHS academic tracks; (m) amendment of Article II of the Articles of Incorporation; (n) foreclosure of STI College Tanay, Inc. Real Estate Mortgage; (o) acquisition of 48% equity of Delos Santos Family in DLS-STI College, Inc. (p) appointment of officers to represent the Company in court cases and proceedings; and (q) sale of assets in the ordinary course of business.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 30 October 2019 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

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

The stockholders shall be requested to vote for the approval of the following amendments to Article II of the Company's Articles of Incorporation and adopt the following resolutions:

> ***"RESOLVED,*** *That the primary purpose of the Corporation be amended to include provisions for: (i) inclusion of all of the branches doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name; (ii) to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center; (iii) to provide entrepreneurship assistance to its students; and (iv) inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.*
>
> ***"RESOLVED FURTHER****, That Article II of the Articles of Incorporation be, as it is hereby amended in part to read as follows:*
>
> > *"To establish, maintain and operate educational institutions providing pre-elementary, elementary, secondary, and tertiary as well as post graduate courses, post-secondary, lower tertiary non degree programs and other technical-vocational programs* ***through a network of schools and branches in the Philippines; to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and assessment center; to provide entrepreneurship assistance to its students,*** *and in connection therewith develop, adopt and/or acquire, entirely or in part, such curricula or academic services as may be necessary in the pursuance thereof, relating but not limited to information technology services, information technology enabled services, nursing, education, care giving etc.;*

To operate, own and manage schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name, including the existing schools enumerated below and such other schools which the Corporation may own, manage and operate in the future:

STI Schools/Branches	***Location***
STI College Baguio	***1 Private Road, New Lucban Street, Baguio City***
STI College Cagayan De Oro	***Mortola Street corner JR Borja Street, Cagayan De Oro City***
STI College Calamba	***Brgy. Uno, National Highway, Calamba City, Laguna***
STI Calbayog	***Magsaysay Extension, Barangay Rawis, Calbayog City, 6710 Samar***
STI College Carmona (STI College Southwoods)	***Lot 2A, Maduya, Carmona, Cavite***
STI College Cebu	***40 Salinas Drive, Lahug, Cebu City***
STI College Cubao	***STI Academic Center Cubao, P. Tuason Blvd., corner 5th Avenue, Cubao, Quezon City***
STI College Dagupan	***20 Burgos Street, Dagupan City***
STI College Davao	***506 J.P. Laurel Ave., cor. Acacia, Davao City***
STI College Dumaguete	***Libertad Street, Dumaguete City, 6200 Negros Oriental***
STI College Fairview	***STI Academic Center, 70 Regalado Avenue, North Fairview, Quezon City***
STI College Global City	***STI Academic Center, University Parkway Drive, Bonifacio Global City, Taguig***
STI College Iligan	***Quezon Avenue cor. Mabini Street, Iligan City***
STI College Kalibo	***Capitol Site, Kalibo, Aklan***
STI College Laoag	***JP Rizal cor. Don E. Ruiz Street, Laoag City***
STI College Las Piñas	***STI Academic Center Las Piňas, Alabang-Zapote Road, cor. V. Guinto St., Las Piňas City***
STI College Legazpi	***692 Rizal Street, Old Albay, Legazpi City***
STI College Lucena	***Quezon Avenue cor. Perez Street, Lucena City***
STI College Malaybalay	***Fortich Street, Malaybalay City***
STI College Meycauayan	***MacArthur Highway, Banga, Meycauayan, Bulacan***
STI College Naga	***STI Academic Center, Central Business District (CBD) II, Brgy. Triangulo, Naga City 4400***
STI College Ortigas-Cainta	***STI Academic Center, Ortigas - Cainta, Ortigas Avenue Extension, Cainta, Rizal***
STI College Pasay-Edsa (Formerly STI College Taft)	***STI Academic Center, #2818 EDSA Extension corner P. Celle Street, Barangay 75, San Rafael, Pasay City***
STI College Puerto Princesa	***Lacao Street, Puerto Princesa City, Palawan***
STI College San Jose Del Monte	***STI Academic Center San Jose Del Monte, Altaraza Town Center, San Jose Del Monte, Bulacan***

<u>STI Schools/Branches</u>	***<u>Location</u>***
<u>STI College San Pablo</u>	***<u>Lopez Jaena Street, San Pablo City</u>***
<u>STI College Sta. Cruz</u>	***<u>1522 P. Guevarra Ave., Sta. Cruz, Laguna</u>***
<u>STI College Sta. Mesa (STI College Shaw)</u>	***<u>STI Academic Center Sta. Mesa P. Sanchez Street corner Pat Antonio, Sta. Mesa, Manila</u>***
<u>STI College Tanay</u>	***<u>Manila East Road, Barangay Tandang Kutyo, Tanay, 1980 Rizal</u>***
<u>STI College Valencia</u>	***<u>Purok 11 Sayre Highway, Valencia City, Bukidon</u>***

"This shall not be construed as a grant of authority to operate the schools; the establishment, operation, administration and management of said schools shall be subject to existing laws, rules and regulations and policies and standards of the ***<u>Department of Education (DepEd)</u>****, Technical Education and Skill Development Authority (TESDA) and Commission on Higher Education (CHED) pursuant to Batas Pambansa Blg. 232 otherwise known as "Education Act of 1992";* ***<u>Republic Act 9155 or the Governance of Basic Education Act</u>****; Republic Act 7796 or the "TESDA Act of 1994"; and Republic Act No. 7722 or the "Higher Education Act of 1994";*

"xxx……..xxx";

"xxx……..xxx";

"xxx……..xxx";

"RESOLVED FINALLY, *That the President, the Corporate Secretary and other officers of the Corporation be, as they are hereby authorized to perform all acts including but not limited to the filing of the necessary documents with the Securities and Exchange Commission and to sign, execute and deliver, for and on behalf of the Corporation, any and all documents as may be necessary and/or appropriate to implement the foregoing resolution.****"***

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

(1) Vote required

Each common share entitles the holder to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter shall be entitled to vote for each share of stock standing in his name in the books of the Company as of record date. Only those shareholders who have notified the Company of their intention to participate in the meeting by remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum. The vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.

(2) Method

A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on 13 November 2020. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting.

Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to a designated email address not later than 13 November 2020 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

The Company will seek the approval of the following:

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on 30 October 2019

(2) Approval of the Audited Financial Statements as of 31 March 2020 and 30 June 2020

(3) Ratification of all acts of the Board of Directors and of Management from 30 October 2019 up to 18 November 2020

(4) Election of Directors

(5) Appointment of External Auditor

Discussion on Compliance with Leading Practices on Corporate Governance

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

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

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

On September 29, 2020, the Company filed its 2020 Manual on Corporate Governance in compliance with SEC Memorandum Circular No. 24 Series of 2019.

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

To ensure that the Company observes good corporate governance and management practices and assure shareholders that the Company conducts its business in accordance with the highest level of accountability, transparency and integrity, the Company has undertaken the continuous improvement and monitoring of its governance and management policies. The Company submits a Certificate of Compliance with the Manual on Corporate Governance on an annual basis to the SEC. The Company likewise ensures that its officers and members of the Board of Directors attend the mandatory Corporate Governance Seminar annually in compliance with the SEC Memorandum Circular No. 20, series of 2013.

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

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

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

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

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

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 22 October 2020.

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	4 October 2013 to present
Philippine Life Financial Assurance Corporation	Independent Director	1 June 2012 to present
Information and Communications Technology Academy, Inc.	Member – Board of Governors/ Independent Director	9 December 2010 to present
Attenborough Holdings Corp.	Independent Director	11 March 2015 to present
Metropolitan Bank and Trust Company	Independent Director	August 2010 to present
LBP Service Corporation	Chairman	May 2012 to present
Radiowealth Finance Co., Inc.	Advisory Board Member	2013 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this ____ day of 07 OCT 2020 2020 at Makati City.

JESLI A. LAPUS

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

SUBSCRIBED AND SWORN to before me this __ day of 07 OCT 2020 2020 at Makati City, affiant personally appeared to me and exhibited to me his Passport No. P6589685A issued on 28 March 2018 at DFA Manila.

Doc. No. 54 ;
Page No. 12 ;
Book No. II ;
Series of 2019.

JAYPEE B. ORTIZ
NOTARY PUBLIC
ROLL NO. 66493
MAKATI CITY, PHILIPPINES

JAYPEE B. ORTIZ
Notary Public for Makati City
Appointment No. M-182
Until 31 December 2021
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 66493
PTR No. 8116831/ Makati / 02 January 2020
IBP No. 096440 / Makati / 04 December 2019
MCLE Compliance No. VI-0011738 /
Pasig City / 30 August 2018

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT G. VERGARA**, Filipino, of legal age, with residence address at 1489 Carissa St. Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

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

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

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	27 July 2017 to present
SM Investments Corporation	Independent Director	24 April 2019 to present
Metro Pacific Hospital Holdings, Inc.	Independent Director	9 December 2019 to present
Manila Polo Club, Inc.	Director	24 August 2020 to present
Cabanatuan Electric Corporation	Director	26 June 2010
SEA CREST Fund	Director	30 March 2009
Vergara Advisory Management, Inc.	Director	June 2018

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this __th day of 07 OCT 2020 2020 at Makati City.

ROBERT G. VERGARA

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

SUBSCRIBED AND SWORN to before me this __th day of 07 OCT 2020 2020 at Makati City, affiant personally appeared and exhibited to me his Passport No EC7612146 issued on 4 May 2016 at DFA Manila.

Doc. No. 55;
Page No. 12;
Book No. II;
Series of 2020.

JAYPEE B. ORTIZ
NOTARY PUBLIC
ROLL NO. 66493
MAKATI CITY, PHILIPPINES

JAYPEE B. ORTIZ
Notary Public for Makati City
Appointment No. M-182
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IBP No. 096440 / Makati ,' 04 December 2019
MCLE Compliance No. VI-0011738 /
Pasig City / 30 August 2018

Annex "C"

<u>SECRETARY'S CERTIFICATE</u>

I, **ARSENIO C. CABRERA, JR.**, Filipino, of legal age, with office address at 5/F SGV II Building, 6758 Ayala Avenue, Makati City, after having sworn in accordance with law, hereby depose and state that:

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

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

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this 7th day of October 2020 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 7th day of October 2020 in Makati City, affiant exhibiting to me his Philippine Passport No. P0055009A issued on 26 August 2016 at DFA NCR South.

Doc. No. 56;
Page No. 13;
Book No. II;
Series of 2020.

JAYPEE B. ORTIZ
NOTARY PUBLIC
ROLL NO. 66493
MAKATI CITY, PHILIPPINES

JAYPEE B. ORTIZ
Notary Public for Makati City
Appointment No. M-182
Until 31 December 2021
5/F SGV II Building,
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PTR No. 8116831/ Makati / 02 January 2020
IBP No. 096440 / Makati / 04 December 2019
MCLE Compliance No. VI-0011738 /
Pasig City / 30 August 2018

MANAGEMENT REPORT

Group History and Structure

STI Education Services Group, Inc. ("the Company")

Established on August 21, 1983, the Company began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines. Starting as a training center with only two (2) schools, the Company initially offered short-term computer programming courses that were patterned to satisfy the demand of college graduates and working professionals who wanted to learn more about the emerging computer technology. Shortly after, the Company's campuses began to grow as it started granting franchises in other locations within Metro Manila which soon expanded to other key areas in Luzon, Visayas, and Mindanao as well as sites outside the Philippines. In 2003, management decided to focus its attention on the domestic market but continued to study the possibility of going international once again.

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

The Company embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI schools are now veering away from rented commercial complexes and have moved to bigger and better school-owned stand-alone campuses that are strategically located. All of the improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive to high academic delivery.

The Company has centralized its efforts into academic quality and started investing in trainings on awareness, documentation, and internal quality audit to achieve the ISO 9001:2008 certification on February 5, 2015 and the ISO 9001:2015 certification on February 5, 2018. Awarded by the ISO certifying body TÜV Rheinland Philippines Inc., both certifications focus on the Company's Learning Delivery System that covers courseware development and faculty training and certification for the tertiary level. The ISO 9001:2015 certification has also been extended to senior high school and expanded to include student development program.

When the Department of Education (DepEd) announced the K to 12 program in 2013, the Company capitalized on its nationwide presence and ample facilities to implement the first-to-market approach of the Senior High School (SHS) program. In 2014, when DepEd granted permission to offer early implementation of SHS to 92 private schools nationwide, 67 out of the 92 schools or 73% were STI schools which made the Company the largest pioneer in Senior High School ("SHS"). The two (2) program tracks covered by the permit are the Academic and Technical-Vocational-Livelihood tracks. Under the Technical-Vocational-Livelihood Track, STI ESG offers three strands with various specializations.

In 2018, STI ESG and other educational institutions experienced another monumental change in the education landscape as the Republic Act (RA) 10931 or the "Universal Access to Quality Tertiary Education Act" (UAQTEA) was officially implemented nationwide. The law covers four (4) salient points: (1) free tuition and miscellaneous fees in state universities and colleges (SUCs) and local universities and colleges (LUCs); (2) free technical-vocational education and training in state-run technical vocational institutes; (3) student loan programs for tertiary students; and (4) Tertiary Education Subsidy (TES) in private higher education institutions (HEI).

STI ESG fully supports the government's advocacy to provide equal opportunities to the Filipino youth by making tertiary education more accessible and encourage them to pursue and complete higher learning. Thus, STI ESG signed a Memorandum of Agreement on December 17, 2018 with the Commission on Higher Education (CHED) and the implementing organization Unified Student Financial Assistance System for Tertiary Education (UniFAST) for the enactment of the tertiary education subsidy and student loan program. More than 2,000 and close to 1,900 STI students qualified to be TES grantees in SY 2018-2019 and SY 2019-2020, respectively. According to the UniFAST data, STI Colleges Caloocan and Las Piñas were among the top 10 private HEIs with the largest number of TES grantees and both schools received a combined TES subsidy amounting to ₱111.0 million and ₱97.7 million, including the student grants, for SY 2018-2019 and SY 2019-2020, respectively.

Starting SY 2020-2021, the Company was given government permits to offer Bachelor of Science in Retail Technology and Consumer Science Program and government recognition to offer Associate in Retail Technology Program.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy, Inc. ("STI Training Academy") with STI ESG owning 100% of the subscribed and issued capital stock. STI Training Academy was established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority ("TESDA"); and to provide other professional courses and training, such as tanker courses and their allied and security courses including stewarding and culinary courses.

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

STI ESG Network

As at 30 June 2020, STI ESG's network of schools totals 76 schools spread across Luzon, Visayas, and Mindanao with 38 owned schools and 38 franchised schools comprising of 69 colleges and 7 education centers.

As at report date, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY2020-2021 and cessation of the operations of STI Pagadian effective SY2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY2020-2021. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrolment turnout and/or the high cost of rental of facilities. This brings down the STI ESG's network of schools to 64 schools with 33 owned schools and 31 franchised schools comprising of 60 colleges and 4 education centers.

The students enrolled in the aforementioned schools were given the option to transfer to other STI schools. The suspension and cessation of operations of the STI schools mentioned above will not have a material financial impact on STI ESG.

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

STI ESG's total student capacity, net of the aforementioned school closures, aggregates to 149,188 students, with 101,758 pertaining to owned schools and 47,430 for franchised schools.

Enrollment and Student Population

The education landscape in the Philippines has changed with the introduction of the K to 12 program which in summary adds two (2) years prior to tertiary education. For the schools in the Philippines that offer tertiary education, similar to the Company, this meant two (2) academic years, that is, SY 2016-2017 and SY 2017-2018, with significantly reduced and minimal incoming college freshmen students. This threat has been constructively converted into an opportunity by the Company where STI schools sought and were granted by DepEd permit to offer Senior High School.

The enrollment figures at the start of the School Year (SY) are as follows:

	SY 2019-2020	SY 2018-2019	Increase/(Decrease)	
STI Network			**Enrollees**	**Percentage**
Owned Schools	44,811	44,298	513	1%
Franchised Schools	29,987	32,543	(2,556)	(8%)
Total Enrollees	**74,798**	**76,841**	**(2,043)**	(3%)

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- Commission on Higher Education (CHED) - students under this group are enrolled in tertiary and post-graduate programs;
- Technical Education and Skills Development Authority (TESDA) - students under this group are enrolled in technical-vocational programs; and
- Department of Education (DepEd) – pertains to primary and secondary education including SHS.

	SY 2019-2020	%	SY 2018-2019	%
CHED	40,737	54%	38,582	50%
TESDA	2,152	3%	1,843	2%
DEPED*	31,909	43%	36,416	48%
TOTAL	**74,798**	**100%**	**76,841**	**100%**

**DepEd count includes SHS student s and 454 students of NAMEI who are enrolled in basic education in SY 2019-2020.*

For SY 2019-2020, the school calendar of SHS and Tertiary students was from June 2019 to March 2020 and July 2019 to April 2020, respectively. With the imposition of the Enhanced Community Quarantine ("ECQ") throughout the island of Luzon, as part of the government's move to contain the outbreak of novel Coronavirus Disease 2019 (COVID 19), classes in the entire island of Luzon were suspended on March 17, 2020. Subsequently, other areas in the country were likewise placed under quarantine. Classes of SHS students have been completed as at end of March 2020 while for the safety and welfare of the tertiary students, the Group suspended their classes in all STI campuses nationwide.

The tertiary students were given three options to finish the second semester of SY 2019-2020, namely (1) online learning for those who are willing and can go online, may finish all their lessons via the e-Learning Management System (eLMS), (2) offline learning for those who are willing to continue and finish all their lessons but cannot go online in which case handouts in PDF type were provided to the students, and (3) face-to-face for those who cannot go online and opt to wait until STI ESG could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Online classes of those who opted online and offline studies resumed beginning the third week of May 2020 and were completed as at July 30, 2020.

For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education ("ONE") STI Learning Model. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), DepEd for SHS, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed. Classes of both SHS and tertiary started on September 7, 2020.

Graduates

In SY 2017-2018, the Company generated 12,638 tertiary graduates for the first and second semesters. Concurrently, the network also witnessed the graduation of 31,386 Grade 12 students who belonged to the first batch of senior high school graduates under the K to 12 program following the nationwide implementation of DepEd in 2016. For SY 2018-2019, there were 13,270 tertiary graduates for the first and second semesters while 17,514 students graduated from senior high school. In SY 2019-2020, classes of SHS students were completed as of March 31, 2020 while classes of tertiary students for the second semester were suspended due to the implementation of the enhanced community quarantine. Tertiary students were given three options to complete the second term of SY 2019-2020 namely online learning, offline learning, and face-to-face classes. About 94% of the tertiary population opted for online/offline learning. These students completed the second term of SY 2019-2020 by taking the final examinations via STI ESG's eLearning Management System or eLMS in July 2020. The rest opted for face-to-face classes and will continue and finish their second term studies with face-to-face classes combined with applicable learning modes within the next school year. For SY 2019-2020, there were approximately 4,832 tertiary graduates for the first and second semesters while 15,980 students graduated from senior high school.

Corporate Structure

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-one million eight hundred seventy-seven thousand one hundred seventy (3,081,877,170) shares have been subscribed and paid-up. Of the total subscribed and paid-up capital stock, seven million eight hundred forty-one thousand one hundred eighteen (7,841,118) shares are foreign-owned.

The Company is a subsidiary of STI Education Systems Holdings, Inc. (STI Holdings). As at 30 June 2020, STI Holdings owns 98.66% of STI ESG.

Capital Market Infrastructure

The Company's ₱3.0 billion bond issue has been assigned by Philippine Rating Services Corporation (PhilRatings) an Issue Credit Rating of **PRS Aa**, in its report to the Securities and Exchange Commission (SEC) dated January 23, 2017, which meant that the Company's proposed debt issue, as of date of report, is of "high quality and is subject to very low credit risk."

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

On March 23, 2017, the Company listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market. This is the first tranche of its ₱5 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interest payments are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The proceeds of the bonds have been fully utilized as at March 31, 2019.

The proceeds of the first tranche of the debt securities program have been earmarked for the expansion of STI ESG campuses, refinancing of short-term loans incurred for the acquisition of land, and other general corporate requirements (see Item 2 Properties/Campus Expansion).

Business Development

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

At present, the Company offers secondary (senior high school) and tertiary (college and TESDA) programs, as well as post-graduate and associate programs. The colleges offer associate/baccalaureate degrees and technical/vocational programs in the fields of Information and Communications Technology (ICT), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by the Commission on Higher Education (CHED) and/or the Technical Education and Skills Development Authority (TESDA), as may be applicable. Also accredited by TESDA, the education centers of the Company offer technical/vocational courses for computer programming, multimedia arts, hospitality and restaurant services, culinary, and tourism and events management, among others.

Tuition Fee Increases

An average of 5% increase in the tuition fees and other school fees in SY 2017-2018. No increases in tuition fees and other school fees were implemented in SY 2018-2019 and SY 2019-2020 for both college and senior high school.

New Programs/Majors and Revised Curricula

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

Existing course offerings are likewise reviewed as needed. The streamlining of program curricula in response to the needs of the market and developments in the industry drives the rationalization of STI course offerings. Thirteen programs were revised and five new programs were developed in SY 2017-18. In SY 2018-2019, four new programs were developed and one program was revised. Eighteen programs were updated for SY 2019-2020.

STI ESG's Standardized Courseware

The Company develops courseware to ensure the standard delivery of courses across all campuses in the STI network. These are sets of teaching materials used by the instructors which include the course syllabus with the course outline that sets the general objectives of the course, presentation slides, the class hand-outs and other materials for use throughout the duration of the course, with accompanying instructors' guides. The instructors' guides identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives. The courseware materials are suited for delivery using LCD technology and other multimedia devices.

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

In SY 2019-2020, 71 courseware materials were developed and revised for Arts and Sciences, IT and Engineering, Business and Management, Tourism Management, and Hospitality Management, while 6 courseware materials were developed and updated for Senior High School. These courseware materials were embedded with activities leading toward the attainment of the STI 4Cs — Character, being Change-adept, being a good Communicator, and being a Critical Thinker — the required skills and attitude of top industries worldwide. The materials were also Outcome-Based Education (OBE)-aligned with assessment tools, rubric, and performance tasks. In addition, 14 courseware materials for SHS were uploaded on the eLearning Management System or eLMS in time for the Summer Remedial Program 2019. These are self-paced study versions of the regular SHS subjects with minimal teacher intervention.

Standardized Periodical Examination

The Company's Academic Research Group (ARG) develops the Standardized Periodical Examination for the preliminary, midterms, pre-finals, and finals period. In SY 2017-2018, the ARG developed 810 exams in the first semester and 749 exams in the second semester. The following year, the ARG developed the STI Test Bank System and prepared 1,119 exams for the first semester and 692 exams for the second semester. In SY 2019-2020, 57 more exams were added to the Test Bank.

Milestones

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

Education Centers Upgraded to Colleges

STI Colleges San Francisco, Iligan, Malaybalay, and Valencia were granted college status by CHED effective SY 2018-2019. STI College Tagum was also granted college status effective SY 2019-2020.

International Organization for Standardization 9001:2015 (ISO 9001:2015)

STI ESG is one of the pioneer institutions that was awarded with the ISO 9001:2015 Quality Management System (QMS) Certification in SY 2017-2018. This is a certification upgrade for its Learning Delivery System (LDS) with emphasis on risk-based thinking, improved applicability for services, and increased leadership requirements. The scope of the LDS was likewise extended to the Senior High School Level and was expanded with the inclusion of the Student Program Development.

The certificate was granted a year ahead of the required transition period. The transition plan started in 2016 wherein a series of activities was conducted to ensure successful fulfillment of requirements such as intensive gap analysis, brainstorming sessions, process reviews, process mapping, risk identification, assessment, and treatment planning, among others.

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

In SY 2014–2015, STI ESG received its ISO 9001:2008 certification for its Learning Delivery System. This system covers development of tertiary level courseware and curriculum, faculty training, and faculty certification. The network worked to fulfill the requirements that included extensive research; training sessions on proper documentation and internal quality audit; documentation of policies, processes, and work instructions; and orientations given to STI ESG employees.

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

ASEAN PR Excellence Awards

The Company and STI Foundation were recognized in the ASEAN PR Excellence Awards for their mobile school program known as the Computer Lab on Wheels: Driving Education Where IT Matters on April 29, 2019 at Hilton Kuching Hotel, Malaysia.

The STI Mobile School won Best PR Programme in Southeast Asia after being nominated by the Public Relations Society of the Philippines (PRSP) and having gone through a series of judging from a panel of jury across ASEAN countries.

The award-giving body was led by the ASEAN Public Relations Network (APRN) in collaboration with Institute PR Malaysia, and supported by Sarawak State, and Global Alliance for Public Relations and Communication Management — the confederation of the world's major PR and communication management associations and institutions around the world.

55th Anvil Awards

The Company bagged two Gold Anvil Awards for the Student's Career Opportunity and Personality Evaluator (SCOPE) and two Silver Anvil Awards for the STI Career Camp during the 55th Anvil Awards: Gabi ng Parangal on February 28, 2020 at the Manila Hotel. Presented annually by the PRSP, the premier organization of PR professionals in the country, the Anvil is a symbol of excellence in the field of public relations (PR) and recognizes outstanding and laudable PR programs, tools, and practitioners assessed by select PR professionals.

The STI SCOPE won two Gold Anvil Awards for providing the youth with knowledge and tools that will help them arrive at informed decisions for their education and career path. Meanwhile, the STI Career Camp claimed two Silver Anvil Awards as recognition of the institution's effort in preparing individuals for senior high school, college, and employment.

54th Anvil Awards

The Company and STI Foundation won the highly-coveted Grand Anvil Award and two Gold Anvils for the mobile school program known as Computer Lab on Wheels: Driving Education Where IT Matters. The Grand Anvil was awarded to Mobile School for being an outstanding PR program, while the Gold Anvils were under the specialized PR program advocacy campaign and PR program on a sustained basis (education/literacy) categories. The awarding ceremony was held at the Marriot Hotel Manila in Pasay City on January 30, 2019.

iLearn and Share

The Company's iLearn and Share (iLS) is an exhibition of performance tasks in which senior high school students are assessed based on their products and/or performance. The performance tasks are proof of how well they understood and learned the task. Students can then apply their learnings to real-life situations.

In SY 2018-2019, Grade 12 Science, Technology, Engineering & Mathematics (STEM) and Humanities & Social Sciences (HUMSS) students, among other academic and TVL strands across STI's network of campuses exhibited their innovative products or services and inventions through the SHS-iLS Expo. The expo's culminating activity is a simulation exercise of the real world which allows the Grade 12 students to become not only employees but also employers and entrepreneurs. Also present during the expo were representatives from the academe and industry sectors, STI alumni, business owners, government agencies, parents, and fellow students, many of whom acted as "potential investors." These "potential investors" then voted for the best student exhibits, startup enterprises, products, and services.

Some of the standout projects were: STI College San Fernando's electronic biogas digester, solar-powered grass cutter, solar-powered automated watering system and seed-sowing machine, plastic-recycling and brick-manufacturing machine, solar-powered animal and insect repellant, floodwater filtration system, canal waste collector, and charcoal made from water lilies; STI College Global City's survival hiking bag with water filtration system, sewage waste segregator, thermo-electric stove, solar panel lamp with charger and projector, and 360 monitoring device for classroom; STI College Cubao's portable wind turbine, flood sensor with alarm, and gold lip balm; STI College Muñoz-EDSA's chicken feathers for bioplastic, concrete cylinders with sugarcane fiber, soundwaves as power source, *malunggay* and piperine solution as cockroach pesticide, and curcin toxin as organic pest control against bedbugs; STI College Pasay-EDSA's neem-based mosquito repellent; STI College Ortigas-Cainta's pepper spray with flash and alarm system, water-filtering straw, scar removal cream, paper made from banana stem fiber, and magnet-powered flashlight; STI College Recto's mosquito repellent candle and coal lipstick and eyeliner; and STI College Quezon Avenue's whistle-operated anti-theft device and wooden desk organizer with sound amplifier, among many other creative ideas.

STI senior high school students joined over 150 engineers, hobbyists, and crafters from all over the country for the third installment of Manila Mini Maker Faire (MMFF) held at The Mind Museum on June 22-23, 2019. During the two-day exhibit, select STI students showcased innovative projects that highlight sustainable technology which they made for their Senior High School (SHS) Expo for industry professionals.

These projects are: (1) Portable Wind Turbine from STI College Cubao that shows an alternative source of electricity by utilizing wind energy with the case and wind panes that were all made from recycled materials; (2) Flood Detecting Alarm Stand also from STI College Cubao that produces a powerful sound to alert the community of rising flood levels; (3) WhideSearch from STI College Quezon Avenue that uses sound recognition technology to locate phones wherein it will emit light and activate an alarm; (4) WeSurvive Bag from STI College Global City that was designed with waterproof and tear-resistant fabric and equipped with emergency essentials such as portable water filter and solar-powered charger and flashlight; (5) Propel from STI College Makati (now Pasay-EDSA) that is made from the extracts of the Philippine neem tree and other all-natural ingredients which makes it an effective repellant for common pests; (6) La Naturalez from STI College Recto that is infused with lavender and citronella scents and housed in a non-flammable holder made of sea salt which makes it an effective aromatherapy and insect repellant; (7) Concrete Cylinders with Sugar Cane Fiber from STI College Muñoz-EDSA that incorporate sugar cane fibers into concrete cylinders to encourage recycling and are as strong as the regular concrete though they are made of biodegradable materials; (8) Kraft Paper from STI College Ortigas-Cainta that is made from recycled banana stem fibers and offers an excellent alternative to packaging needs; (9) Solar-powered Grass Cutter from STI College San Fernando that runs on 100% solar energy and can easily help the farmers with their farm duties through its ergonomic design and metals blades; (10) Flood Water Filtration Machine from STI College San Fernando that is built with six types of filters and can easily convert flood water into clean water; (11) Automatic Canal Waste Collector also from STI College San Fernando that can gather plastic waste from the water systems and runs effectively on solar energy; and (12) Wooker from STI College Quezon Avenue that is both a functional organizer and a music amplifier that aids in managing desk space more effectively.

In SY 2019-2020, however, the SHS-iLS Expo was cancelled due to the implementation of the enhanced community quarantine in key cities nationwide aimed at mitigating the effects of the global COVID-19 pandemic.

PeopleSoft Campus Solutions (PSCS)

PSCS is a student administration system that facilitates student admission, enrollment, assessment, and grading, among others. Paired with Report Services, a web-based application hosting the reportorial requirements of the Company, the PSCS was launched in SY 2015–2016 to STI's network of campuses. It catered to both the college and senior high school students of STI ESG. The STI schools are able to access numerous reports that are available real-time and which they can also modify according to their own requirements. The reports are classified under four categories — Academics, Financials, Enrollment, and Government-mandated reports — using the SQL Server Reporting Services 2008 R2.

In SY 2018-2019, the PSCS was further enhanced with these functionalities: (1) integrates Microsoft products to create utilities that increased functionality in Peoplecode application; (2) easily delivers the required development of reports such as SHS Report Card, SHS Form 9, and more; (3) improves the process of students' assessment; and (4) provides a facility for all users to have firsthand information about PSCS updates or upgrades.

Records Management System

Developed in SY 2018-2019, the Records Management System (RMS) is a recordkeeping application system that captures or scans, manages, and provides access to student documents. It routinely captures all records of the students from the admission and graduation to continued engagement with STI. It also organizes records and protects such from unauthorized alteration, destruction, or transfer. Moreover, the RMS provides an audit trail of the people who have created and updated the records, and at the same time, provides ready access to all relevant records. The RMS was rolled-out to all campuses in SY 2019-2020.

eLearning Management System (eLMS)

STI ESG uses the eLMS, a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. The curricular course materials aim to augment classroom learning while the extra-curricular course materials are prepared to further nurture student development. The eLMS features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements.

STI ESG has implemented a blended learning model for the past six years using eLMS for students to continue their studies at home uninterrupted despite any physical classroom disruptions.

One STI App

This free mobile app caters to both STI employees and students. Both apps are available for download on the Android platform only.

The One STI App for employees, launched in May 2018, houses major STI applications that perform coordinated functions, tasks, and activities for the network. For now, the app is running essential HR and Finance-related transactions for the Head Office.

On the other hand, the One STI Student Portal is a must-have for both the senior high school and tertiary students since it allows them access to their respective records such as grades and academic performance per subject, day-to-day class schedule with room assignments and professors, and updates on any outstanding school fees and payment schedules. In addition, students will be able to catch up on current STI news and announcements from various campuses nationwide. The One STI Student Portal may be accessed via web or by downloading the app. Since its roll-out in December 2018, the app has registered 58,345 active users while there were 21,930 registered users via web.

Leaders Convention

More than a hundred STI leaders attended the 32nd Annual STI Leaders Convention held at the Hue Hotels and Resorts in Boracay from May 1-3, 2019. Mr. Eduardo Mapa, Jr., an expert in the field of digital marketing, advertising, strategic planning, public relations, media planning and buying, and publisher sales, shared with the delegates how digitalization has transformed the playing field in advertising and marketing and the role of technology in new consumer connections.

STI ESG's VP for Communications & MIS, Mr. Elbert De Guzman, and VP for School Operations, Mr. Resty Bundoc, also shared network updates on marketing and operations.

STI Test Bank System

The STI Test Bank System is a repository of test questions that would be used during the periodical examination period for the entire STI network of schools. This web application and its database are hosted on Cloud and are seen to hold big data in watertight control.

The system ensures that pre-determined number of test questions are drawn for each level of difficulty and each item is used for a specific period to ensure that it is not repeatedly used within a term. The test bank was likewise designed to follow certain workflows so that editing, correcting, and approvals of the exam materials are controlled and aligned with procedural rules.

Centralized Printing of Diploma and Transcript of Records

The Centralized Printing of Diploma and Transcript of Records (CPDT) System, now anchored on the PSCS, serves both the tertiary and senior high school graduates. The academic documents, upon request of the STI campus, are generated at the STI Head Office. These academic documents are then delivered either to the requesting school or the students' preferred location. The documents are also printed with enhanced security features such as the use of check paper prescribed by the Philippine Clearing House Corporation which is sensitive to 36 falsifying agents, hidden fibers, and unique serial numbers, among others. This is to ensure that all information on the documents have been authenticated and to prevent fraud and proliferation of dubious documents.

Faculty Achievements

Blockchain Xcellator Experts Program

STI ESG and UnionBank launched the Blockchain Xcellator Experts Program on October 5, 2019 that is intended to strengthen the STI faculty members and academic researchers' knowledge about blockchain. Blockchain is known as the record-keeping technology behind the most popular digital currency in the world, Bitcoin. The said technology is a public ledger that records not only the assets but also the transactions of a business. It is also acknowledged for its capability to change how various industries manage data and information.

Seventeen (17) participants from the STI Head Office and STI Colleges Global City, Las Piñas, Ortigas-Cainta, and Pasay-EDSA underwent the extensive mentorship program from industry experts where they learned about the blockchain technology. At the end of the eight-week course, nine participants successfully passed the assessment and became Certified Blockchain and Ethereum Experts.

Hackathon

STI College Vigan's group of ICT faculty members John Carlo Malamug and Victoria Kristen Sison won in the professional category of Impact Hackathon on October 30-31, 2019. The event is an on-the-spot coding marathon organized by Impact Hub Manila that aims to tap the best coders and IT professionals in the Philippines to create new solutions for the social problems of the world. The group created a system named FIX IT, an online service provider, and went on to represent Vigan City in the grand national event held on November 19, 2019. For making it to the nationals, the team received a six-month incubation or training program and a cash prize.

Student Achievements

In SY 2019-2020, the STI ESG community proudly won accolades in different fields from information technology and culinary to sports competitions. Some students and alumni also competed and won in international competitions.

International Competitions

With grit and determination, Brandhon Kyrielle Aquino from STI College Caloocan proved that he could withstand any difficulty in juggling both his school life and training as a member of the Philippine National Sailing Team. This was proven when he earned a bronze medal in the Sailing Category during the 2019 Southeast Asian (SEA) Games.

Theresa Diana Pazcoguin, a BS Tourism Management graduate of STI College Tarlac, meanwhile proved that she has what it takes to be a beauty queen as she took home the 1st Runner-up title in the Miss Tourism Queen Worldwide 2019. The pageant aims to gather diverse individuals around the world and let them showcase the splendor of their nation's citizens and crafts as well as culture and cuisine. It focuses on promoting diversity and harmony by exhibiting majestic sights, colorful festivities, and exquisite food from various countries.

STI College Zamboanga's BS Business Administration alumna Honey Firmeza, together with her dance partner Jaime Marcial, also made the Filipinos proud by bagging the Championship title in the Amateur Rising Star Latin as well as placing 4th in the Asia Amateur Latin and 5th in the Seoulcup Open Amateur Latin of the 19th Seoulcup International Dance Championship on September 1, 2019 at Seoul Grand Hilton Hotel in Seoul, South Korea.

International Summit

STI College Cagayan de Oro sent sophomore BS Information Technology student John Carlos Montejo to the Developers Student Club (DSC) South East Asia Summit in Kuala Lumpur, Malaysia as one of the 90 student representatives from South East Asia on September 9, 2019. The summit aims to assess the issues faced by IT graduates in the technology industry by immersing the participants in real-life problems so that they can build action plans to address concerns faced by their universities.

Aaron Jay Quitain, a BS Tourism Management alumnus from STI College San Pablo, represented the Philippines in the Bali Asia International Model United Nations (BAIMUN) II on January 18-21, 2020 at the Bali International Convention Centre in Bali, Indonesia. Hosted by International Global Network, the event is a simulation of an actual United Nations conference where participants were tasked to solve a global issue through research, drafts, lobbying, and debates to pass a suitable resolution. Together with 243 delegates from 23 countries, Aaron also had the opportunity to also discuss issues such as the Philippine government's role in ensuring and promoting sustainable tourism.

Board Exam

With a rating of 89.40%, NAMEI's Carlo Marasigan topped the 2019 Naval Architecture and Marine Engineering Licensure Examination out of 89 board passers, while his classmates Adnan Paul Lucero and Marianne Castor both placed sixth with a rating of 87.20%.

Festivals

Fifteen senior high school Culinary Arts and 30 BS Hospitality Management students from STI College Balagtas wowed shoppers as they showcased on September 10, 2019 a giant Filipino rice cake, known as "biko," during the launch of SM City Marilao's Bulacan Food & Art BESTival, an annual event that displays the best in North Luzon. The cooking process of the rice cake took the students a total of 48 hours to finish, but with the guidance and support of their mentors, they confidently overcame the challenges encountered along their way and successfully produced the giant *biko*.

STI College Ormoc likewise dominated the most-anticipated Piña Festival 2019 in Ormoc City for three consecutive years. The school also received the following recognitions: Best in Ritual Grand Showdown, Best Festival Costume, Best Choreography, and Best Street Dancing. The Piña Festival is celebrated annually to promote the city's agricultural produce, the Ormoc Queen Pineapple, which is said to be one of the sweetest pineapples in the world.

Mobile Documentary

Freshman BS Information Technology student from STI College Pasay-EDSA, Gerome Viñas, emerged as the Grand Winner of Bayan Mo, Ipatrol Mo (BMPM) Digitales: A Mobile Documentary Contest on October 25, 2019. Powered by ABS-CBN's Integrated News and Current Affairs and in partnership with UNESCO and the Asian Institute of Journalism, Digitales is a mobile documentary contest that aims to combat disinformation online. With around 50 entries nationwide, three other STI campuses also made it to the Top 20 — STI Colleges Ortigas-Cainta, Novaliches, and Recto.

Hackathon

Students from STI College Caloocan were declared as the Overall Champions in the Coca-Cola Philippines' Code Festival 2019, a hackathon competition for college students, held on November 25, 2019. Team PrograDeation consisted of sophomore BS Information Technology students Katzuki Fushimi and Justine Santiago as well as freshman BS Business Administration student Rovic Morales.

Using the Microsoft Power Platform, the PrograDeation team came up with a mobile application entitled "PeraBubot," an information system that records the transactions of a junkshop. It aims to not only help junk-shop owners collect garbage but also aid the community in controlling the increase in solid waste.

STI College Vigan's BS Computer Science students Tristan James Adolfo, Joshua Rosueta, Tristan Joshua Uniana, and Charrie Rafanan dominated the Impact Hackathon. The Impact Hackathon event was an official entry to the Guinness World Records as an attempt to land the title, biggest hackathon competition. The group, which is named Team Hackdogs, created Herbal Plant, an augmented reality that aims to provide information on herbal plants. The team represented Vigan City in the grand national event where Team Hackdogs landed in the top 15, qualifying them for a one-year incubation program, intensive training, access to expert mentors, network and co-working, and a cash prize.

Sports Competitions

Achievers from STI College Ormoc once again participated and brought home recognitions during the Siglaro 2019 held from August to September 2019. Siglaro is an annual interschool sports competition in Ormoc that brings together young athletes through various competitions such as basketball, volleyball, badminton, swimming, archery, wushu, taekwondo, and chess, among others.

The school's Grade 11 Accounting, Business, and Management student Angel Mia Sesmundo earned gold in the chess tournament under the girls' category. Meanwhile, Zen Andre Doria, Grade 11 Science, Technology, Engineering, and Mathematics student, also bagged a gold medal for the poomsae event in taekwondo. Poomsae is a Korean term for taekwondo in which an individual is trained in a series of defined patterns of defense-and-attack motions.
Mhariel Claire Sacayanan, a Grade 12 Tourism Operations student from STI College Global City, also grabbed a gold medal in the Taekwondo Competition of the APSA-TAPAT (Association of Private School Administrators-Taguig City & Pateros) League 2019 held in November 2019 at the Signal Village National High School in Taguig City.

Students from STI College San Jose likewise made the STI community proud by bringing home different awards from the Division Meet 2019, organized by DepEd and participated in by both public and private schools in the city. Grade 11 Culinary Arts student James Nixon Plazo bagged the Championship title in the Billiards Competition while Grade 12 Culinary Arts student Allen Jhoy Andres emerged as the Champion in the Pencak Silat Contest. Meanwhile, Grade 12 IT in Mobile App and Web Development student Joshua Maducdoc placed 1st runner-up in the Table Tennis Competition.

The newbie duo of Al-Hamed Guiamal and Ashraf Isra, both sophomore BS Information Technology students from STI College Cotabato, meanwhile bagged the first runner-up title in the SHAPERS Beach Volleyball Tournament 2019 held at Cotabato City State Polytechnic College (CCSPC) on August 3-4, 2019. The duo faced the national champions of SCUAA (State Colleges and Universities Athletic Association) during the semi-finals.

Culinary Competitions

On the other hand, STI College Calamba's Grade 12 Culinary Arts students Trina Mikaela Java and Mark Carlo Palacio raised the bar high after being proclaimed as Champions in the 3rd Sweet and Salty Experience Recipe Cooking Contest which was spearheaded by the Cooperative and Livelihood Development Department of Calamba City on October 4, 2019. The cooking contest encourages the participants to create their own recipe incorporating the main ingredients produced by the local farmers. With this, Trina and Mark decided to use pineapple as the main ingredient of their winning dish called "Pineapple Pastillas."

Tourism Competitions

Sophomore BS Tourism Management students Mayuree Bacuño and John Michael Parcero from STI College Puerto Princesa impressed the audience when they were declared as champions in the Airline Safety Demonstration category of the 1st Regional MIMAROPA Tourism and Hospitality Skills Competition on September 18, 2019 at SM City Puerto Princesa. As champions, Mayuree and John received a scholarship for the 15-day Flight Attendant Training Program courtesy of PTC MIL-COM Aviation Training Center.

Skills Competition

STI College Koronadal grabbed the coveted Overall Champion title in the T'nalak Skills Competition as its students reaped awards in different categories: Culinary Skills (Champion), Restaurant Service and Table Setup with Skirting (Champion), Table Napkin Folding (Silver), Bartending (Silver), Cake Decorating (Silver), Web Design (Silver), Waiter's Relay (Bronze), and Flower Arrangement (Bronze). Fifteen schools within the province participated in the competition.

Please visit www.sti.edu for prior years' 17A reports of STI ESG for the list of achievements in previous years.

Faculty Development and Certification

STI ESG provides its faculty members development programs that are designed as a system of services, opportunities, and projects that assist faculty members in acquiring competencies necessary in performing their respective functions effectively.
The Courseware-based trainings (CBT) are training programs held during semestral and summer breaks for all faculty members from wholly-owned and franchised schools that aim to improve the teaching methodologies and content knowledge for specific courses. Courses offered for training vary from year-to-year depending on the results of the needs analyses of the faculty members of the whole STI ESG network.

Academic Heads and Assistant Principals likewise underwent trainings to better understand and appreciate their roles within the school operations in SY 2017-2018. There were 132 participants in the said training that was conducted in May 2017. During the same school year, 154 Program Heads across the network also participated in a training aimed to strengthen and harmonize OBE implementation, and 237 faculty members attended the APTIS Advanced assessment in collaboration with the British Council. In this training, the faculty members' proficiency in speaking, writing, listening, and reading the English language was assessed. British Council also sponsored another workshop on English as Medium of Instruction that was attended by 59 faculty members from select campuses in Metro Manila.

In SY 2018-2019, the institution launched the STI aHead: Academic Heads Development Training 2018. Attended by 76 Academic Heads nationwide, this training intended to re-orient and enhance the understanding of the duties and responsibilities of an Academic Head in three (3) key areas: academic program management, faculty development, and student development. Another major training also conducted within the same school year is the Program Heads Training 2018. With 213 participants, the training focused on preparing the Program Heads for their roles in academic program management, faculty supervision and development, and student development and support. This training, moreover, aimed to sustain STI's OBE effort by building the Program Heads' skills in the areas of facilitation and use of various teaching tools.

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

The training for Academic Heads continued in SY 2019-2020 focusing on evidence-based problem-solving and decision-making for academic operations. The three-day training was attended by 71 Academic Heads from STI campuses nationwide.

During the same school year, a Professional Culinary Arts training was also conducted among 26 faculty members. The training aimed to assist schools who were planning to offer the new Professional Culinary Arts (PCA) program. After the training, the participants also applied for and passed TESDA's National TVET Trainer Certification in the following areas: Cookery NCII, Commercial Cooking NCII, Commercial Cooking NCIV, and Bread & Pastry Production NCII. Another training that was held in support of the PCA program was the Essentials of Culinary Arts training that was attended by 68 faculty members. Rounding up the trainings for SY 2019-2020 was the SAP Faculty Training attended by 94 faculty members. This was conducted to better prepare the faculty members for the integration of SAP in select Accounting and IT programs.

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In SY 2017-2018, 1,513 faculty members were certified and 2,916 certificates were released. The numbers further increased in SY 2018-2019 with 3,327 FCCs granted and 11,346 certificates released. In SY 2019-2020, 3,824 FCCs were granted and 10,834 certificates were released.

STI ESG also opened the Graduate Studies Assistance Program for Master in Information Technology for part-time full-load faculty members. This assistance program features a socialized tuition scheme based on the enrollee's capacity to pay which would require the faculty member to pay only a portion of the tuition and other school fees for every semester. For SY 2019-2020, 12 faculty members enrolled in the program.

Student Development

STI ESG believes that learning should not be confined within the four corners of the classroom. To ensure that its graduates will be equipped with a well-rounded education that will help them reach their highest potential, STI ESG allows students to explore, enjoy, and learn through a wide array of academic, co-curricular, and extra-curricular activities. For SY 2019-2020, all sports competitions, which had been set for March 2020, were cancelled due to the implementation of the enhanced community quarantine in key areas in the country in response to the COVID-19 pandemic.

The STI National Youth Convention (STI NYC)

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

On February 21, 2017, CHED issued a memorandum on the imposition of moratorium on field trips and other similar activities covered under CHED Memorandum series order no. 17. In view of this, certain activities such as convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars, and educational tours were cancelled. The moratorium was lifted during SY 2017-2018. The 23rd STI NYC was then held in SY 2018-2019 and attended by 28,511 delegates from 10 legs: Legazpi, San Fernando, Baguio, Cagayan de Oro, Davao, General Santos, Kalibo, Bacolod, Cebu, and a combined leg for Metro Manila and South Luzon at Filinvest Alabang.

For SY 2019-2020, a total of 14,152 students attended the convention from eight legs: Cebu, Iloilo, Bacolod, San Fernando, Baguio, Davao, General Santos, and Naga. Two legs scheduled in Cagayan de Oro and Metro Manila were cancelled following the nationwide implementation of community quarantine measures due to the global COVID-19 pandemic.

Tagisan ng Talino (TNT)

The TNT is an annual academic competition that tests the competencies of students on impromptu speech, essay writing, mobile app development, cooking, cake and table design, flairtending, tour guiding, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met. STIers also witnessed the launch of three new competitions in SY 2017-2018 — Codefest, Travelogue, and Mix 'n Flair.

For SY 2017 to 2018, 1,022 students participated in the competitions. The number increased to 4,226 students in SY 2018-2019 and 5,903 students in SY 2019-2020.

Tagisan ng Sining (TNS)

The TNS is an annual competition that aims to challenge the students' artistry, creativity, and originality in the field of photography and music video making. In SY 2017-2018, 922 students from STI campuses nationwide participated in the TNS. The number of participants registered in SY 2018-2019 was 1,079 and 1,267 in SY 2019-2020.

Talent Search

The STI Talent Search uncovers the innate talent of STIers nationwide — from singers and musicians to dancers and up-and-coming models. Every year, all STI campuses nationwide send a total of over 100 contestants to compete in nine (9) regional sites before advancing to the National Finals in events like the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI. The talent search has likewise been shown live on the STI Official Facebook Fan Page since 2016-2017.

National Basketball Tournament (NBT)

To promote sportsmanship, camaraderie, and team spirit amongst students, STI conceptualized the National Basketball Tournament, a sports program for STI basketball teams nationwide. In SY 2017-2018, 53 schools joined the tournament with STI West Negros University declared as champions. In SY 2018-2019, STI College Balagtas came out on top and ruled over the different teams from 53 campuses.

National Volleyball League (NVL)

Following the success of the Women's Volleyball Challenge, the sports program was redeveloped and launched to include all STI-branded campuses nationwide. With the same objectives of instilling in the students the value of discipline and further strengthening their character, the first National Volleyball League was staged in SY 2017-2018 with 44 campuses joining the national tournament and STI West Negros University claiming the first NVL championship title. In SY 2018-2019, the tournament opened with 42 teams and STI West Negros University successfully defended its championship title for the second year.

Philippine National eSports League Association

The Philippine National eSports League Association introduced the first franchise model eSports circuit, The Nationals, in the country. Together with five other companies, STI joined the league and became one of its founding members. In SY 2019-2020, the league launched The Road to The Nationals, a series of open qualifier tournament games held nationwide. The tournament featured three game titles: DOTA2 for PC, Mobile Legends for mobile, and Tekken 7 for the console game.

Leaders Enhancement of Attributes Program and Student Engagement and Educational Development

The Leaders Enhancement of Attributes Program (LEAP) is a leadership program for the senior high school students. It aims to empower the student leaders in embracing and establishing a dynamic and concrete culture of excellence in academics, extra-curricular activities, and also career planning through various sessions, and activities. In each session, the participants are tasked to do action plans in which the new information and learnings they gained must be echoed and transferred to their classmates in their homeroom class through the Student Engagement and Educational Development (SEED).

The program was piloted at STI College Ortigas-Cainta with 72 student leaders as participants. The program participants received various internal and external awards such as academic honors, leadership awards, and recognitions during their graduation. Fueled by the positive results of the pilot program, STI ESG implemented LEAP in select campuses in SY 2018-2019. Eighteen (18) SHS homeroom advisers and club moderators, also referred to as LEAP and SEED Champions, who came from Calamba, Lipa, Meycauayan, Global City, Pasay-EDSA, San Pablo, Cubao, Dagupan, and Sta. Maria were invited for a training held on July 27, 2018.

Post-Graduation Report

The STI Alumni Relations, Placement, and Linkages (STI APL) department conducts a survey of the graduating class to track employment rate 12 months after graduation. This is facilitated through each STI School's Alumni and Placement Office. Based on the most recent reports, 63% of our surveyed graduates are employed within one year after they graduated.

Interactive Career Assistance and Recruitment System (ICARES)

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

The ICARES is an exclusive job search system for STI graduates that facilitates the easy dissemination of STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners for the job placement of STI graduates are enabled to post their job openings and request for lists of graduates through www.i-cares.com or the ICARES at no cost. Registration with ICARES is required for all graduating STI students. In SY 2017-2018, 161 partners utilized the ICARES, 131 of whom were able to post job vacancies on the ICARES website. In SY 2018-2019, there were 51 unique job postings with 87 partner companies utilizing the ICARES website. For SY 2019-2020, the website registered 84 partner companies with 44 of them posting job opportunities. The recruitment season, which usually occurs from February to May, was affected by the implementation of the community quarantines which led to a decline in the number of job postings.

On-the-ground school activities such as job fairs are conducted for recruitment purposes and to provide employment preparation seminars to graduating STI ESG students. Forty-two (42) institutional partners participated in STI ESG job fairs in SY 2017-2018, and 161 joined in SY 2018-2019. Schools nationwide also have local partnerships within their community to provide graduating students more avenues. For SY 2019-2020, the job fairs were cancelled as mass gatherings or activities have been disallowed due to the nationwide implementation of community quarantine measures in response to the COVID-19 pandemic.

The STI Distinguished Alumni Awards

The STI Distinguished Alumni Awards (STIDAA) was launched in 2014 in which STI campuses nationwide were encouraged to nominate their own alumni who have received distinctions and achievements in their chosen field. Since its inception up to SY 2018-2019, 41 alumni have been awarded and recognized for their outstanding accomplishments.

In SY 2019-2020, STIDAA added 21 more alumni to its list of notable national awardees. This group of alumni stood out from 89 nominees and will be honored in a virtual ceremony. The 2020 STIDAA National Awardees are Marlon Lopez, Ralph Rolly Maliwat, Mary Grace Araneta, Sergiris Ortega, Ronnel Ybañez, Jastine Ann Montilde, Ronnie Arap, Jr., Joseph John Martinez, Ronnie Cabanjin, Niño Algura, Darren Quijano, John Christian Mirasol, M.D., Roque Louie Aliyas, Clark Ty, James Olarte, Joseph Del Rio, Grace Jude, Neil Defeo, Greggie Mercado, Allan Jay Dumanhug, and Karen Jane Salutan.

Institutional Linkages

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

Junior Achievement of the Philippines, Inc. (JA Philippines)

STI ESG partnered with JA Philippines, a member of the international organization Junior Achievement Worldwide, a non-profit group dedicated to educating young business minds about workforce readiness, entrepreneurship, and providing financial literacy through hands-on programs.

This collaboration will bring JA Philippines' Business Skills Pass (BSP) program to select STI campuses for the ABM students. It is divided into two programs: Be Entrepreneurial for the Grade 11 students and the JA Company of the Year Program for the Grade 12 students. For SY 2017-2018, the Be Entrepreneurial program was implemented in select STI ESG campuses. The culminating activity for the Be Entrepreneurial program is the business plan development and presentation. In the said activity, STI College Novaliches placed 2nd runner-up in the Business Plan Presentation Competition.

The program continued in SY 2018-2019 where three campuses, namely STI Colleges Ortigas-Cainta, Novaliches, and Caloocan, successfully passed the first stage of the Company of the Year competition. In the final round, STI Colleges Ortigas-Cainta and Novaliches earned numerous awards.

For SY 2019-2020, all students who joined the program underwent mentoring sessions with industry practitioners and participated in the JA and Ortigas Malls Trade Fair held at Estancia Mall in Pasig City. From the numerous mini-companies who joined the program, three entries from STI Colleges Caloocan, Fairview, and Las Piñas qualified as finalists.

The Ascott Limited

The Ascott Limited (TAL) is a Singapore-based company that has grown to be one of the leading international serviced residence owner-operators. It has over 43,000 operating serviced residence units in key cities of the Americas, Asia Pacific, Europe, the Middle East and Africa, as well as more than 31,000 units which are under development, making a total of more than 75,000 units in over 500 properties. STI ESG's partnership with TAL ensures that its students will undergo the latter's formal training program and let them experience working in a professional environment.

Marco Polo Hotel

The partnership between STI ESG and Marco Polo Hotel in Ortigas provided STI ESG students with on-the-job training experience that is relevant to the demands of the industry. Students participatd in an extensive training in housekeeping and front office management that is at par with international standards.

InterContinental Hotels Group (IHG)

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

Philippine Airlines

Philippine Airlines, owned by PAL Holdings, is the flag carrier of the Philippines and is the first and oldest commercial airline in Asia. STI ESG's partnership with PAL allowed students enrolled under the BS Tourism Management program to participate in an on-the-job training program where they were given opportunities to familiarize themselves with actual office and technical operations and management to augment their formal learning.

Accenture, Inc.

The partnership between Accenture and STI ESG launched various collaboration activities that were intended to train and develop the new generation of information technology professionals through on-the-job training programs, campus recruitment activities, learning sessions, and workshops or seminars, among others.

Department of Labor and Employment (DOLE)

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

Scholarships

The Company partnered with various companies to aid in scholarship programs and increase employment opportunities for STI's graduates.
Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means of pursuing post-secondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (STI Foundation), strengthens its partnership with various TV programs from different TV networks. Sixty-five (65) scholars were registered through the TV programs in SY 2017-2018, 28 scholars in SY 2018-2019 and 54 scholars in SY 2019-20.

Sponsored Scholarship Programs

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

The STI Foundation and its partners were able to support 400 scholars nationwide in SY 2017-2018. The number of scholars continued to increase, reaching 1,284 in SY 2018-2019 and 1,119 in SY 2019-2020.

Community Extension and Outreach Programs

Capitalizing on STI ESG's national reach, STI Foundation and STI ESG's campuses across the country spearheaded and/or collaborated with other groups to conduct several community involvement programs that intensified the spirit of camaraderie among employees and the desire to give back to the communities while developing an environment that will be beneficial to all stakeholders.

The STI Foundation

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

Alternative Learning System (ALS)

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

STI ESG reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling. The ALS sessions are conducted every Saturday and employ blended and collaborative modes of instruction (face-to-face instructions), e-learning materials (e-Skwela), and performance-based assessment to prepare and equip the ALS learners with the knowledge required to pass the Accreditation and Equivalency (A&E)

Test given by DepEd. From SY 2016–2017 to SY 2017-2018, ALS Learners have taken the A&E test with 55 learners passing the test and receiving certificates equivalent to high school diplomas. For SY 2018-2019, 30 ALS learners took the test in February 2019. However, results for this test were put on hold since the Department of Education deemed it better to review the assessment test and align it with the current senior high school curriculum. The postponement still continued into SY 2019-2020. There are five STI campuses currently offering ALS — STI Colleges Ortigas-Cainta, Batangas, Lipa, Muñoz-EDSA, and Rosario.

The STI Mobile School

The STI Mobile School is a fleet of tourist-sized buses that have been converted into roving computer laboratories. Each bus is equipped with a state-of-the-art computer laboratory with internet access, multimedia computers, LCD monitors, sound system, and other top-of-the-line computer equipment.

Since its inception in 2011 and until the end of SY 2019-2020, the STI Mobile School has travelled to 1,230 sites and trained 172,556 participants nationwide. Today, a total of six mobile school buses travel across Luzon, Visayas, and Mindanao.

Adopt-a-School Program

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

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services to help tackle the needs of the less fortunate individuals and in support to other organizations.

In support of DepEd's Brigada Eskwela progam, STI Foundation and STI ESG went to Taytay National High School in Taytay, Rizal on June 3 and 10, 2017 to assist in the clean-up and installation of computers donated by the DepEd Central Office in the school's computer laboratory. For SY 2019-2020, the STI Foundation participated in two Brigada Eskwela activities: in Alfonso Central School in Alfonso, Cavite where 20 ALS learners were taught GIMP animation and in Maria Perpetua E. Brioso National High School in Masbate where 116 public school teachers were trained on Computer Concepts (MS Office), multimedia tools, and video editing and layout.

Community and Civic Engagements

STI Foundation collaborated with Caritas Manila's Segunda Mana Project in the latter's goal of generating in-kind donations such as clothes, toys, shoes, and others to be given away to the recipients of the Caritas Manila. Meanwhile, STI Foundation worked with the Ortigas Library Foundation and turned over English and Science books to select provincial public schools and libraries. The Foundation also donated uniforms to the beneficiaries of the Religious Missionaries of the Divine Savior, the victims of the Mayon Volcano eruption through the DepEd Central Office, and the beneficiaries of the National Youth Commission.

In SY 2017-2018, through STI ESG's partnership with the National Grid Corporation of the Philippines (NGCP), a privately-owned corporation in charge of operating, maintaining, and developing the country's state-owned power grid, STI Foundation facilitated the installation and regular maintenance of computer units donated by NGCP to 34 public elementary and high schools nationwide. Regular maintenance of the computer units for these public schools continued up to SY 2019-2020. During the same school year, five more computer laboratories were installed in five public schools.

On April 21, 2017, STI Foundation inked a Memorandum of Agreement with Jollibee Foods Corporation (JFC) and launched the Agroenterprise Training for Farmer Facilitators. With the help of the courseware learning materials developed by STI, Jollibee Foundation trained agroentrepreneurs facilitators so the latter will be able to organize farmer clusters that shall provide the vegetable supply to various JFC distributors, retailers, and institutional markets. In SY 2019-2020, three faculty members from STI College Ortigas-Cainta joined the program as co-facilitators and later on passed the TESDA National Certification IV assessment on Agro-entrepreneurship.

Business of Issuer

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

The Company offers secondary (senior high school) and tertiary (college and TESDA) programs, as well as post-graduate and associate programs. The colleges of the Company offer associate/baccalaureate degrees and technical/vocational programs in the fields of ICT, Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by CHED and/or TESDA, as may be applicable. The education centers of the Company offer technical/vocational courses for computer programming, multimedia arts, hospitality and restaurant services, culinary and tourism and events management, among others. The programs in the education centers are accredited by TESDA.

STI ESG School Programs

BS in Information Systems
BS in Computer Science
BS in Information Technology
BS in Information Technology major in Network Engineering*
BS in Information Technology major in Digital Arts*
BS in Accountancy
BS in Management Accounting
BS in Accounting Information System
BS in Accounting Technology*
BS in Business Administration major in Operations Management
BS in Business Management major in Operations*
BS in Office Administration*
BS in Office Administration with specialization in Customer Relations*
BS in Hospitality Management
BS in Culinary Management*
BS in Hotel and Restaurant Management*
BS in Tourism Management
BS in Travel Management*

BS in Computer Engineering
BA in Communication
Bachelor of Multimedia Arts
BS in Marine Engineering**
BS in Marine Transportation**
BS in Naval Architecture and Marine Engineering**
Bachelor of Secondary Education major in Mathematics
Bachelor of Secondary Education major in Computer Education
Master in Information Technology
3-year Hotel and Restaurant Administration*
2-year Information Technology Program
2-year Hospitality and Restaurant Services
2-year Tourism and Events Management
2-year Computer and Consumer Electronics Program*
2-year Multimedia Arts Program*
Senior High School

**These tertiary programs are offered only to senior college students.*
***These maritime programs are offered only to students of NAMEI Polytechnic College, Inc.*

Senior High School Program

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

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

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

    - Industrial Arts Strand with specialization in:
        - Consumer Electronics Servicing

Professional Accreditations

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

On 5 February 2015, the Company received the official ISO9001:2008 Certification for its Learning Delivery System. The ISO 9001:2008 certification is a milestone for the institution's thrust towards academic excellence by reaching global standards in its learning delivery system.

International Organization for Standardization 9001:2015 (ISO 9001:2015)

The Company was awarded with the ISO 9001:2015 certification on 5 February 2018 for its Learning Delivery System. It is another milestone for the Company as it became one of the pioneer institutions to be recognized as ISO 9001:2015 certified. For the surveillance audit conducted in November 2019, the scope was expanded to include Placement Assistance and Learning Delivery Compliance. STI ESG likewise received positive findings on its process improvements and Quality Management System's awareness campaign. The re-certification was released in February 2020.

Employees

The Group had 2,050 employees — 1,336 of whom were faculty members, 479 were non-teaching personnel, and 235 employees were from the main office as of 31 March 2020. STI ESG provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

FUNCTION	NUMBER OF EMPLOYEES
Main Office	
Senior Management	12
Managers	66
Staff	157
Subtotal	235
STI Schools	
Teaching Personnel (wholly-owned schools)	1,336
Non-teaching Personnel (wholly-owned schools)	479
Subtotal	1,815
TOTAL	2,050

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has an Authorized Capital Stock (ACS) of Five Billion Pesos (PhP5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (PhP1.00) each. Out of the ACS, three billion eighty one million eight hundred seventy seven thousand one hundred seventy (3,081,877,170) shares have been subscribed and paid-up. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for the Company is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Foreign shareholders owned a total of 7,841,118 shares or 0.25% of the outstanding common shares of the Company as of 30 September 2020.

As of 30 September 2020, there were sixty-four (64) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 30 September 2020:

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.66
2	PRUDENT RESOURCES, INC.	13,382,275	0.43
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12
6	SANTOS, MARIA LOURDES	1,725,000	0.06
7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01
11	VALERIO, MIKAEL M.S.	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	GARCIA, NOEL B.	83,190	0.00
19	MADRIGAL, VICTORIA P.	63,384	0.00
20	LAO, ERIENE C.	63,384	0.00

(3) Policy on Dividends Declaration

On September 19, 2017, the BOD of the Company adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from the Group's main business which is education and other recurring income.

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

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

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

On 29 March 2019, the BOD amended the dividend policy to clarify that the core net income for distribution as cash dividends shall come from the core income of the Company and its subsidiaries.

Dividend History:

Declaration Date	Dividends per Share	Amount
20 September 2019	Php0.06	Php184.9 Million
27 September 2018	PhP0.06	PhP184.9 Million
19 September 2017	PhP0.08	PhP246.5 Million

On 19 September 2017, the Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at 30 September 2017. Such dividends were paid on 19 October 2017.

On 27 September 018, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at 30 September 2018. Such dividends were paid on 10 October 2018.

On 20 September 2019, the Parent Company's BOD approved the cash dividends declaration in the amount of Php0.06 per share for a total amount of ₱184.9 million in favor of the stockholders of record as at 30 September 2019. Such dividends were paid on 5 November 2019.

(4) Recent Sales of Unregistered or Exempt Securities

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

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

The Group adjusted the school calendar of STI schools nationwide to eventually align its academic cycle with the calendars of public colleges as well as other private higher education institutions not only in the Philippines but in the ASEAN region as well. In line with this, STI ESG changed its accounting period from a fiscal year beginning April 1 of each year and ending on March 31 of the following year to July 1 of each year and ending on June 30 of the following year. Both the SEC and the BIR approved the change in the fiscal year.

To transition the change in the fiscal year, the BIR has required the submission of short-period income tax returns and audited financial statements for the period April 1, 2020 to June 30, 2020. The short-period audited consolidated financial statements summarize the financial condition of the Group as at June 30, 2020 and March 31, 2020 and its operating results for the three-month period beginning April 1, 2020 to June 30, 2020 and for the years ended March 31, 2020 and 2019. The amounts reflected in the June 30, 2020 audited consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and the related notes are for three months and, accordingly, are not comparable with amounts in the March 31, 2020 and 2019 reports which pertain to one whole year.

This discussion summarizes the significant factors affecting the financial condition of STI ESG and its subsidiaries (hereafter collectively referred to as the "Group") as at June 30, 2020 and March 31, 2020 and its results of operations for the three-month periods ended June 30, 2020 and 2019. The following discussion should be read in conjunction with the audited consolidated financial statements, as at and for the three-month period ended June 30, 2020 and years ended March 31, 2020, 2019 and for all the other periods presented.

Financial Condition

June 30, 2020 vs. March 31, 2020

The Group posted consolidated total assets amounting to ₽11,227.2 million as at June 30, 2020, versus ₽11,492.4 million at March 31, 2020, with a decrease of ₽265.2 million, mainly due to payments made to suppliers and interest on bonds, and depreciation of property and equipment.
Cash and cash equivalents decreased by 5% or ₽ 33.5 million from ₽ 617.7 million to ₽ 584.2 million as at March 31, 2020 and June 20, 2020, respectively, mainly due to the payment of interest on bonds.

Receivables decreased by ₽146.7 million, from ₽636.7 million to ₽ 490.0 million as at March 31, 2020 and June 30, 2020, respectively, substantially due to the collection of receivables from the DepEd for the SHS vouchers.

Prepaid expenses decreased by ₽9.3 million or 18% from ₽ 55.2 million to ₽ 45.9 million as at March 31, 2020 and June 30, 2020, respectively due to the decrease in STI ESG's Input VAT, prepaid taxes, and prepaid subscriptions and licenses accounts as at June 30, 2020.

Accounts payable and other current liabilities increased by ₽59.3 million or 11% representing outstanding rent, utilities, and interest payables as at June 30, 2020.

Unearned tuition and other school fees decreased substantially by ₽81.5 million, net of advance payments received for SY 2020-2021, representing tuition and other school fees recognized as revenues during the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₱18.4 million from ₱71.5 million to ₱53.1 million substantially due to reclassification from noncurrent to the current portion of advance rent/rental deposits for lease agreements with a remaining term of one year or less.

Retained earnings decreased by ₱214.7 million from ₱2,572.2 million to ₱2,357.5 million, representing the net loss for the three-month period ended June 30, 2020.

March 31, 2020, vs. 2019

The Group posted consolidated total assets amounting to ₱11,492.4 million as at March 31, 2020, versus ₱11,058.1 million as at March 31, 2019. This amount was substantially driven by the increase in cash and cash equivalents, receivables, and property and equipment. These increases were partially offset by the decline in the carrying value of the noncurrent asset held for sale.

Cash and cash equivalents increased by 54% or ₱216.5 million from ₱401.2 million to ₱617.7 million as at March 31, 2019, and March 31, 2020, respectively. STI ESG generated net cash from operations amounting to ₱608.3 million during the year ended March 31, 2020. The net investment outlays of STI ESG as at March 31, 2020 is ₱432.0 million, which include payments to contractors for the recently completed buildings, acquisition of simulator and other maritime equipment for NAMEI Polytechnic Institute, Inc., purchase of school equipment and furniture and construction of a new academic center in Legazpi City. STI ESG's drawdown from its seven-year term loan facility amounted to ₱800.0 million. The loan proceeds were primarily used to pay the amounts due to contractors and fund working capital requirements.

Receivables amounted to ₱636.7 million as at March 31, 2020, an increase by ₱215.9 million from ₱ 420.8 million as at March 31, 2019, representing mainly receivables from the students, Department of Education (DepEd) and Commission on Higher Education (CHED) for the remaining months of the school year and the consideration paid for the assignment of the loan of STI Tanay with the Development Bank of the Philippines (DBP) amounting to ₱75.5 million. Receivables from students increased by ₱53.7 million from ₱275.3 million to ₱329.0 million, largely on tuition and other school fees that are expected to be collected over the remaining month of the school year. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱175.1 million as at March 31, 2020, posting an increase of ₱31.7 million from ₱143.4 million as at March 31, 2019. Accounts receivable from CHED amounted to ₱42.1 million and ₱34.8 million as at March 31, 2019 and 2020, respectively. On November 4, 2019, DBP assigned, transferred, and conveyed, without recourse, all its collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interests in and to the loans, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

Inventories decreased by 13% or ₱19.4 million, from ₱151.8 million to ₱132.4 million, net of purchases made during the period, resulting from the sale of SHS and tertiary uniforms, textbooks, and marketing materials for the period ended March 31, 2020.

Prepaid expenses decreased by ₱18.7 million, or 25%, from ₱73.9 million to ₱55.2 million as at March 31, 2020 due to a decline in STI ESG's Input VAT as at March 31, 2020. This represents the portion of Input VAT, which were claimed as deduction from Output VAT for the year ended March 31, 2020.

The noncurrent asset held for sale amounting to ₱419.1 million and ₱716.6 million as at March 31, 2020 and 2019, respectively, represents the carrying value of STI ESG's 20% ownership in Maestro

Holdings, Inc (Maestro Holdings). The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare), and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) has approved the disposal of this 20% stake in Maestro Holdings. As such, said investment account has been reclassified from noncurrent to a current asset. Further, with the reclassification as a noncurrent asset held for sale, STI ESG has ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017 and was carried at the lower of its carrying amount and fair value less cost to sell. Since then, management had discussions with potential buyers but no final agreements were reached. For the year ended March 31, 2020, STI ESG has recognized a provision for impairment of its investment in Maestro Holdings amounting to ₱297.5 million to bring it to its fair value less cost to sell to the amount of ₱419.1 million as at March 31, 2020. The lower fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed-income securities and pre-need reserves for PhilPlans, and discounted cash flows from the financial budget covering five years approved by management of PhilLife and PhilCare. No provision for impairment was recognized for the year ended March 31, 2019. On September 24, 2020, STI ESG's BOD has approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

Property and equipment increased by 4% or ₱332.5 million, from ₱7,670.5 million to ₱8,003.0 million, net of depreciation recorded for the period, substantially attributed to the recognition of the right-of-use (ROU) assets with carrying value of ₱333.0 million as at March 31, 2020. This is in accordance with the adoption of Philippine Financial Reporting Standard (PFRS) 16, *Leases,* which requires lessees to recognize most leases in the consolidated statement of financial position and apply a single accounting model for all leases, with certain exemptions. The Group leases land and building spaces, where the schools are located, under operating lease agreements with varying terms and periods. Before the adoption of PFRS 16, the Group classified each of these leases (as lessee) at the inception date as operating lease under Philippine Accounting Standards (PAS) 17, *Leases*. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, using the modified retrospective method of adoption with the date of initial application of April 1, 2019, except for short-term leases and leases of low-value assets. The Group recognized ROU assets and lease liabilities for those leases previously classified as operating leases. The ROU assets were initially recognized based on the amount equal to the present value of lease payments determined at the lessee's incremental borrowing rate, adjusted for any prepaid and accrued lease previously recognized. Subsequently, ROU assets are measured at carrying amount less accumulated depreciation. The ROU assets are depreciated on a straight-line basis over the shorter of its remaining estimated useful life or the lease term. The increase likewise includes the costs related to the construction of STI Academic Center Legazpi, a four-storey building with an estimated student capacity of approximately 2,500 students, built on a 4,149 square meter property along Rizal Street, Legazpi City. The school building has been completed in September 2020, in time for the start of classes for SY 2020-2021.

Equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱17.8 million from ₱49.8 million to ₱67.6 million as at March 31, 2020. In January 2019, First Pacific Investment Ltd., PLDT, Inc., Benpro Inc., Pilipinas Global Network Limited, Cignal TV, Inc., Suha-PH, Inc., Happyfeet Esports team and STI ESG entered into an investment and shareholders' agreement whereby the parties agreed to form Philippine Online Sports League Inc., a stock association which will establish, operate and maintain a national multi-game Esports league in the Philippines with the aim to promote and develop Esports in the country. Esports is a growing sport internationally and in the Philippines. With this, Philippine Online Sports League Inc. was incorporated on September 30, 2019 with the Philippine Securities and Exchange Commission (SEC). It has an authorized capital stock of ₱155.0 million divided into 1.25 million common shares and 200.0 thousand preferred shares with a par value of ₱100.0 per common share and ₱150.0 per preferred share. The initial subscribed and paid-up capital of Philippine Online Sports League Inc. is ₱ 90.0 million, of which STI ESG subscribed to and paid ₱10.0 million for 100.0 thousand common shares at ₱100.0 par value per share. STI ESG also recognized unrealized fair value adjustment amounting to ₱8.0 million on its unquoted equity instrument at FVOCI due to the increase in its fair market value as at March 31, 2020.

Deferred tax assets (DTA) increased by ₱1.3 million from ₱32.1 million to ₱33.4 million as at March 31, 2019 and March 31, 2020, respectively, substantially representing taxes applicable to tuition and other school fees collected in advance and the tax impact of the adjustments related to the adoption of PFRS 16.

Goodwill, intangible, and other noncurrent assets increased by ₱19.4 million from ₱511.1 million to ₱530.5 million as at March 31, 2019 and March 31, 2020, respectively. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for the price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱0.2 million reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million was paid without interest in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. Consequently, STI ESG recognized an aggregate amount of ₱21.3 million deposit for asset acquisitions, which represent the remaining equal monthly installments from April to June 30, 2019 for the acquisition of a lot in Iloilo City in January 2018. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed. The lot will be the future site of STI Iloilo. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. (hereafter collectively referred to as "NAMEI") to STI ESG. NAMEI thus became a subsidiary of STI ESG effective April 1, 2019. In view of this, STI ESG started consolidating the assets, liabilities and results of operations of NAMEI beginning April 1, 2019. Thus, the deposits for asset acquisitions pertaining to NAMEI in the amount of ₱70.0 million as at March 31, 2019 was reversed. The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report of the fair value of these assets and liabilities at the time of acquisition resulting to goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represents fair value of the license and agreements. Deferred tax liability (DTL) amounting to ₱2.8 million is calculated based on the estimated fair value of the license to operate a maritime school, its related agreements, and a 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values. STI ESG conducts annual impairment testing of goodwill recognized through business combinations. Impairment testing showed that the Group's cash-generating units' (CGUs) recoverable amounts were higher than their carrying amounts as at March 31, 2020, except for the goodwill related to STI Tuguegarao and STI Pagadian as at March 31, 2019. Hence, the Group recognized provision for impairment of goodwill aggregating to ₱ 17.0 million and nil, for the years ended March 31, 2019 and 2020, respectively. Noncurrent advances to suppliers increased by ₱39.4 million, which is substantially attributed to advance payments made in relation to the acquisition of simulator and other maritime equipment for NAMEI Polytechnic Institute, Inc. and construction of STI Legazpi Academic Center including the necessary school furniture and equipment. These advances will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Accounts payable and other current liabilities decreased by ₱144.2 million, or 21%, substantially due to payments made by STI ESG to contractors and suppliers of the recently completed school buildings.

Unearned tuition and other school fees increased substantially by ₱113.6 million from ₱81.4 million as at March 31, 2019 to ₱195.0 million as of March 31, 2020, mostly representing tuition and other school fees of tertiary students that will be recognized as income over the remaining months of the related school term.

Current portion of obligations under finance lease amounting to ₱6.2 million as at March 31, 2019 was settled during the year ended March 31, 2020. The remaining portion of obligations under finance lease is now reclassified as part of lease liability. This change in the presentation was made following the adoption of PFRS 16.

The current and noncurrent portion of lease liability amounted to ₱66.1 million and ₱329.8 million, respectively. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated statements of financial position of the Group in accordance with the adoption of PFRS 16.

Income tax payable amounted to ₱2.9 million representing income tax due on the taxable income as at March 31, 2020.

Interest-bearing loans and borrowings, net of the current portion, increased by ₱554.3 million from ₱360.0 million to ₱914.3 million as at March 31, 2019 and March 31, 2020, respectively. STI ESG made drawdowns from its short-term loan facility aggregating to ₱468.0 million during the year ended March 31, 2020. These loans are subject to interest rates ranging from 4.75% to 5.75% and have been fully settled as at March 31, 2020. STI ESG also made drawdowns from its new term loan facility aggregating to ₱800.0 million during the year ended March 31, 2020, subject to interest rates ranging from 5.81% to 6.31%. The proceeds from these loans were used for capital expenditures and working capital requirements. The loan proceeds were partially offset by STI ESG's principal payments aggregating to ₱240.0 million on its Corporate Notes Facility in July 2019 and January 2020.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23, or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱ 2,964.4 million and ₱2,958.0 million as at March 31, 2020, and March 31, 2019, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱35.6 million and ₱ 42.0 million, as at March 31, 2020, and March 31, 2019, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased by ₱22.8 million from ₱33.3 million to ₱56.1 million as at March 31, 2019, and March 31, 2020, respectively, substantially representing additional retirement obligations and cumulative actuarial loss on pension assets recognized by the Group for the year ended March 31, 2020. The fair value of pension assets as at March 31, 2020 is affected by the economic impact of COVID 19.

Other noncurrent liabilities decreased by ₱30.4 million representing payments made by STI Novaliches to STI Diamond amounting to ₱14.0 million as a result of the conveyance of the latter's net assets to the former in August 2016 and due to reclassification from noncurrent to the current portion of advance rent/rental deposits aggregating to ₱16.1 million for lease agreements with a remaining term of one year or less.

STI ESG's cumulative actuarial gain decreased by ₱9.3 million, net of related tax, from ₱8.2 million to negative ₱1.1 million, as at March 31, 2019 and 2020, respectively, due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets.

STI ESG's fair value adjustment on equity instruments designated at FVOCI is up by ₱7.8 million due to the increase in the fair market value of STI ESG's investment in unquoted equity instrument as at March 31, 2020.

STI ESG's share in associate's cumulative actuarial gain likewise decreased by ₱68.0 thousand, net of related tax, due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of one of its associates.

On December 12, 2018, De Los Santos-STI College, Inc. (De Los Santos-STI College) and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a Deed of Absolute Sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. The 79,399 DLSMC shares had a carrying value of ₱8.6 million at the time of the sale. The transaction resulted in a realized fair value gain on equity instruments designated at FVOCI amounting to ₱31.1 million, which is presented as an addition to Retained Earnings as at March 31, 2019. The disposition of De Los Santos-STI College shares in DLSMC was made to enable the Group to focus on its core business of offering educational services.

Retained earnings decreased by ₱451.6 million from ₱3,023.8 million to ₱2,572.2 million, substantially due to the provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings, dividends declared in September 2019, amounting to ₱0.06 per share or an aggregate amount of ₱184.9 million to stockholders of record as of September 30, 2019, and further, the initial application of PFRS 16 reduced retained earnings at the beginning of the fiscal year by ₱40.4 million, net of tax.

March 31, 2019 vs. 2018

The Group posted consolidated total assets amounting to ₱11,058.1 million as at March 31, 2019 vs. ₱10,890.9 million as at March 31, 2018. Property and equipment increased by ₱1,472.9 million driven by the construction of the new school buildings while cash balances decreased by ₱1,216.2 million, net of collections received for the period, due to payments made to suppliers and contractors and purchase of equipment, furniture and fixtures for all construction projects.

Cash and cash equivalents decreased by 75% from ₱1,617.4 million to ₱401.2 million as at March 31, 2018 and 2019, respectively, as a result of continued capital outlays on expansion projects which were funded by the proceeds of the bond offer, as well as payment of bank loans and interest on bonds. The proceeds from bond issuance have been fully utilized as at March 31, 2019.

Receivables, which consist mainly of receivables for tuition and other school fees, increased by ₱7.6 million or 2% to ₱420.8 million, net of adjustments recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9. The balance is composed mostly of amounts expected to be collected from students, DepEd and CHED, which amounted to ₱273.9 million, ₱107.9 million and nil as at March 31, 2018, respectively, and ₱275.3 million, ₱143.4 million and ₱42.1 million as at March 31, 2019, respectively. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private Higher Education Institutions (HEIs). Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

Inventories increased by 13% or ₱16.9 million substantially representing the increase in new sets of tertiary uniforms, Senior High School (SHS) textbooks, educational and promotional materials in preparation for the coming School Year (SY) 2019-2020.

Prepaid expenses decreased by ₱22.6 million or 23% from ₱96.5 million to ₱73.9 million due to the decrease in prepaid license and prepaid taxes. Prepaid subscriptions and licenses decreased by ₱7.5 million as the annual Microsoft subscription of the Group was renewed after March 31, 2019 or beyond the period covered by the report. Prepaid taxes decreased by ₱14.3 million, net of input VAT recognized and subsequently charged to expense and those applied against output taxes during the year.

The noncurrent asset held for sale amounting to ₱716.6 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings, Inc (Maestro Holdings). The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare) and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) approved the disposal of this 20% stake in Maestro Holdings. Negotiations for the sale are ongoing. As such, said investment account was reclassified from noncurrent to current asset. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017.

Property and equipment, net of accumulated depreciation, climbed by 24% or ₱1,472.9 million from ₱6,197.6 million to ₱7,670.5 million as at March 31, 2018 and 2019, respectively, driven by the expansion projects. The construction works in STI San Jose del Monte have been completed as at March 31, 2019 while the newly constructed buildings of STI Sta. Mesa and STI Pasay-EDSA have been substantially completed as at March 31, 2019. These schools are already accepting tertiary and senior high school students for the first semester of SY 2019-2020. Meanwhile, STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019.

Investment properties declined by ₱28.5 million from ₱550.2 million to ₱521.7 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures decreased by ₱6.3 million from ₱ 514.9 million to ₱508.6 million as at March 31, 2018 and 2019, respectively, net of the share in associates' income, due to dividends received from an associate for the year ended March 31, 2019.
Equity investments in listed and non-listed companies classified as Available For Sale (AFS) financial assets as at March 31, 2018 are classified and measured as Equity instruments designated at fair value through other comprehensive income (FVOCI) beginning April 1, 2018. The Group recognized an increase in the unrealized fair value adjustment on equity instruments designated at FVOCI amounting to ₱40.2 million on April 1, 2018, as part of the transition adjustments resulting from the effect of adoption of PFRS 9. On December 12, 2018, De Los Santos-STI College, Inc. (De Los Santos-STI College) and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, to MPHHI for a total consideration of ₱39.7 million. On February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the time of sale, the fair value of the shares is equal to the total consideration. Consequently, the equity instruments designated at FVOCI declined from ₱68.1 million to ₱50.5 million as at March 31, 2019. These transactions resulted in a realized fair value gain on equity instruments designated at FVOCI amounting to ₱37.1 million which is presented as addition to Retained Earnings. The disposition of De Los Santos-STI College shares in DLSMC was made to enable the Group to focus on its core business of offering educational services.

The disposition of De Los Santos-STI College shares in DLSMC was made to enable the Group to focus on its core business of offering educational services.

Deferred tax assets (DTA) rose by ₱18.1 million substantially due to taxes applicable to remeasurement loss in pension liability, tuition and other school fees collected in advance and adjustments resulting from the adoption of PFRS 9. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt. Remeasurement loss, related to pension expense, is presented net of taxes, as the component of the current year's other comprehensive loss while bad debts ascertained to be worthless and uncollectible are considered as deductible for tax purposes when these receivables are written off.

Pension assets amounted to ₱53.5 million and nil as at March 2018 and 2019, respectively. This is due to the computed actuarial loss on pension assets arising from the decline in value of equity shares forming part of pension assets. The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

Goodwill, intangible and other noncurrent assets decreased by ₱3.5 million from ₱514.6 million to ₱511.1 million as at March 31, 2019. In January 2018, STI ESG entered into a contract to sell with a real estate developer for the acquisition of a lot in Iloilo City with a total area of 2,615 sq. m. for a price of ₱183.0 million plus value-added tax, less other applicable taxes. STI ESG made a down payment amounting to ₱67.5 million in January 2018, net of the ₱200.0 thousand reservation fee paid on November 29, 2017. The remaining balance in the amount of ₱128.1 million is being paid without interest, in eighteen (18) equal monthly installments of ₱7.1 million starting January 2018 up to June 2019. The lot will be the future site of STI Iloilo. Also, on February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount is to be treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI will become a subsidiary of STI ESG effective April 1, 2019. Consequently, the deposit for asset acquisition increased by ₱155.5 million representing payments made for the acquisition of a lot in Iloilo City and deposits made for the purchase of shares of NAMEI, as discussed above. STI ESG conducts annual impairment testing of Goodwill recognized through business combinations. Impairment testing as at March 31, 2019 showed that the Group's cash-generating units' (CGUs) recoverable amounts were higher than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian. For the year ended March 31, 2019, the Group recognized impairment loss on Goodwill aggregating to ₱17.0 million related to these schools since their recoverable amounts were lower compared to their carrying amounts. Noncurrent advances to suppliers decreased by ₱145.6 million due to reclassification to "Property and Equipment" as STI ESG recognized the cost of construction works based on the percentage of completion of the projects as at March 31, 2019.

Accounts payable and other current liabilities increased by ₱297.3 million substantially due to obligations to contractors in relation to construction and repairs in various STI ESG campuses.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱240.0 million while the current portion of interest-bearing loans and borrowings, net of principal payments made aggregating to ₱134.4 million in July 2018 and January 2019, increased by ₱105.6 million to ₱240.0 million representing the amount due within one year.

Unearned tuition and other school fees increased by ₱27.4 million from ₱54.0 million to ₱81.4 million as at March 31, 2018 and 2019, respectively, substantially attributed to advance payments of tuition fees and other school fees of incoming students for SY 2019-2020 and the portion of the assessment fees of the August batch of tertiary students for SY 2018-2019 with second semester ending in May 2019. The unearned tuition and other school fees will be recognized as income over the related term.

The current and noncurrent portions of obligations under finance lease declined by ₱0.2 million and ₱2.4 million, respectively, due to payments made during the period.

Income tax payable decreased to ₱12.1 million from ₱13.7 million as at March 31, 2019 and 2018, respectively, due to lower taxable income.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,958.0 million and ₱2,951.9 million as at March 31, 2019 and 2018, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱42.0 million and ₱48.1 million, as at March 31, 2019 and 2018, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased from ₱4.7 million to ₱33.3 million as at March 31, 2019 representing additional retirement obligations and additional liability recognized due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets of the Group for the year ended March 31, 2019.

Other noncurrent liabilities decreased by ₱1.7 million, net of the advance rent and security deposits received from new lease agreements, due to payments made by STI Novaliches to STI Diamond amounting to ₱8.0 million as a result of the conveyance of the latter's net assets to the former in August 2016.

STI ESG's cumulative actuarial gain decreased by ₱74.4 million, net of related tax, from ₱82.6 million to ₱8.2 million, as at March 31, 2018 and 2019, respectively, due to the impact of unrealized remeasurement loss recognized from the decline in the market value of the investment in equity securities of the pension plan assets.

STI ESG's fair value adjustment on financial assets designated at FVOCI is up by ₱2.8 million due to the increase in the fair market value of the STI ESG's shares in DLSMC.

Retained earnings increased by ₱19.9 million from ₱3,003.9 million to ₱3,023.8 million. This is due to the net income attributable to equity holders of the Group amounting to ₱254.9 million and the realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million resulting from the sale of shares in DLSMC for the year ended March 31, 2019. Dividends amounting to ₱ 184.9 million were declared by STI ESG and adjustments on the initial application of PFRS 9 amounting to ₱87.1 million, net of tax, were recognized for the period beginning April 1, 2018.

March 31, 2018 vs. 2017

The Group's total assets as at March 31, 2018 decreased by ₱195.2 million to ₱10,890.9 million from ₱11,086.1 million as at March 31, 2017. Cash and cash equivalents declined by ₱1,262.9 million as a result of continued capital expenditures, payments of loans and interests made by STI ESG on its loans and bonds. On the other hand, property and equipment increased by ₱932.1 million as real properties are acquired and construction continued in full swing.

Cash and cash equivalents decreased by 44% from ₱2,880.3 million as at March 31, 2017 to ₱1,617.4 million as at March 31, 2018 as a result of continued capital outlays on expansion projects which were funded by the proceeds of the bond offer, as well as payment of bank loans and interests on bonds.

Receivables, which consist mainly of receivables for tuition and other school fees, increased by ₱61.7 million or 18%. The balance is composed mostly of amounts expected to be collected from students and from DepEd which amounted to ₱248.6 million and ₱50.0 million as at March 31, 2017, respectively, and ₱273.9 million and ₱107.9 million as at March 31, 2018, respectively. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd pays directly the schools where these students enrolled.

Inventories increased by 15% or ₱17.9 million substantially due to the increase in stock of SHS uniforms in preparation for the coming SY 2018-2019.

Prepaid expenses decreased by ₱13.4 million or 12% from ₱109.9 million to ₱96.5 million. This is largely due to the reclassification of input VAT amounting to ₱46.8 million from prepaid taxes to "Land" under "Property and Equipment", thus forming part of its acquisition cost. As background, in January 2017, STI ESG purchased three parcels of land along EDSA, Pasay City with a combined land area of 3,911 square meters. This is intended to be the site of the nine-storey STI Academic Center Pasay-EDSA with roof deck, where the existing students of STI Taft, a separate corporate entity then, will eventually transfer. On August 30, 2017, SEC approved the merger of STI Taft with STI ESG, with STI ESG as the surviving entity. With the approval of the merger, the related input tax on the purchase of the said EDSA properties amounting to ₱46.8 million was reclassified as part of the acquisition cost of land. In another development, STI ESG entered into a contract to sell in January 2018 for the acquisition of a lot situated at Barangay San Rafael, Iloilo City for ₱183.05 million. STI ESG paid 30% down payment inclusive of VAT and related taxes, net of ₱0.2 million reservation fee, amounting to ₱67.5 million on the same month. STI ESG, as a result, recognized input tax amounting to ₱22.0 million. This lot is earmarked as the future site of STI Iloilo. These transactions, partially offset by real property taxes on investment properties and business taxes paid covering the period January to December 2018, brought down "Prepaid taxes" by ₱17.9 million compared to ₱91.0 million balance as at March 31, 2017. Prepaid subscriptions and licenses increased by ₱8.1 million primarily due to prepayment of Microsoft subscriptions covering the period February 2018 to January 2019.

The noncurrent asset held for sale amounting to ₱716.6 million represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. This company owns the following operating companies: a) 100% of PhilPlans, b) 99.89% of PhilCare, and c) 70.6% of PhilLife. On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings. Final negotiations for the sale are ongoing. As such, STI ESG reclassified its investments in Maestro Holdings as "Noncurrent Asset Held for Sale" in June 2017 and presented the same under the portion of the current assets in the Statements of Financial Position. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017. "Investments in and advances to associates and joint ventures" consequently decreased by the same amount.

Property and equipment, net of accumulated depreciation, climbed by 18% or ₱932.1 million from ₱ 5,265.5 million to ₱6,197.6 million as at March 31, 2017 and 2018, respectively. As part of the continued expansion projects, STI ESG acquired parcels of land in Lipa and Legazpi amounting to ₱ 99.0 million and ₱76.4 million, respectively, inclusive of taxes and registration fees. These acquisitions were funded by the proceeds from the bond offer. The cost of acquisition of EDSA properties increased likewise with the reclassification of input tax amounting to ₱46.8 million as part

of the cost of land. The renovation costs of STI Sta. Maria and the fit-out work on a newly constructed building, which was leased to be the new site of STI Malaybalay, also contributed to the increase. Total related contract costs amounted to ₱69.0 million, inclusive of materials, equipment, furniture and fixtures, cost of labor and overhead and all other costs necessary for the completion of these projects. The construction projects in Sta. Maria and Malaybalay were completed in January 2018. The construction-in-progress account likewise increased significantly as the construction projects for the new sites of STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and a green field school in San Jose del Monte continued in full swing. STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019. The rest of the buildings were substantially completed in March 2019.
Investment properties declined by ₱28.6 million from ₱578.8 million to ₱550.2 million representing depreciation expense recognized for the period.

Investments in and advances to associates and joint ventures decreased by ₱820.6 million from ₱1,335.5 million to ₱514.9 million as at March 31, 2017 and 2018, respectively, with the reclassification of the investment in Maestro Holdings amounting to ₱716.6 million to "Noncurrent Assets Held for Sale". Equity share in net losses amounting to ₱218.2 million recognized during the period April to June 2017, contributed to the decrease. Inter-company receivables are generally settled in cash.

AFS Financial Assets increased by ₱16.5 million from ₱50.9 million to ₱67.4 million as at March 31, 2017 and 2018, respectively, with the reclassification of the deposit for the purchase of proprietary shares in a development in Batangas amounting to ₱16.1 million to "AFS Financial Assets" in December 2017.

Deferred tax assets (DTA) decreased by ₱1.5 million primarily due to the deferred tax liability (DTL) on the remeasurement gains recognized as the market value of the pension plan's investment in equity shares improved significantly for the year ended March 31, 2018. DTA is presented net of DTL.

Pension assets amounted to ₱53.5 million from ₱2.8 million as at March 31, 2017 with the recognition of the remeasurement gains on the improved valuation of the equity shares which form part of the plan assets for the year ended March 31, 2018.

Goodwill, intangible and other noncurrent assets increased by ₱136.4 million from to ₱378.2 million to ₱514.6 million as at March 31, 2018 mainly due to noncurrent advances to suppliers/contractors in connection with construction activities for the period which increased by the same amount as at March 31, 2018.

On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in its school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets was effective on April 1, 2017. Consequently, the initial deposits made, which was previously recognized under "Deposits for asset acquisitions" with a total amount of ₱18.0 million were applied and STI Sta. Maria paid the remaining balance of ₱2.0 million. The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million.

STI ESG's short-term loan balance amounted to ₱545.0 million and nil as at March 31, 2017 and 2018, respectively. STI ESG availed of loans from Bank of the Philippine Islands amounting to ₱240.0 million in October 2017 and made payments aggregating to ₱785.0 million for the year ended March 31, 2018. The loans are subject to interest rates ranging from 3.20% to 3.75%. The proceeds from these loans were used for working capital requirements.

Accounts payable and other current liabilities increased by ₱7.4 million largely due to the additional payables recognized in relation to construction works in various STI ESG campuses.
The current portion of interest-bearing loans increased by ₱93.6 million, net of payments made during the year, while the non-current portions of borrowings decreased by ₱134.4 million, arising from the reclassification of the total amount due within the coming fiscal year.

Unearned tuition and other school fees increased by ₱24.4 million from ₱29.6 million as at March 31, 2017 to ₱54.0 million as at March 31, 2018 substantially attributed to advance payments of tuition fees and other school fees of incoming students for SY 2018-2019. The unearned revenue will be recognized as income over the incoming school term.

The current and noncurrent portions of obligations under finance lease increased by ₱1.5 million and ₱7.6 million, respectively, as at March 31, 2018 with the acquisition of property and equipment under finance lease.

Income tax payable decreased to ₱13.7 million as at March 31, 2018 from ₱14.3 million as at March 31, 2017 due to lower taxable income.

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration will end on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23 and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱2,951.9 million and ₱2,947.0 million as at March 31, 2018 and 2017, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱48.1 million and ₱53.0 million, as at March 31, 2018 and 2017, respectively.

Pension liabilities decreased by 23% to ₱4.7 million as of March 31, 2018 due to the impact of unrealized remeasurement gains recognized based on actuarial reports.

Other noncurrent liabilities decreased by ₱12.6 million as advanced rent and rental deposits amounting to ₱4.8 million were applied against receivables from former lessees as a result of pre-termination of lease contracts. In addition, STI Novaliches' other noncurrent liability to STI Diamond, as a result of the conveyance of the latter's net assets to the former in August 2016, now has a present value of ₱50.1 million, net of ₱7.1 million representing current portion as at March 31, 2018.

Relative to the merger of STI Taft and STI Dagupan with the Parent Company in August 2017, STI ESG subscribed to 5,952,273 of its own shares and issued a total of 5,311 shares to minority holders of the absorbed entities with par value of ₱1.0 per share at a price of ₱1.82 per share pursuant to the Bureau of Internal Revenue's requirement on mergers. Consequently, capital stock increased by ₱ 5.9 million from ₱3,081.9 million to ₱3,087.8 million and STI ESG recognized treasury shares amounting to ₱10.8 million. Additional paid-in capital increased by ₱7.0 million from ₱379.9 million to ₱386.9 million.

Other equity reserve changed by ₱2.1 million from ₱28.8 million to ₱30.9 million as at March 31, 2018 representing additional paid-in capital recognized on the issuance of shares related to the merger.

Other comprehensive income associated with the noncurrent asset held for sale shown in the equity side of the audited consolidated statements of financial position amounting to ₱91.9 million represents STI ESG's cumulative share in Maestro Holdings' unrealized mark-to-market gain on available-for-sale financial assets, cumulative actuarial gain on pension liabilities, remeasurement loss on life insurance reserves and other equity reserve up to June 30, 2017, which is the date of reclassification.

As at March 31, 2018, STI ESG's cumulative actuarial gain increased by ₱46.8 million from ₱35.8 million to ₱82.6 million as at March 31, 2017 and March 31, 2018, respectively, due to the impact of unrealized remeasurement gains recognized from improved market value of the investment in equity securities of the pension plan assets.

STI ESG's unrealized mark-to-market losses on its available-for-sale financial assets amounting to ₱24.6 thousand as at March 31, 2017 registered unrealized mark-to-market gains of ₱0.4 million as at March 31, 2018, due to the higher market value of the Manulife shares held by STI ESG.

The share in associates' remeasurement loss on life insurance reserves amounting to ₱18.3 million shown in the equity side of the audited consolidated statements of financial position as at March 31, 2017 was reclassified to noncurrent asset held for sale as at March 31, 2018. This represents the share of STI ESG in the restatements made by Maestro Holdings as a result of the retrospective application of the change in the valuation methodology of PhilLife's life insurance reserves for traditional products from Net Premium Valuation (NPV) to Gross Premium Valuation (GPV) in accordance with Insurance Commission Circular Letters 2016-66 and 2017-36, "Valuation for Life Insurance Policy Reserves" effective starting January 1, 2017 (see discussions in subsequent paragraphs).

The Group's share in its associates' unrealized mark-to-market losses on available-for-sale financial assets and cumulative actuarial gain amounting to ₱16.5 million and ₱0.7 million, respectively, as at March 31, 2017 registered unrealized mark-to-market loss and cumulative actuarial gain amounting to ₱32.0 thousand and ₱0.6 million, respectively, as at March 31, 2018. The amount of ₱16.4 million which is part of the ₱16.5 million reported as at March 31, 2017 corresponds to the unrealized mark-to-market losses attributable to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017. The balances shown as at March 31, 2018 do not include any amount pertaining to the reclassified noncurrent asset held for sale. The share in associates' other equity reserve of ₱0.7 million reported as at March 31, 2017 corresponds to the 20% investment share in Maestro Holdings and is part of the reclassification made in June 2017.

Retained earnings, net of cash dividends declared in September 2017 amounting to ₱246.5 million, increased by ₱185.5 million from ₱2,818.4 million to ₱3,003.9 million.

Results of Operations

Three-month period ended June 30, 2020 vs. three-month period ended June 30, 2019

For the three-month period ended June 30, 2020, the Group posted gross revenues of ₱111.7 million as compared to the same period last year of ₱227.4 million. This was mainly due to the imposition of the ECQ in the entire island of Luzon from March 17 to May 31 and the General Community Quarantine (GCQ) in most parts of the country, and its extension up to report date. As a result, online classes were gradually implemented starting in May in all the schools in the Group and were completed by end of July 2020. The school opening for SY 2020-2021 in both STI ESG was moved to September 2020. As a result, the Group incurred a decline in the revenues from tuition and other school fees and sale of educational materials.

Operating loss for the three-month period ended June 30, 2020 amounted to ₱189.9 million compared to an operating loss of ₱233.7 million for the same period last year, an improvement of ₱43.8 million due to lower cost and expenses. Net loss likewise decreased to ₱216.8 million for the three-month ended June 30, 2020 as against same period last year's operating loss of ₱239.6 million.

Earnings before interest, taxes, depreciation, and amortization (EBITDA)computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net income(loss) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses) such as gain on disposal of net assets improved by ₱41.1 million, from negative ₱97.1 million last year to negative ₱56.0 million. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use (ROU) assets and lease liabilities, respectively.

Years ended March 31, 2020, vs. 2019

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

	SY 2019-2020	SY 2018-2019	Decrease	
			Enrollees	**Percentage**
STI Network				
Owned schools	44,811	44,298	513	1%
Franchised schools	29,987	32,543	(2,556)	(8%)
Total Enrollees	**74,798**	**76,841**	**(2,043)**	**(3%)**

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- CHED - students under this group are enrolled in tertiary and post-graduate programs;
- Technical Education and Skills Development Authority (TESDA) - students under this group are enrolled in technical-vocational programs; and
- DepEd – pertains to primary and secondary education, including SHS.

	SY 2019-2020	%	SY 2018-2019	%
CHED	40,737	54%	38,582	50%
TESDA	2,152	3%	1,843	2%
DEPED	31,909	43%	36,416	48%
TOTAL	**74,798**	100%	**76,841**	100%

**DepEd count includes SHS students and 454 students of NAMEI who are enrolled in basic education in SY 2019-2020.*

The Group registered a 44% increase in new student count enrolled under the CHED programs in SY 2019-2020, resulting in a 6% increase in total CHED student count year-on-year. This is despite the fact that there are mainly two year levels in college in relation to the implementation of the K to 12 program.

Prior to SY 2018-2019, the schools in the STI Network formally open every June of each year. On June 14, 2018, STI ESG informed CHED of the decision of its BOD to admit two batches of incoming college freshmen students for SY 2018-2019. STI ESG requested CHED for endorsement of this move to accept the second batch of college freshmen enrollees. On June 29, 2018, CHED noted the decision of STI ESG, citing that the decision to move the school calendar is part of the institution's academic freedom, provided that it would not violate existing rules on the same. CHED also advised STI ESG to coordinate with the respective CHED Regional Offices on the usual guidance and procedures in implementing the planned school calendar.

This decision is in line with STI ESG's thrust to continue providing an opportunity for fresh Grade 12 graduates to pursue their tertiary education. Classes for the first and second batch started in June and August 2018, respectively. The number of students in SY 2018-2019, which is reported in the foregoing tables, represents the total enrollment for the June and August 2018 batches.

In February 2019, the BOD of STI ESG approved the shift in the school calendar for tertiary classes from the usual June of each year to mid-July beginning SY 2019-2020 while the opening of SHS classes remained in June.

STI ESG's implementation of two freshmen batches in SY 2018-2019 and the shift in the tertiary school calendar in SY 2019-2020 of its schools are in accordance with the guiding policy on the academic calendar year which is stipulated in Section 3 of Republic Act (RA) 7797 or the School Calendar Act, which states that the school year shall start on the first Monday of June but not later than the last day of August. This is also in consonance with RA 7722, which provides some leeway for HEIs to establish their own academic calendars and set their opening days in order to encourage innovation and the exercise of academic freedom among institutions of higher learning.

On September 5, 2019, the BOD of STI ESG approved several amendments in its By-Laws, including among others: (1) change of the fiscal year from starting April 1 of each year ending on March 31 of the following year to starting July 1 of each year ending on June 30 of the following year; and, (2) change of the date of its annual stockholders' meeting from every first Thursday of September of each year to every first Thursday of November of each year. The SEC approved the amendments on November 4, 2019. The BIR approved the Parent Company's application for change in accounting period on August 27, 2020.

STI ESG posted gross revenues amounting to ₱2,067.0 million for the year ended March 31, 2020, a 6% or ₱124.2 million decrease from last year.

Tuition and other school fees amounted to ₱1,707.2 million for the year ended March 31, 2020, a decline of ₱94.0 million or 5% from the same period last year. This is due to the shift of STI ESG in the start of the school calendar for tertiary classes from June of each year to July this school year. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding school term(s) to which they pertain. Accordingly, revenues related to the tertiary enrollees were recognized beginning July 2019 compared to last year when both SHS and tertiary classes commenced in June 2018 and thus related revenues were recognized beginning June 2018. In addition, classes were suspended starting March 17, 2020 with the imposition of the Enhanced Community Quarantine (ECQ) throughout the island of Luzon, as part of the government's move to contain the outbreak of COVID 19. With this, graduation ceremonies, the convention of students in select areas and some student activities and programs, scheduled in March 2020, were completely cancelled.

Revenues from educational services and royalty fees decreased by 16% and 18%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies went down from ₱149.6 million to ₱135.9 million, a 9%, or ₱13.7 million decrease substantially due to the lower sale of uniforms. STI ESG introduced new designs of tertiary uniforms in SY2018-2019, which contributed to the higher sale of tertiary uniforms for the year ended March 31, 2019. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is higher by ₱27.5 million, or 4%, from ₱687.8 million to ₱715.3 million for the years ended March 31, 2019, and 2020, respectively. The cost of instructors' salaries and benefits increased by ₱4.9 million due to the costs related to NAMEI and STI San Jose del Monte, which were consolidated to the Group beginning April 1, 2019. Depreciation expense increased by ₱ 120.5 million representing direct expense portion of depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA and the depreciation on the ROU assets which were recognized in relation to the adoption of PFRS 16. Rent expense attributed to the direct expense portion decreased by ₱60.8 million due to the adoption of PFRS 16 and savings on rental expenses attributed to the transfer of STI Shaw operations to STI Sta. Mesa, and STI Taft and STI Makati operations to STI Pasay-EDSA. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets and recognized ROU assets for these leases previously classified as an operating lease. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid, and accrued lease payments previously recognized. ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The direct portion of depreciation expense of ROU assets amounting to ₱41.4 million was recognized for the year ended March 31, 2020. Other direct expenses decreased by ₱41.3 million substantially because of the school activities and programs which were canceled due to the implementation of the ECQ.

General and administrative expenses decreased by ₱16.9 million from ₱1,044.8 million to ₱1027.9 million for the year ended March 31, 2019, and 2020, respectively. The operating expense portion of Rent expense decreased by ₱36.8 million due to the adoption of PFRS 16 aggregating to ₱23.9 million and savings generated from the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA. Costs of security, janitorial, and other outside services increased by ₱12.0 million due to the costs of NAMEI and STI San Jose del Monte, which were consolidated to the Group beginning April 1, 2019, and increase in security and janitorial personnel in some schools. Depreciation expense went up by ₱43.3 million due to the adoption of PFRS 16 and due to depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Insurance expenses likewise increased by ₱3.2 million in line with the completion of the aforementioned school buildings. The Group recognized a provision for ECL amounting to ₱52.1 million from the year ended March 31, 2020. This is lower by ₱9.4 million compared to ₱61.6 million for the year ended March 31, 2019. While receivables from students for tuition and other school fees increased, these are substantially recent accounts that were assigned lower loss rates. The Group recognized ECLs based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables were assigned lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. Receivables pertaining to SY 2018-2019 likewise registered an improvement in 2020 due to subsequent collections received from the students. Provision for inventory obsolescence of ₱4.8 million representing impairment of old tertiary uniforms was recognized for the year ended March 31, 2020. STI ESG conducts annual impairment testing of goodwill recognized through business combinations. Impairment testing showed that the Group's CGUs' recoverable amounts were higher than their carrying values except for the goodwill related to STI Tuguegarao and STI Pagadian as at March 31, 2019. For the year ended March 31, 2019, the Group recognized provision for impairment of goodwill related to these schools aggregating to ₱17.0 million since their recoverable amounts were lower compared to their carrying amounts. Advertising and promotions decreased by ₱11.8 million as STI ESG transitioned from its traditional television advertisements to online or digital advertising which is more specifically directed to its target market at a lower cost.

The Group posted an operating income of ₱218.8 million for the year ended March 31, 2020, compared to the same period last year's operating income of ₱344.7 million, largely because of the shift in the academic year this SY2019-2020.

For the year ended March 31, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using Maestro Holdings' adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds and other fixed-income securities and pre-need reserves for PhilPlans and discounted cash flows from the financial budget covering five years approved by management of PhilLife and PhilCare. No provision for impairment was recognized for the year ended March 31, 2019.

Equity in net earnings of associates increased by ₱0.6 million from ₱4.7 million to ₱5.3 million for the years ended March 31, 2019 and 2020, respectively, representing STI ESG's share in the net income of an associate.

Interest expenses increased by ₱84.1 million year-on-year, from ₱189.5 million to ₱273.6 million due to an increase in the interest rate on long-term loans of STI ESG's Corporate Notes Facility Agreement with China Bank, from 4.75% to 7.89%. Also, STI ESG availed of short-term loans aggregating to ₱468.0 million subject to interest rates ranging from 4.75% to 5.75%. These short-term loans were fully paid as at March 31, 2020. Further, STI ESG also incurred additional interest expense on its loan drawdown from the Seven-year Term Loan Facility with China Bank aggregating to ₱800.0 million during the year ended March 31, 2020, with interest rates ranging from 5.81% to 6.31%. The proceeds from these loans were used for capital expenditures and working capital requirements. Also, with the completion of the new school buildings, interest expenses related to the bond issue of STI ESG are now charged to expense.

Interest income decreased from ₱16.1 million to ₱4.4 million for the year ended March 31, 2020. Last year's interest income was mainly from short-term placements of the proceeds from the bond issue. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Rental income increased by ₱10.6 million from ₱107.8 million to ₱118.4 million for the year ended March 31, 2020, attributed to the renewal of leases on STI ESG's investment properties.

STI ESG recognized dividend income from its associate, STI Marikina, and its equity share in DLSMC accounted for at FVOCI, aggregating to ₱1.8 million for the year ended March 31, 2020. STI ESG recognized a dividend income amounting to ₱7.5 million for the year ended March 31, 2019, substantially from the dividends received by De Los Santos-STI College from DLSMC amounting to ₱ 3.1 million. As at March 31, 2019, De Los Santos-STI College sold its common shares of stock in DLSMC to MPHHI.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a former branch of STI ESG for a sum of ₱7.0 million. The sale was effective on April 1, 2019**.** In relation to this, gain on sale amounting to ₱4.4 million was recognized for the year ended March 31, 2020.

Provision for income tax amounting to ₱13.3 million was recognized as at March 31, 2020, associated with the taxable income recognized for the year.

STI ESG reported a net loss of ₱231.4 million for the year ended March 31, 2020, compared to net income amounting to ₱254.6 million for the same period last year due to the provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings.
The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱7.8 million for the year ended March 31, 2020, an improvement from last year's negative ₱0.26 million. The increase represents fair value adjustment in the market value of STI ESG's unquoted equity instrument which increased by ₱8.0 million which was slightly reduced by the lower fair market value of the quoted equity shares held by STI ESG.

STI ESG recognized remeasurement losses amounting to ₱9.3 million and ₱74.4 million, net of taxes, for the years ended March 31, 2020, and 2019, respectively, due to the decline in value of equity shares forming part of pension assets.

Total comprehensive income for the year ended March 31, 2020, amounted to negative ₱232.9 million compared to total comprehensive income of ₱179.9 million for the year ended March 31, 2019, driven primarily by the provision for impairment of STI ESG's investment in Maestro Holdings and decline in revenues due to the shift in the school calendar of tertiary students for the year ended March 31, 2020.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) which is defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net earnings of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains(losses) such as gain on disposal of net assets decreased from ₱806.1 million to ₱748.8 million for the year ended March 31, 2020. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin for the year ended March 31, 2020 is 36%, slightly lower than the 37% for the year ended March 31, 2019.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted` to ₱56.8 million for the year ended March 31, 2020, compared to core income for the same period last year of ₱249.3 million.

Years ended March 31, 2019, vs. 2018

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

	SY 2018-2019	SY 2017-2018	Decrease	
			Enrollees	Percentage
STI Network				
Owned schools	44,298	54,366	(10,068)	-19%
Franchised schools	32,543	42,165	(9,622)	-23%
Total Enrollees	**76,841**	**96,531**	**(19,690)**	**-20%**

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- CHED - students under this group are enrolled in tertiary and post-graduate programs;
- TESDA - students under this group are enrolled in technical-vocational programs; and
- DepEd – students under this group are enrolled in SHS programs.

	SY 2018-2019	%	SY 2017-2018	%
CHED	38,582	50%	40,147	42%
TESDA	1,843	2%	2,191	2%
DEPED	36,416	48%	54,193	56%
TOTAL	**76,841**	100%	**96,531**	100%

STI ESG posted gross revenues amounting to ₱2,191.2 million for the year ended March 31, 2019, a 16% decrease from ₱2,596.0 million from the same period last year.

Tuition and other school fees reached ₱1,801.2 million for the year ended March 31, 2019, down by 16% from the same period last year. This was due to the lower than expected turnout of college freshmen enrollees. Meanwhile, SHS enrollment dipped as the STI Network held the graduation of over 30,000 Grade 12 students who belonged to the first batch of SHS graduates under the K to 12 program of the government.

Revenues from educational services and royalty fees decreased by ₱41.4 million and ₱4.8 million or by 20% and 24%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students and DepEd.

Sale of educational materials and supplies similarly posted a decline from ₱161.9 million to ₱149.6 million. The sale of uniforms scaled up with the entry of the freshmen college students. On the other hand, the sale of textbooks and uniforms for SHS went down due to the decline in the number of SHS enrollees. The cost of educational materials and supplies sold decreased likewise by ₱5.4 million from ₱119.3 million to ₱113.9 million for the years ended March 31, 2018 and 2019, respectively, concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services for the year ended March 31, 2019, amounting to ₱687.8 million is lower compared to ₱694.0 million recognized in the same period last year. The cost of instructors' salaries and benefits decreased by ₱33.5 million substantially due to the reduced number of part-time faculty members concomitant with the lower turn out of enrollees, as discussed in the preceding paragraphs. This was partially offset by the increase in depreciation expense, which increased by ₱17.1 million due to completed renovation and construction projects. The building renovation of STI Sta. Maria and the newly constructed building, which was leased to be the new site of STI Malaybalay, were completed in August 2017. Meanwhile, STI Lipa started operations in the new building in August 2018, specifically from the ground up to the fourth floor. The remaining works from the 5th floor up to the roof deck and the basketball gymnasium at the 7th floor were completed in March 2019. The related depreciation on these floors was recorded during the current period and contributed to the increase in the said expense. Similarly, other direct expenses increased by 11% or ₱12.5 million from ₱118.2 million to ₱130.7.2 million for the year ended March 31, 2019, largely attributed to the cost of student activities and programs related to the convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars and educational tours. In February 2017, CHED issued a memorandum on the imposition of a moratorium on field trips and other similar activities covered under CHED Memorandum series order no. 17. In view of this, the aforementioned student activities were canceled in SY 2017-2018. The moratorium was lifted during SY 2018-2019. The direct expense ratio went up from 31% to 37% year-on-year.

Gross profit decreased by 22% or ₱393.2 million from ₱1,782.7 million for the year ended March 31, 2018, to ₱1,389.5 million for the same period in 2019. The gross profit margin likewise decreased from 69% to 63%.

General and administrative expenses increased by 6% or ₱61.4 million from ₱983.4 million to ₱ 1,044.8 million for the year ended March 31, 2019. The highest increase was registered by advertising and promotion costs, which increased year-on-year by ₱41.7 million as the marketing campaign for both SHS and tertiary programs were intensified in time for the opening of classes for SY 2018-2019. Salaries and benefits increased by ₱12.4 million due to filling up of vacancies and merit increases given to deserving employees. Depreciation expense likewise increased by ₱11.3 million due to depreciation expense recognized with the completion of the renovation and newly constructed buildings, as mentioned in the preceding paragraphs. Goodwill previously recognized through business combinations allocated to STI Tuguegarao and STI Pagadian aggregating to ₱17.0 million was impaired for the year ended March 31, 2019. The Group recognized ECL resulting from the adoption of PFRS 9 based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables were assigned lower loss rates. Estimated loss rates vary over time and increase as the receivables ages and as credit risks increase with the likelihood of the receivables becoming impaired. The Group recognized a provision for ECL amounting to ₱61.6 million for the year ended March 31, 2019. The Group's receivables pertaining to SY 2018-2019 were higher compared to the receivables from students pertaining to the previous period. Receivables pertaining to SY 2017-2018 likewise registered an improvement in 2019 due to subsequent collections received from the students. Thus, the Group recognized a lower provision for ECL for the year ended March 31, 2019, compared with the provision for doubtful accounts for the year ended March 31, 2018 amounting to ₱76.9 million or an improvement of ₱15.3 million.

The Group posted an operating income, that is, income before other income and expenses and income tax, amounting to ₱344.7 million for the year ended March 31, 2019, lower than the results of the same period last year of ₱799.3 million, substantially due to lower revenues.

Equity in net losses of associates and joint ventures amounting to ₱218.2 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of PhilPlans up to June 30, 2017, arising from the latter's full recognition of the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using a higher discount rate. The circular mandated that for the years 2012-2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards, 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means a bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

Further, Maestro Holdings had restated its prior year financial statements to reflect, among others, the following adjustments: (a) with the completion of the correction in its system process, PhilPlans has recognized the plan benefits expense pertaining to education plan contracts with maturity dates from July to December on their proper maturity dates; (b) in compliance with IC Circular Letters 2016-66 and 2017-36, PhilLife changed the methodology in the determination of legal policy reserves in its life insurance contracts from net premium valuation to gross premium valuation; (c) recognition of fair value decline below cost of certain AFS equity securities to profit or loss.

Accordingly, the Group made the necessary adjustments to recognize its share in the restated net earnings and comprehensive income of Maestro Holdings.

Interest expenses decreased by ₱21.0 million year-on-year, from ₱210.5 million to ₱189.5 million as short-term loans were fully settled as at March 31, 2018, and principal payments on long-term loans aggregating ₱134.4 million were made in July 2018 and January 2019.

Rental income increased by ₱9.3 million, or 9%, due to the substantial occupancy of the investment properties owned by STI ESG.

Interest income amounted to ₱16.1 million for the year ended March 31, 2019, mainly from interest earned on short-term placements of the proceeds of bonds. The proceeds of bonds have been fully utilized as at March 31, 2019.

Dividend income is up by ₱3.1 million, representing an increase in dividends received from De Los Santos Medical Center and dividends received from STI Marikina, an associate of STI ESG, for the year ended March 31, 2019.

Equity in net earnings of associates amounting to ₱4.7 million pertains to STI ESG's share in the net earnings of associates for the year ended March 31, 2019. This amount does not include any share in the operations of PhilPlans or any of the other subsidiaries of Maestro Holdings after STI ESG's BOD approved the disposal of its 20% stake in Maestro on June 27, 2017. With this decision to dispose of the Maestro investment, STI ESG's investment in Maestro was reclassified to "Noncurrent asset held for sale" under the portion of the current assets in the Statements of Financial Position.

With this, STI ESG ceased the use of the equity method of accounting for its investment in Maestro on June 30, 2017.

The gain on sale of property and equipment amounting to ₱0.7 million represents mainly the disposal of fully depreciated air conditioning units of STI Global City, which were replaced by inverter air conditioners to save on the cost of electricity.

Provision for income tax amounting to ₱37.4 million was recognized as at March 31, 2019, associated with the net income recognized for the period.

STI ESG reported a lower net income amounting to ₱254.6 million for the year ended March 31, 2019, compared to ₱433.1 million of the same period last year. Also, STI ESG posted a Total Comprehensive Income of ₱179.9 million for the year ended March 31, 2019, compared to ₱606.1 million for the year ended March 31, 2018, driven primarily by the decline in operating income due to lower revenues. The report as of the same period last year includes the share on STI ESG's associate's unrealized mark-to-market gain on AFS financial assets amounting to ₱125.1 million. Meanwhile, STI ESG recognized a remeasurement loss amounting to ₱74.4 million, net of taxes, for the year ended March 31, 2019, due to the decline in value of equity shares forming part of pension assets.

EBITDA decreased from ₱1,219.4 million for the year ended March 31, 2018 to ₱806.1 million for the year ended March 31, 2019. EBITDA margin likewise decreased from 47% last year to 37% this year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱249.3 million for the year ended March 31, 2019, compared to the same period last year of ₱651.3 million.

Years ended March 31, 2018 vs. 2017

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

	SY 2017-2018	SY 2016-2017	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	54,366*	52,687	1,679	3.2%
Franchised schools	42,165	43,592	(1,427)	(3.3%)
Total Enrollees	96,531	96,279	252	0.3%

**Enrollees of STI Sta. Maria are reported as part of "owned schools" effective SY 2017-2018.*

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

	SY 2017-2018	%	SY 2016-2017	%
CHED	40,147	42%	53,016	55%
TESDA	2,191	2%	5,692	6%
DEPED	54,193	56%	37,571	39%

TOTAL	96,531	100%	96,279	100%

STI ESG's gross revenues amounted to ₱2,596.0 million for the year ended March 31, 2018, a decrease of ₱7.2 million from the same period in 2017.

Tuition and other school fees decreased by ₱72.1 million or 3% substantially due to tuition and other school fees earned by iACADEMY and consolidated with the results of STI ESG up to September 30, 2016. iACADEMY was acquired by STI Holdings in September 2016. Removing the effects of iACADEMY, STI ESG's revenue from tuition and other school fees would have been flat compared to the same period in March 2017.

Revenues from educational services and royalty fees increased by ₱9.2 million and by ₱1.4 million, respectively, or by 5% and by 7%, respectively, mainly due to the increased collections by the franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students and DepEd.

Sale of educational materials and supplies increased by 10% or by ₱15.0 million from ₱146.9 million to ₱161.9 million, largely due to increased sale of SHS textbooks. Cost of educational materials and supplies sold increased by ₱3.9 million, net of the rebates received from the acquisition of textbooks for sale to students amounting to ₱5.5 million, concomitant with the increase in the sale of textbooks.

Other revenues increased by 201% or ₱39.3 million substantially due to fees for the use of the enrolment and eLearning Management systems.

Cost of educational services slightly increased by 1% or ₱8.9 million from ₱685.1 million to ₱694.0 million for the year ended March 31, 2018. Faculty salaries and benefits increased by 6% or ₱16.4 million attributed to the salaries of instructors who handled the remedial classes of SHS students in April and May 2017, salary alignment of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who earned their Master's degrees and instructors' salaries associated with the operation of STI Sta. Maria. STI Sta. Maria became a 100% subsidiary of STI ESG starting April 2017. Software maintenance cost increased by ₱4.8 million due to cloud services of PLDT for connectivity and data storage cost of the enrollment system, as the database was moved from onsite premise servers to cloud. On the other hand, the cost of student activities and programs for the year is lower by ₱8.6 million from ₱121.7 million in 2017 to ₱113.1 million for the year ended March 2018. On February 21, 2017, CHED issued a memorandum on the imposition of a moratorium on field trips and other similar activities covered under CHED Memorandum Order No. 17 Series of 2012. In view of this, certain activities like the convention of the students, hotel immersion, culinary and tourism exposure, bartending seminars and educational tours were postponed. This substantially brought the cost of student activities and convention costs down by ₱21.4 million from ₱51.7 million in 2017 to ₱30.3 million for the year ended March 31, 2018. The moratorium was lifted during SY 2017-18. Thus, STI ESG plans to bring back and continue these annual activities of the students in the coming school years. On the other hand, STI ESG also held the first K to 12 program Grade 12 graduation which increased the commencement costs from ₱16.2 million to ₱ 32.2 million or by ₱16.0 million for the year ended March 31, 2017 and 2018, respectively. Direct expense ratio remains at 31%.

Gross profit decreased by 1% or ₱20.0 million from ₱1,802.7 million to ₱1,782.7 million for the year ended March 31, 2018 and 2017, respectively. Gross profit margin remains at 69%.

General and administrative expenses, net of expenses reported by iACADEMY, increased by 6%, from ₱928.6 million to ₱983.4 million for the year ended March 31, 2018. Light and water expenses increased substantially due to the cost incurred by STI Sta. Maria and due to higher expenses recognized by the schools for the year ended March 31, 2018 compared to the same period in 2017, due to the increase in the average rate per kilowatt-hour of electricity. Professional fees increased due to expenses incurred in relation to the merger of STI Taft and STI Dagupan with STI ESG, special audit in relation to the disposal of Maestro Holdings and various legal and labor-related cases. Taxes and licenses increased due to real property taxes on investment properties. Following STI ESG's receivables impairment policy, STI Sta. Maria which is consolidated to the Group effective April 2017 recognized impairment expense amounting to ₱7.4 million on its outstanding receivables from its students as at March 31, 2018. Further, Advertising and promotions expense increased as the marketing campaign for both SHS and Tertiary programs were intensified.

Equity in net loss of associates and joint ventures amounting to ₱218.2 million for the year ended March 31, 2018 pertains largely to the share of STI ESG in the loss of Maestro Holdings up to end of June 2017. With the reclassification of the carrying value of STI ESG's 20% ownership in Maestro Holdings to noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings as at June 30, 2017. By way of explanation, this loss arose from the decision of PhilPlans to fully recognize the mandated discount interest rate imposed by the Insurance Commission (IC) on the reserves of pre-need companies. The IC is the government regulatory agency supervising pre-need companies. In November 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves. The IC mandated a gradual decrease in the discount interest rate to be used for valuing the reserves to provide regulatory leeway for the compliance to this circular. The old basket of plans previously approved by the SEC when the pre-need companies were under its supervision were using a higher discount rate. The circular mandated that for the years 2012 to 2016, the discount interest rate shall be 8%; for 2017, 7.25%; for 2018, 6.5% and for 2019 onwards 6%. In July 2017, PhilPlans opted to have an early adoption of the 6% discount interest rate starting January 2017. This means a bigger allocation to pre-need reserves from its trust funds, thus recognizing a higher expense item.

Further, Maestro Holdings has restated its prior year financial statements to reflect, among others, the following adjustments: (a) with the completion of the correction in its system process, PhilPlans has recognized the plan benefits expense pertaining to education plan contracts with maturity dates from July to December at its proper maturity dates; (b) in compliance with IC Circular Letters 2016-66 and 2017-36, PhilLife changed the methodology in the determination of legal policy reserves in its life insurance contracts from net premium valuation to gross premium valuation; (c) recognition of fair value decline below cost of certain AFS equity securities to profit or loss.

Accordingly, STI ESG has made the necessary adjustments to recognize its share in the restated net earnings and comprehensive income of Maestro Holdings. STI ESG's financial statements for the fiscal years ended March 31, 2017 and March 31, 2016 have been restated to reflect these adjustments.

Interest income increased by ₱24.3 million due to interest earned from short-term placements of the proceeds from the bonds issued while dividend income increased by ₱1.2 million representing dividends received from De Los Santos Medical Center (formerly De Los Santos General Hospital).

Interest expenses increased by ₱144.7 million from ₱65.8 million to ₱210.5 million mainly due to interest incurred on STI ESG's bond issue. This is net of total borrowing costs capitalized as part of property and equipment amounting to ₱22.9 million for the year ended March 31, 2018. The average interest capitalization rate is 5.96% for the year ended March 31, 2018.

STI Diamond and STI Novaliches executed in August 2016, a deed of assignment transferring the net assets of the former to the latter for a transfer price of ₱75.7 million payable quarterly, in five (5) years. As a result, the management contract between STI ESG and STI Diamond was terminated and residual interest has been transferred. With this, STI Diamond was derecognized as a subsidiary of STI ESG for an amount equal to the present value of the related transfer price of ₱60.8 million which is presented as "Effect of derecognition of a subsidiary" in the audited consolidated statements of comprehensive income of STI ESG for the year ended March 31, 2017.

Provision for income tax amounting to ₱67.7 million, recognized for the year ended March 31, 2018, was lower than the same period in 2017 due to lower taxable income.

Fair values of the Group's investment in available-for-sale financial assets decreased by ₱0.4 million from unrealized gain of ₱0.8 million to unrealized gain of ₱0.4 million for the year ended March 31, 2018. The unrealized mark-to-market gain of ₱0.4 million this year is substantially attributed to the higher market value of the Manulife shares held by STI ESG while the ₱0.8 million fair value adjustment last year includes unrealized gains from Manulife and other club shares held by STI ESG.

The Group, on the other hand, recognized its' share in associates' unrealized mark-to-market gain on available-for-sale financial assets of ₱125.1 million, higher by ₱273.5 million from unrealized mark-to-market loss on available-for-sale financial assets of ₱148.4 million, representing STI ESG's equity on the net changes in fair value of available-for-sale financial assets of Maestro Holdings. This also includes STI ESG's share for the period up to June 30, 2017, in the restated unrealized mark-to-market gain on available-for-sale financial assets of Maestro Holdings amounting to ₱125.0 million due to the improved market value of equity securities under profit or loss (see discussions in foregoing paragraphs).

STI ESG also recognized its share in associate's remeasurement gains (losses) on life insurance reserves of Maestro Holdings amounting to ₱0.2 million and (₱4.0) million, as at March 31, 2018 and 2017, respectively, due to change in the methodology used by PhilLife, a subsidiary of Maestro Holdings, in the determination of legal policy reserves on its life insurance contracts from net premium valuation to gross premium valuation as required under IC Circular Letters 2016-66 and 2017-36 (see discussions in foregoing paragraphs).

The Group's share in associates' remeasurement gain (loss) on pension liability declined by ₱18.6 million from ₱19.1 million to ₱0.5 million for the year ended March 31, 2018, as an associate posted higher actuarial adjustments last year.

Similarly, the Group reported a remeasurement gain on pension liability of ₱46.8 million as at March 31, 2018 compared to remeasurement gain of ₱28.0 million in 2017, both figures net of income tax effect, largely due to the higher market value of the investment in equity securities of the pension plan assets.

Total comprehensive income increased by ₱191.1 million this year, net of interest expense recognized on bonds and loans, from ₱415.0 million to ₱606.1 million for the year ended March 31, 2018, largely due to STI ESG's share up to June 30, 2017, in the restated net earnings and comprehensive income of Maestro Holdings (see discussions in foregoing paragraphs).

Earnings before interest, taxes, depreciation and amortization or EBITDA, computed as net income excluding provision for income tax, depreciation and amortization, effect of derecognition of a subsidiary, equity in net earnings (losses) of associates and joint ventures, interest expense and interest income, decreased by ₱78.9 million to ₱1,219.4 million from ₱1,298.3 million or 6%, for the year ended March 31, 2018 and 2017, respectively. EBITDA margin likewise decreased from 50% to 47% for the year ended March 2018.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱651.3 million for the year ended March 31, 2018 compared to the same period in 2017 of ₱822.4 million.

Financial Highlights and Key Performance Indicators
(in millions except margins, financial ratios and earnings per share)

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

		Three-month period ended June 30		
		2020	**2019**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	(50%)	(43%)	EBITDA margin declined in 2020 as compared to the same period in 2019 primarily because of lower revenues due to the imposition of ECQ and GCQ in areas were the schools of the Group are situated.
Gross profit margin	Gross profit divided by total revenues	(7%)	14%	Gross profit margin decreased due to the reason cited above.
Return on e quity	Net income (loss) attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	(15%)	(15%)	Return on equity was flat since the lower revenues as discussed above were partially offset by reduction in expenses.
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.61	1.45	Debt service cover ratio has been compliant with the minimum set by management, the lending bank and STI ESG Bondholders. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12months.

Debt-to- equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.89	0.68	Debt-to-equity ratio increased due to loan drawdowns made by STI ESG from its Term Loan Facility.

	June 30, 2020 (Audited)	March 31, 2020 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,227.9	₱ 11,492.4	(₱ 264.5)	(2)
Current assets	1,672.3	1,861.0	(188.7)	(10)
Cash and cash equivalents	584.2	617.7	(33.5)	(5)
Equity attributable to equity holders of the parent company	5,885.6	6,107.4	(221.8)	(4)
Total liabilities	5,339.4	5,379.9	(40.5)	(1)
Current liabilities	1,014.9	1,043.7	(28.8)	(3)
Financial Ratios				
Debt to equity ratio (1)	0.89	0.85	0.04	5
Current ratio (2)	1.65	1.78	(0.13)	(7)
Asset to equity ratio (3)	1.91	1.88	0.03	2

	Three months ended June 30		Increase (Decrease)	
	2020 (Audited)	2019 (Unaudited)	Amount	%
Condensed Statements of Income				
Revenues	₱111.7	₱227.4	(₱115.7)	(51)
Direct costs (4)	119.2	196.6	(77.4)	(39)
Gross profit (loss)	(7.5)	30.8	(38.3)	(124)
Operating expenses	182.5	264.5	(82.0)	(31)
Operating profit (loss)	(190.0) (42.9)	(233.7) (24.1)	43.7 (18.8)	(19)

Other income (expenses)				78
Income (loss) before income tax	(232.9)	(257.8)	24.9	(10)
Net income (loss)	(216.8)	(239.6)	22.8	(10)
EBITDA [5]	(56.0)	(97.1)	41.1	(42)
Core Income [6]	(215.1)	(238.7)	23.6	(10)
Net income (loss) attributable to equity holders of the parent company	(214.7)	(236.4)	21.7	(9)
Earnings (loss) per share [7]	(0.070)	(0.077)	-	-

Consolidated Condensed Statements of Cash Flows

Net cash from (used in) operating activities	₱67.6	₱ 271.5	(₱ 203.9)	(75)
Net cash used in investing activities	(35.9)	(55.7)	19.8	(36)
Net cash used in financing activities	(65.3)	(47.5)	(17.8)	37

Financial Soundness Indicators

	Three months ended June 30		Increase (Decrease)	
	2020 Audited	2019 Unaudited	Amount	%
Liquidity Ratios				
Current ratio [2]	1.65	1.32	0.33	25
Quick ratio [8]	1.06	0.76	0.30	39
Cash ratio [9]	0.58	0.34	0.24	71
Solvency ratios				
Debt to equity ratio [1]	0.89	0.68	0.21	31
Asset to equity ratio [3]	1.91	1.81	0.10	6
Debt service coverage ratio [10]	1.62	1.45	0.16	11
Interest coverage ratio [11]	(2.22)	(3.56)	1.34	(38)

Profitability ratios

EBITDA margin (12)	-50%	-43%	(7.0)	16
Gross profit margin (13)	-7%	14%	(21.0)	(150)
Operating profit margin (14)	-170%	-103%	(67.0)	65
Net profit margin (15)	-194%	-105%	(102.0)	97
Return on equity annualized(16)	-14%	-15%	1.0	(7)
Return on assets(17)	-8%	-8%	-	-

	March 2020 (Audited)	March 2019 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,492.4	₱11,058.1	₱(434.3)	4
Current assets	1,861.0	1,764.3	96.7	5
Cash and cash equivalents	617.7	401.2	216.5	54
Equity attributable to equity holders of the parent company	6,107.4	6,560.6	(453.2)	(7)
Total liabilities	5,379.9	4,488.4	891.5	20
Current liabilities	1,043.7	1,023.6	201.	2
Financial Ratios				
Debt to equity ratio (1)	0.85	0.67	0.18	27
Current ratio (2)	1.78	1.72	0.06	3
Asset to equity ratio (3)	1.88	1.68	0.20	12

	March 2020 (Audited)	March 2019 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	₱2,067.0	₱2,191.2	(₱124.2)	(6)
Direct costs (4)	820.3	801.7	18.6	2
Gross profit	1,246.7	1,389.5	(142.8)	(10)
Operating expenses	1,027.9	1,044.8	(16.9)	(2)
Operating profit (loss)	218.8	344.7	(125.9)	(37)
Other income (expenses)	(436.8)	(52.7)	(384.1)	729
Income (loss) before income tax	(218.1)	292.0	(510.1)	(175)
Net income (loss)	(231.4)	254.6	(486.0)	(191)
EBITDA (5)	748.8	806.1	(57.3)	(7)

Core Income [6]	56.8	249.3	(192.5)	(77)
Net income (loss) attributable to equity holders of the parent company	(226.3)	254.9	(481.2)	(189)
Earnings (loss) per share [7]	(0.073)	0.083	(0.156)	(188)
Condensed Statements of Cash Flows				
Net cash from (used in) operating activities	608.3	766.2	(157.9)	(21)
Net cash from (used in) investing activities	(432.0)	(1,438.3)	1,006.3	(70)
Net cash from (used in) financing activities	40.1	(544.1)	584.2	(107)

Financial Soundness Indicators

	March 31, 2020 (Audited)	March 31, 2019 (Audited)	Increase (Decrease)	
			Amount	%
Liquidity Ratios				
Current ratio [2]	1.78	1.72	0.06	3
Quick ratio [8]	1.20	0.80	0.40	50
Cash ratio [9]	0.59	0.39	0.20	51
Solvency ratios				
Debt to equity ratio [1]	0.85	0.67	0.18	27
Asset to equity ratio [3]	1.88	1.68	0.20	12
Debt service coverage ratio [10]	1.52	1.74	(0.22)	(13)
Interest coverage ratio [11]	0.20	2.54	(2.34)	(92)
Profitability ratios				
EBITDA margin [12]	36.0%	37.0%	(1.0)	(3)
Gross profit margin [13]	60.0%	63.0%	(3.0)	(5)
Operating profit margin [14]	11.0%	16.0%	(5.0)	(31)
Net profit (loss) margin [15]	-11.0%	12.0%	(23.0)	(192)
Return on equity[16]	-3.6%	3.9%	(7.5)	(192)
Return on assets[17]	-2.1%	2.3%	(4.4)	(191)

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

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

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

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

(5) *EBITDA is net income (loss) excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains/losses such as gain on sale of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.*

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

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

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

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

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months.*

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

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

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

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

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

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

(17) *Return on assets is measured as net income (loss) divided by average total assets.*

Material Changes in Balance Sheet Accounts

Cash and cash equivalents decreased by 5% or ₽33.5 million, net of cash generated from operations, from ₽ 617.7 million to ₽ 584.2 million as at March 31, 2020 and June 20, 2020, respectively due to payments made to contractor and suppliers for the construction of STI Academic Center in Legazpi City, lease obligations, and interest on bonds of STI ESG.

Receivables decreased by ₽146.7 million, from ₽636.7 million to ₽490.0 million as at March 31, 2020 and June 30, 2020, respectively, due to the collection of receivables from the DepEd. Outstanding receivables from DepEd for the SHS qualified voucher recipients is ₽37.0 million as at June 30, 2020, showing a collection of ₽138.1 million from ₽175.1 million, as at March 31, 2020.

Prepaid expenses decreased by ₽9.3 million or 18% from ₽55.2 million to ₽45.9 million as at June 30, 2020, mainly due to a decline in STI ESG's Input VAT, prepaid taxes, and prepaid subscriptions and licenses. The decline in input VAT represents the amount claimed as deduction from the output VAT due for the three-month period ended June 30, 2020 while the decrease in prepaid taxes, subscriptions, and licenses represents prepayments charged to expense for the three-month period ended June 30, 2020.

The noncurrent asset held for sale as at June 30, 2020 amounted to ₱419.1 million, representing the carrying value of STI ESG's 20% ownership in Maestro Holdings. The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare), and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) approved the disposal of this 20% stake in Maestro Holdings. As such, said investment account was reclassified from noncurrent to a current asset. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell. Since then, management had discussions with potential buyers but no final agreements were reached. For the year ended March 31, 2020, STI ESG has recognized a provision for impairment of its investment in Maestro Holdings amounting to ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed-income securities and pre-need reserves of PhilPlans and discounted cash flows from the financial budget covering five years approved by management of PhilLife and PhilCare. No provision for impairment has been recognized for the three-month periods ended June 30, 2020 and 2019. On September 24, 2020, STI ESG's BOD has approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

Accounts payable and other current liabilities increased by ₱59.3 million or 11%, largely due to outstanding rent, utilities, and interest payables as at June 30, 2020.

Unearned tuition and other school fees decreased substantially by ₱81.5 million, net of advance payments received for SY 2020-2021, from ₱195.0 million as at March 31, 2020 to ₱ 113.5 million as at June 30, 2020 representing tuition and other school fees recognized as revenues during the three-month period ended June 30, 2020.

The current portion and noncurrent portion of lease liability amounted to ₱59.8 million and ₱324.0 million, respectively, as at June 30, 2020 and ₱66.1 million and ₱329.8 million, respectively, as at March 31, 2020. The decrease in current portion represents the amount paid for the three-month period ended June 30, 2020 while the decrease in the noncurrent portion of lease liability represents the amount reclassified to the current portion and is due for payment within one year from the report date. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Income tax payable amounted to ₱2.6 million representing income tax due on the taxable income as at June 30, 2020.

Interest-bearing loans and borrowings, net of the current portion, increased by ₱0.4 million from ₱914.3 million to ₱914.7 million as at March 31, 2020 and June 30, 2020, respectively, representing amortization of the deferred finance cost for the three-month period ended June 30, 2020.

STI ESG listed its 3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) the secondary market on March 23, 2017. This is the first tranche of its P=5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of

5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₽2,966.1 million and ₽2,964.4 million as at June 30, 2020 and March 31, 2020, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₽33.9 million and ₽35.6 million, as at June 30, 2020 and March 31, 2020, respectively.

Pension liabilities increased by ₽10.4 million from ₽56.1 million to ₽66.5 million as at March 31, 2020 and June 30, 2020, respectively, substantially representing additional retirement obligations and cumulative actuarial loss on pension assets recognized by the Group for the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₽18.4 million from ₽71.5 million to ₽53.1 million due to reclassification from noncurrent to the current portion of advance rent/rental deposits aggregating to ₽13.6 million. The amount represents the advances/deposits for lease agreements with remaining terms of one year or less.

Retained earnings decreased by ₽214.7 million from ₽2,572.2 million to ₽2,357.5 million, representing net loss recognized for the three-month period ended June 30, 2020.

Material Changes in Income Statement Accounts

STI ESG posted gross revenues amounting to ₽111.7 million for the three-month period ended June 30, 2020 compared to ₽227.4 million of the same period last year or a decline of ₽ 115.7 million.

Tuition and other school fees amounted to ₽82.2 million for the year ended June 30, 2020, a decline of ₽16.0 million or 16% from the same period last year due to the imposition of ECQ in certain parts of the country and GCQ in most parts, which started on March 17, 2020 to date. STI ESG started online classes in May, in efforts to complete the SY 2019-2020. The SY2019-2020 was completed by STI ESG on July 30, 2020. The revenue stream of the Group, which has been mainly from tuition and other school fees, have been recognized as income over the corresponding school term to which they pertain. For SY 2020-2021, STI ESG has started its classes on September 7, 2020. Accordingly, revenues related to the current year's enrollment would be recognized beginning September 2020 compared to last year when revenues from tuition and other school fees were recognized beginning June 2019.

Revenues from educational services and royalty fees decreased by ₽18.9 million or 47% and ₽1.4 million or 42%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies went down from ₽71.4 million to ₽76.5 thousand quarter-on-quarter due to the shift in the start of the school calendar and the effect of transition from face-to-face learning to online-learning brought by the COVID-19 pandemic. The cost of educational materials and supplies sold likewise decreased, concomitant with the decrease in the sale of educational materials and supplies.
The cost of educational services is lower by ₽21.1 million or 15% from ₽140.2 million to ₽119.1 million for the years ended June 30, 2019, and 2020, respectively. Instructors' salaries and benefits decreased by ₽10.3 million for the same reasons discussed above. Rent expense attributed to the direct expense portion decreased by ₽15.0 million due to the adoption of PFRS 16. Depreciation

expense increased by ₽12.1 million, from ₽59.2 million to ₽71.3 million, as at June 30, 2019 and 2020, respectively, primarily due to depreciation expense recognized on the ROU assets, which were recognized in relation to the adoption of PFRS 16. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets and recognized ROU assets for these leases previously classified as an operating lease. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. STI ESG's enrolment system is fully depreciated as of the end of May 2019, thus the decline in the amortization of intangible assets by ₽1.6 million. The direct portion of depreciation expense of ROUs amounting to ₽10.6 million was recognized for the three-month period ended June 30, 2020. Other direct expenses likewise decreased by ₽5.0 million substantially because of the shift in the school calendar of the Group.

General and administrative expenses decreased by ₽82.0 million from ₽264.5 million to ₽182.5 million for the three-month periods ended June 30, 2019, and 2020, respectively. Salaries and benefits are lower by ₽12.0 million for the three-month period ended June 30, 2020 compared to same period last year. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only skeletal workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraces work-from-home arrangements to the furthest extent possible. Similarly, the costs of external services, particularly janitorial services, decreased by ₽9.0 million. Meanwhile, light and water expenses registered an improvement aggregating to ₽ 11.6 million compared to ₽23.5 million of the same period last year. The operating expense portion of Rent expense decreased by ₽7.2 million, due to the adoption of PFRS 16. Depreciation expense increased by ₽6.9 million due to depreciation expense recognized for the recently completed buildings and the depreciation on the ROU assets, which were recognized in relation to the adoption of PFRS 16. The Group recognized a provision for ECL amounting to ₽2.0 million from the three-month period ended June 30, 2020. This is lower by ₽7.1 million compared to ₽9.1 million for the three-month period ended June 30, 2019. The Group recognized estimated credit loss (ECL) based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students pertaining to the receivables pertaining to SY 2019-2020. The largest decline in the operating expenses was due to the lower advertising and promotions expenses. For the three-month period ended June 30, 2019, the Group recognized advertising and promotions expense amounting to ₽33.8 million. The marketing activities and programs for SY 2019-2020 coincided with the three-month period ended June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, most marketing activities happened subsequent to June 30, 2020 report date. The decline in all other operating expenses resulted in the Group's reduction of business expenses.

The Group posted an operating loss of ₽189.9 million for the three-month ended June 30, 2020, compared to the operating loss of ₽233.7 million for the same period last year, an improvement of ₽43.8 million substantially due to lower expenses.

Equity in net losses of associates increased by ₽1.3 million from ₽0.5 million to ₽1.8 million for the three-month ended June 30, 2019 and 2020, respectively, representing a share in the net losses of STI ESG's associates for the three-month period ended June 30, 2020.

Interest expenses increased by ₱15.9 million, from ₱56.5 million to ₱72.4 million representing interest expense on STI ESG's loan drawdown from the seven-year term loan facility with China Bank aggregating to ₱800.0 million with interest rates ranging from 5.81% to 6.31%. The proceeds from these loans were used for payment to contractors and working capital requirements. Interest income decreased from ₱1.3 million to ₱1.0 million for the three-month ended June 30, 2020, due to the utilization of available cash balance to pay the obligations of STI ESG.

Rental income increased by ₱3.1 million from ₱27.2 million to ₱30.3 million for the three-month ended June 30, 2020, attributed to the renewal of leases on STI ESG's investment properties.

Benefit from income tax amounting to ₱15.9 million was recognized for the three-month period ended June 30, 2020 largely attributed to the net operating loss carry over recognized by STI ESG.
STI ESG reported a net loss of ₱216.8 million for the three-month period ended June 30, 2020, compared to net loss amounting to ₱239.6 million for the same period last year. This is attributed to lower cost and expenses for the three-month period ended June 30, 2020.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to negative ₱0.3 million for the three-month ended June 30, 2020, compared from last year's negative ₱ 0.2 million. These represent fair value adjustments in the market value of the quoted equity shares held by STI ESG.

STI ESG recognized remeasurement losses amounted to ₱6.8 million and ₱61.5 thousand, net of applicable taxes, for the three-month ended June 30, 2020 and 2019, respectively, due to the decline in the market value of the investment in equity securities of the pension plan assets.

Total comprehensive loss for the three-month ended June 30, 2020 amounted to ₱224.0 million compared to total comprehensive loss of ₱239.8 million for the three-month ended June 30, 2019, driven primarily by the lower revenues due to the imposition of ECQ and GCQ in areas were the schools of the Group are situated. This was partially offset by the reduction in expenses.

EBITDA amounted to negative ₱ 97.1 million to negative ₱56.0 million for the three-month ended June 30, 2020. EBITDA margin for June 30, 2020, is negative 50%, compared to negative 43% of June 30, 2019.

Core income, computed as the consolidated income after tax derived from the Group's main business of education and other recurring income, amounted to negative ₱215.1 million as at June 30, 2020.

Financial Risk Disclosure

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

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

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

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

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank and the SGI ESG bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00. Related events due to the outbreak and the economic effects of COVID 19 are discussed in Note 39 of the Notes to the Audited Consolidated Financial Statements as at and for the year ending March 31, 2020.

As at March 31, 2020 and March 31, 2019, the Group's debt service cover ratios are 1:52:1:00 and 1.74:1.00, respectively.

As at June 30, 2020 and June 30, 2019, the Group's debt service cover ratio is 1.62:1.00 and 1:45:1.00, respectively.

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

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

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

Capital Risk- The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

As at March 31, 2020, and March 31, 2019, the Group's debt-to-equity ratio is 0.85:1.00 and 0.67:1.00, respectively.

As at June 30, 2020 and June 30, 2019, the Group's debt-to-equity ratio is 0.89:1.00 and 0.68:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

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

(b) Except as provided in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules," the Group has no other financial and capital commitments.

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

(d) There are no known trends, demands, commitments, events of uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 33 of the Notes to Consolidated Financial Statements attached as part of "Exhibits and schedules".

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

(f) The various loan agreements entered into by STI ESG and the issuance of fixed-rate bonds provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective loan agreements. See Notes 17, 18 and 34 of the Notes to Audited Consolidated Financial Statements of the Company attached as part of "Exhibits and schedules" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

(g) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues/sales/income from continuing operations except for the contingencies and commitments enumerated in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules".

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

(i) The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except when STI ESG accepted a second batch of college freshmen enrollees for SY2018-2019 which began in August 2018 and ended in May 2019. For SY 2019-2020, both STI ESG and STI WNU started the school calendar of tertiary students in mid-July 2019 with the school year ending in April 2020 while classes for the basic education and SHS of both schools still start in June with the school year ending in March 2020. iACADEMY starts its school calendar every July for tertiary level and August for SHS and ends in June and May, respectively. With the imposition of ECQ and GCQ in certain areas around the country as previously discussed, the schools in the Group started online classes to complete the SY 2019-2020. This school year has been completed by the end of July 2020. For SY 2020-2021, iACADEMY has started its classes in August 2020 while STI ESG and STI WNU have started classes in September 2020 with classes in all schools ending by June of the following year. The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, as it has been in its old fiscal year and even with its new fiscal year, as discussed in Note 1 of the Notes to the Audited Consolidated Financial Statements, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

As discussed in Note 39 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A", the imposition of ECQ and general community quarantine measures have caused disruptions to businesses and economic activities and their impact on businesses continues to evolve. The Group has considered the impact of these disruptions to its financial position, performance and cash flows. Considering the evolving nature of the COVID-19 pandemic, the Group continues to monitor the situation and will further actions as necessary and appropriate in response to these economic disruptions, government regulations and other COVID-19 consequences.

(j) On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 18 of the Audited Consolidated Financial Statements).

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

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

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

On June 21, 2017, in separate meetings, the stockholders and the Board of Directors of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100.0 per share to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the Board of Directors approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.
On January 24, 2018 STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495.0 per share for a total of ₱17.3 million.

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

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

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter (see Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of “Exhibits and schedules”).

(l) On December 17, 2018, the CHED, UniFAST, and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. Republic Act No. 10931 or the UAQTEA and its IRR provide, among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱ 10,000, respectively.

(m) On February 15, 2019, STI ESG and the shareholders of NAMEI, entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with a par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million, which was held in escrow with a law firm. This amount was treated as part of the purchase price at the closing date. Another ₱ 36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as a deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG’s share in the transaction costs and all other fees and expenses incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as a deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI, transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI became a subsidiary of STI ESG effective April 1, 2019. The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report of the fair value of these assets and liabilities at the time of acquisition resulting in goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represents the fair value of the license and agreements. DTL amounting to ₱2.8 million is calculated based on the estimated fair value of the license to operate a maritime school, its related agreements and a 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values.

(n) On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The availability period was subsequently extended up to July 31, 2020 upon execution of an amendment dated July 3, 2020. The proceeds of this loan have been used for the (i) financing of campus expansion projects; (ii) acquisition of schools; (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As of September 24, 2020, STI ESG has fully drawn the amount provided in the credit facility.

(o) On June 23, 2020, STI ESG requested China Bank for waivers on certain covenants in connection with its availment of the Land Bank of the Philippines (LandBank) **AC**cess to **A**cademic **D**evelopment to **E**mpower the **M**asses towards **E**ndless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

- Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
- Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
- Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

Further, China Bank approved the temporary waiver of the debt service cover ratio requirement covering the period ending September 30, 2020 and March 31, 2021.

(p) On July 3, 2020, STI ESG and China Bank executed the amendment to the Term Loan Agreement dated May 7, 2019, to amend the availability period of the Term Loan Facility. The Term Loan Facility shall be available to the Borrower on any Business day for the period beginning on the date of this Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender’s commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with this Agreement. Any amount undrawn at the end of the Availability Period shall be automatically canceled and may not be reinstated. On July 3, 2020 and July 30, 2020, STI ESG made drawdowns aggregating to ₱400.0 million from this Term Loan Facility. As at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million.

(q) On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the holders of the Bonds (the "Record Bondholders") to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of Land Bank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the Debt Service Coverage Ratio up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

  (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows:

"directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

(b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:

"incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

(c) Section 7.02(f) of the Trust Agreement is hereby amended to read as follows:

"assign, transfer or otherwise convey any right to receive any of its income or revenues unless in the ordinary course of business, or unless otherwise required by applicable law, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to Debt Service Coverage Ratio Waiver

  Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

  (k) maintain and observe the following financial ratios:

  (i) a Debt Service Coverage Ratio of not less than 1.05:1, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

(r) On July 24, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a Refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest free.

This ₱250-million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with Landbank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank.

(s) For SY 2019-2020, the school calendar for tertiary students was from July 2019 to April 2020. Classes of tertiary students was suspended since the implementation of the ECQ in March 2020. Online classes of those who opted online and offline studies resumed beginning the 3rd week of May 2020 and were completed as at July 30, 2020. For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education (ONE) STI Learning Model. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force (IATF), DepEd for SHS, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed.

Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruptions, government regulations and other COVID-19 consequences

(t) On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

SEC FORM 17-A

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

SIGNATURE

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

STI EDUCATION SERVICES GROUP, INC.
Issuer

Date: 22 October 2020

ARSENIO C. CABRERA, JR.
Corporate Secretary

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc.** and its subsidiaries (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended March 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Subscribed and Sworn to before me this 25 SEP 2020, affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Mr. Jesli A. Lapus	Passport No. P6589685A	28 Mar 2018, DFA Manila
Mr. Monico V. Jacob	Passport No. EC7728486	16 May 2021 DFA NCR East
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Until 31 December 2020
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8116684 / Makati / 02 January 2020
IBP No. 096436 / Batangas / 04 December 2019
MCLE Compliance No. VI-0017034 /
Pasig City/ 28 December 2018

Doc. No. 448 ;
Page No. 91 ;
Book No. VI ;
Series of 2020 .

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

SEC Registration Number

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C O M P A N Y   N A M E

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

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

Company's Email Address	Company's Telephone Number	Mobile Number
–	(632) 8812-1784	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
64	1st Thursday of November	March 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera Jr.	accabrera@htc-law.com.ph	(632) 8813-7111	–

CONTACT PERSON's ADDRESS

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended March 31, 2020 in accordance with accounting principles generally accepted in the Philippines as described in Note 2 to the consolidated financial statements.

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 16, Leases

Effective April 1, 2019, the Group adopted Philippine Financial Reporting Standard (PFRS) 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases.

The Group's adoption of PFRS 16 is significant to our audit because the Group has high volume of lease agreements; the recorded amounts are material to the consolidated financial statements; and adoption involves application of significant judgment and estimation in determining the lease term, including evaluating whether the Group is reasonably certain to exercise options to extend or terminate the lease, and in determining the incremental borrowing rate.

This resulted in the recognition of right of use assets, presented under "Property and equipment" account in the consolidated statement of financial position, and lease liability amounting to ₱323.9 million and ₱391.8 million, respectively, as of April 1, 2019, and the recognition of depreciation expense and interest expense of ₱65.3 million and ₱28.6 million, respectively, for the year ended March 31, 2020.

The disclosures related to the adoption of PFRS 16 are included in Notes 2 and 28 to the consolidated financial statements.

Audit response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term exemption, the selection of the transition approach and any election of available practical expedients.
On a test basis, we inspected lease agreements, identified the contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data.
We computed the lease calculation prepared by management on a sample basis, including the transition adjustments.

We also reviewed the Group's disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for credit losses for the year ended March 31, 2020 amounted to ₱52.1 million.

The disclosures on the allowance for credit losses are included in Notes 4 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments,* to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Provision for Impairment on the Investment in Maestro Holdings, Inc.

The Group classified its 20%-investment in Maestro Holdings, Inc. (Maestro Holdings) as noncurrent asset held for sale in accordance with PFRS 5, *Noncurrent Asset Held for Sale and Discontinued Operation,* effective June 30, 2017. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. In 2020, the Group recognized a provision for impairment amounting to ₱297.5 million, and continued to classify its investment amounting to ₱419.1 million as held for sale as at March 31, 2020. This matter is significant to our audit because the classification of the investment as asset held for sale and the determination of its fair value involve significant management judgment and estimate.

The disclosures on the investment in Maestro Holdings are included in Notes 4, 9 and 12 to the consolidated financial statements.

Audit response

Our audit procedures include, among others, evaluation of management's assessment of the requirements under PFRS 5 for the classification of the investment as held for sale, by inspecting supporting documents such as correspondences with interested buyers, inquiries of management and reading of minutes of meetings.

We also involved our internal specialist in evaluating the methodology and assumptions used in determining the investment's fair value less costs to sell. The significant assumptions include growth rates, long-term growth rate, discount rates, discount on lack of control, discount on lack of marketability and estimated costs to sell. We tested the parameters used in the determination of the average forecasted growth rates against historical performance; and the long-term growth rate, discount rates, discount on lack of control, discount on lack of marketability and estimated costs to sell against relevant market and industry data. For accounts valued at Level 1 and Level 2, we compared the recorded prices as of the reporting date with the observable prices in the market. We also reviewed the Group's disclosures relative to the investment in Maestro Holdings in the consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at March 31, 2020, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱229.8 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group's disclosures about goodwill are included in Notes 4 and 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include discount rate, forecasted revenue growth, EBITDA margins and long-term growth rate. We compared the key assumptions used, such as forecasted revenue growth, EBITDA margins, and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended March 31, 2020 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended March 31, 2020, which are expected to be made available to us after the date of the auditor's report.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 8125320, January 7, 2020, Makati City

September 24, 2020

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

	March 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱617,682,038**	₱401,238,061
Receivables (Note 6)	**636,656,144**	420,843,658
Inventories (Note 7)	**132,396,802**	151,758,784
Prepaid expenses and other current assets (Note 8)	**55,184,740**	73,913,098
	1,441,919,724	1,047,753,601
Noncurrent asset held for sale (Note 9)	**419,115,894**	716,586,558
Total Current Assets	**1,861,035,618**	1,764,340,159
Noncurrent Assets		
Property and equipment - net (Note 10)	**8,002,960,313**	7,670,479,466
Investment properties - net (Note 11)	**493,220,076**	521,697,012
Investments in and advances to associates and joint ventures (Note 12)	**503,626,787**	508,609,775
Equity instruments designated at fair value through other comprehensive income (FVOCI) (Note 14)	**67,599,307**	49,777,643
Deferred tax assets - net (Note 29)	**33,380,981**	32,117,933
Goodwill, intangible and other noncurrent assets (Note 15)	**530,536,013**	511,096,656
Total Noncurrent Assets	**9,631,323,477**	9,293,778,485
TOTAL ASSETS	**₱11,492,359,095**	₱11,058,118,644
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱539,689,082**	₱683,892,234
Current portion of interest-bearing loans and borrowings (Note 17)	**240,000,000**	240,000,000
Unearned tuition and other school fees	**195,013,267**	81,379,657
Current portion of lease liabilities (Note 28)	**66,111,807**	–
Current portion of obligations under finance lease (Note 28)	**–**	6,208,432
Income tax payable	**2,884,770**	12,087,573
Total Current Liabilities	**1,043,698,926**	1,023,567,896
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 17)	**914,262,208**	360,000,000
Bonds payable (Note 18)	**2,964,418,162**	2,957,954,254
Lease liabilities - net of current portion (Note 28)	**329,796,679**	–
Pension liabilities - net (Note 27)	**56,144,234**	33,341,457
Obligations under finance lease - net of current portion (Note 28)	**–**	11,643,614
Other noncurrent liabilities (Note 19)	**71,539,574**	101,903,936
Total Noncurrent Liabilities	**4,336,160,857**	3,464,843,261
Total Liabilities *(Carried Forward)*	**5,379,859,783**	4,488,411,157

	March 31	
	2020	2019
Total Liabilities *(Brought Forward)*	**₱5,379,859,783**	₱4,488,411,157
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 20)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 20)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain (loss) (Note 27)	**(1,092,511)**	8,190,682
Other comprehensive income associated with noncurrent asset held for sale (Note 20)	**91,876,446**	91,876,446
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**11,006,834**	3,185,170
Other equity reserve	**(30,941,455)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**468,522**	536,478
Unrealized fair value loss on equity instruments designated at FVOCI (Note 12)	**(30,387)**	(30,429)
Retained earnings	**2,572,194,979**	3,023,825,683
Total Equity Attributable to Equity Holders of the Parent Company	**6,107,395,213**	6,560,555,360
Equity Attributable to Non-Controlling Interests	**5,104,099**	9,152,127
Total Equity	**6,112,499,312**	6,569,707,487
TOTAL LIABILITIES AND EQUITY	**₱11,492,359,095**	₱11,058,118,644

See accompanying Notes to the Consolidated Financial Statements.

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

	Years Ended March 31		
	2020	2019	2018
REVENUES (Note 21)			
Sale of services:			
Tuition and other school fees	**₱1,707,247,204**	₱1,801,197,426	₱2,146,448,575
Educational services	**140,705,289**	166,922,124	208,333,217
Royalty fees	**12,950,012**	15,717,540	20,545,886
Others	**70,237,766**	57,762,040	58,819,746
Sale of goods:			
Sale of educational materials and supplies	**135,885,345**	149,644,539	161,870,856
	2,067,025,616	2,191,243,669	2,596,018,280
COSTS AND EXPENSES			
Cost of educational services (Note 23)	**715,292,680**	687,847,290	694,025,004
Cost of educational materials and supplies sold (Note 24)	**105,041,257**	113,869,136	119,292,191
General and administrative expenses (Note 25)	**1,027,931,950**	1,044,837,043	983,427,424
	1,848,265,887	1,846,553,469	1,796,744,619
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**218,759,729**	344,690,200	799,273,661
OTHER INCOME (EXPENSES)			
Provision for impairment of noncurrent asset held for sale (Note 9)	**(297,470,664)**	–	–
Interest expense (Notes 17, 18, 22 and 28)	**(273,593,287)**	(189,520,401)	(210,506,049)
Rental income (Note 28)	**118,367,121**	107,769,741	98,457,745
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**5,307,508**	4,716,716	(218,245,327)
Interest income (Notes 5, 6 and 22)	**4,406,732**	16,147,640	27,201,134
Gain on:			
Disposal of net assets (Note 9)	**4,365,123**	–	–
Sale of property and equipment	**–**	666,988	14,790
Dividend income (Notes 12 and 14)	**1,769,510**	7,549,554	4,431,657
Miscellaneous income	**–**	–	117,000
	(436,847,957)	(52,669,762)	(298,529,050)
INCOME (LOSS) BEFORE INCOME TAX	**(218,088,228)**	292,020,438	500,744,611
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**13,349,875**	37,685,409	71,370,917
Deferred	**(21,890)**	(258,762)	(3,694,533)
	13,327,985	37,426,647	67,676,384
NET INCOME (LOSS) *(Carried Forward)*	**(231,416,213)**	254,593,791	433,068,227

	Years Ended March 31		
	2020	2019	2018
NET INCOME (LOSS) *(Brought Forward)*	**(₱231,416,213)**	₱254,593,791	₱433,068,227
OTHER COMPREHENSIVE INCOME			
Item to be reclassified to profit or loss in subsequent years:			
Share in associates' unrealized mark-to-market gain on available-for-sale financial assets (AFS) (Note 12)	**–**	–	125,063,735
Share in associates' remeasurement gain on life insurances reserves (Note 12)	**–**	–	226,977
Unrealized mark-to-market gain on AFS (Note 14)	**–**	–	428,960
	–	–	125,719,672
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) in pension liability (Note 27)	**(10,326,050)**	(82,499,491)	52,004,633
Tax effect on remeasurement gain (loss) in pension liability (Note 29)	**1,042,857**	8,112,751	(5,198,835)
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**7,821,664**	(261,920)	–
Share in associates' remeasurement gain (loss) on pension liabilities (Note 12)	**(67,956)**	(14,818)	523,527
Share in associates' fair value adjustment on equity instruments designated at FVOCI (Note 12)	**42**	1,594	–
	(1,529,443)	(74,661,884)	47,329,325
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(1,529,443)**	(74,661,884)	173,048,997
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱232,945,656)**	₱179,931,907	₱606,117,224
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱226,277,507)**	₱254,872,593	₱432,057,214
Non-controlling interests	**(5,138,706)**	(278,802)	1,011,013
	(₱231,416,213)	₱254,593,791	₱433,068,227
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱227,806,950)**	₱180,210,709	₱605,106,211
Non-controlling interests	**(5,138,706)**	(278,802)	1,011,013
	(₱232,945,656)	₱179,931,907	₱606,117,224
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 31)	**(₱0.07)**	₱0.08	₱0.14

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Stock (Note 20)	Cumulative Actuarial Gain (Loss) (Note 27)	Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI/Unrealized Mark-to-market Gain (Loss) on Available-for-sale Financial Assets (Note 14)	Other Equity Reserve (Note 20)	Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI/Unrealized Mark-to-market Loss on Available-for-sale Financial Assets (Note 12)	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 12)	Share in Associates' Other Equity Reserves (Note 12)	Share in Associates' Remeasurement Gains on Life Insurance Reserves (Note 12)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 20)	Retained Earnings (Note 20)	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balance at April 1, 2019, as previously stated	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱8,190,682**	**₱3,185,170**	**(₱30,941,455)**	**(₱30,429)**	**₱536,478**	**₱–**	**₱–**	**₱91,876,446**	**₱3,023,825,683**	**₱6,560,555,360**	**₱9,152,127**	**₱6,569,707,487**
Effect of adoption of PFRS 16 (Note 2)	–	–	–	–	–	–	–	–	–	–	–	**(40,440,567)**	**(40,440,567)**	–	**(40,440,567)**
Balance at April 1, 2019, as restated	**3,087,829,443**	**386,916,479**	**(10,833,137)**	**8,190,682**	**3,185,170**	**(30,941,455)**	**(30,429)**	**536,478**	**-**	**-**	**91,876,446**	**2,983,385,116**	**6,520,114,793**	**9,152,127**	**6,529,266,920**
Net loss	–	–	–	–	–	–	–	–	–	–	–	**(226,277,507)**	**(226,277,507)**	**(5,138,706)**	**(231,416,213)**
Other comprehensive income (loss)	–	–	–	**(9,283,193)**	**7,821,664**	–	**42**	**(67,956)**	–	–	–	–	**(1,529,443)**	–	**(1,529,443)**
Total comprehensive income (loss)	–	–	–	**(9,283,193)**	**7,821,664**	–	**42**	**(67,956)**	–	–	–	**(226,277,507)**	**(227,806,950)**	**(5,138,706)**	**(232,945,656)**
Effect of business combination (Note 38)	–	–	–	–	–	–	–	–	–	–	–	–	**–**	**1,090,678**	**1,090,678**
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	–	–	**(184,912,630)**	**(184,912,630)**	–	**(184,912,630)**
Balance at March 31, 2020	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**(₱1,092,511)**	**₱11,006,834**	**(₱30,941,455)**	**(₱30,387)**	**₱468,522**	**₱–**	**₱–**	**₱91,876,446**	**₱2,572,194,979**	**₱6,107,395,213**	**₱5,104,099**	**₱6,112,499,312**
Balance at April 1, 2018, as previously stated	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱82,577,422	₱404,391	(₱30,941,455)	(₱32,023)	₱551,296	₱–	₱–	₱91,876,446	₱3,003,879,555	₱6,612,228,417	₱9,430,929	₱6,621,659,346
Effect of adoption of PFRS 9	–	–	–	–	40,176,348	–	–	–	–	–	–	(87,147,484)	(46,971,136)	–	(46,971,136)
Balance at April 1, 2018, as restated	3,087,829,443	386,916,479	(10,833,137)	82,577,422	40,580,739	(30,941,455)	(32,023)	551,296	–	–	91,876,446	2,916,732,071	6,565,257,281	9,430,929	6,574,688,210
Net income	–	–	–	–	–	–	–	–	–	–	–	254,872,593	254,872,593	(278,802)	254,593,791
Other comprehensive income (loss)	–	–	–	(74,386,740)	(261,920)	–	1,594	(14,818)	–	–	–	–	(74,661,884)	–	(74,661,884)
Total comprehensive income (loss)	–	–	–	(74,386,740)	(261,920)	–	1,594	(14,818)	–	–	–	254,872,593	180,210,709	(278,802)	179,931,907
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	–	–	(184,912,630)	(184,912,630)	–	(184,912,630)
Realized fair value adjustment on disposal of equity instruments designated at FVOCI (Note 14)	–	–	–	–	(37,133,649)	–	–	–	–	–	–	37,133,649	–	–	–
Balance at March 31, 2019	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,190,682	₱3,185,170	(₱30,941,455)	(₱30,429)	₱536,478	₱–	₱–	₱91,876,446	₱3,023,825,683	₱6,560,555,360	₱9,152,127	₱6,569,707,487
Balance at April 1, 2017	₱3,081,871,859	₱379,937,290	₱–	₱35,771,624	(₱24,569)	(₱28,837,819)	(₱16,537,137)	₱713,619	₱728,649	(₱18,323,651)	₱–	₱2,818,372,090	₱6,253,671,955	₱8,419,916	₱6,262,091,871
Net income	–	–	–	–	–	–	–	–	–	–	–	432,057,214	432,057,214	1,011,013	433,068,227
Other comprehensive income	–	–	–	46,805,798	428,960	–	125,063,735	523,527	–	226,977	–	–	173,048,997	–	173,048,997
Total comprehensive income	–	–	–	46,805,798	428,960	–	125,063,735	523,527	–	226,977	–	432,057,214	605,106,211	1,011,013	606,117,224
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	–	–	(246,549,749)	(246,549,749)	–	(246,549,749)
Reclassification to noncurrent asset held for sale (Note 20)	–	–	–	–	–	–	(108,558,621)	(685,850)	(728,649)	18,096,674	91,876,446	–	–	–	–
Issuance of shares as a result of the merger (Note 20)	5,957,584	6,979,189	(10,833,137)	–	–	(2,103,636)	–	–	–	–	–	–	–	–	–
Balance at March 31, 2018	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱82,577,422	₱404,391	(₱30,941,455)	(₱32,023)	₱551,296	₱–	₱–	₱91,876,446	₱3,003,879,555	₱6,612,228,417	₱9,430,929	₱6,621,659,346

See accompanying Notes to the Consolidated Financial Statements.

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

	Years Ended March 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱218,088,228)**	₱292,020,438	₱500,744,611
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 15)	**502,716,164**	345,435,321	317,087,840
Provision for impairment of:			
Noncurrent asset held for sale (Note 9)	**297,470,664**	–	–
Goodwill (Note 25)	**–**	17,035,240	–
Investments in and advances to associates and joint ventures (Note 25)	**–**	–	591,839
Interest expense (Note 22)	**273,593,287**	189,520,401	210,506,049
Movement in pension (Note 27)	**12,555,975**	1,031,024	162,938
Equity in net loss (earnings) of associates and joint ventures (Note 12)	**(5,307,508)**	(4,716,716)	218,245,327
Interest income (Note 22)	**(4,406,732)**	(16,147,640)	(27,201,134)
Gain on:			
Disposal of net assets (Note 9)	**(4,365,123)**	–	–
Sale of property and equipment	**–**	(666,988)	(14,790)
Dividend income (Notes 12 and 14)	**(1,769,510)**	(7,549,554)	(4,431,657)
Operating income before working capital changes	**852,398,989**	815,961,526	1,215,691,023
Decrease (increase) in:			
Receivables	**(139,754,315)**	(102,697,350)	(53,218,948)
Inventories	**18,844,852**	(16,893,071)	(17,194,516)
Prepaid expenses and other current assets	**3,307,201**	21,806,681	10,135,145
Increase (decrease) in:			
Accounts payable and other current liabilities	**(136,679,156)**	44,767,437	(25,503,952)
Unearned income	**46,909,421**	27,394,638	24,401,460
Other noncurrent liabilities	**(30,364,362)**	(1,667,952)	(12,634,744)
Net cash generated from operations	**614,662,630**	788,671,909	1,141,675,468
Interest received	**4,406,732**	16,147,640	27,201,134
Income and other taxes paid	**(10,735,362)**	(38,578,982)	(66,562,540)
Net cash from operating activities	**608,334,000**	766,240,567	1,102,314,062
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 37)	**(385,645,974)**	(1,490,963,115)	(1,140,906,137)
Equity instruments designated at FVOCI (Note 14)	**(10,000,000)**	–	–
Subsidiaries, net of cash received (Note 38)	**1,443,724**	–	5,828,110
Increase in intangible assets and other noncurrent assets (Note 15)	**(53,873,893)**	(23,312,965)	(178,954,641)
Proceeds from:			
Disposal of net assets (Note 9)	**3,500,000**	–	–
Sale of equity instruments designated at FVOCI (Note 14)	**–**	57,536,500	–
Sale of property and equipment	**–**	666,988	16,000
Dividends received (Notes 12, 14 and 37)	**12,582,805**	17,742,983	15,976,072
Net cash used in investing activities	**(431,993,338)**	(1,438,329,609)	(1,298,040,596)

(Forward)

	Years Ended March 31		
	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term loans (Note 17)	**₱468,000,000**	₱–	₱240,000,000
Availment of long-term loans (Note 17)	**794,000,000**	–	–
Payments of:			
Short-term loans (Note 17)	**(468,000,000)**	–	(785,000,000)
Interest	**(247,308,163)**	(216,761,784)	(229,270,485)
Long-term loans (Note 17)	**(240,000,000)**	(134,400,000)	(40,800,000)
Dividends (Note 20)	**(183,585,711)**	(186,295,104)	(245,101,585)
Lease liabilities (Note 28)	**(83,002,811)**	–	–
Obligations under finance lease	**–**	(6,607,474)	(6,146,905)
Bond issuance cost	**–**	–	(845,757)
Net cash from (used in) financing activities	**40,103,315**	(544,064,362)	(1,067,164,732)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**216,443,977**	(1,216,153,404)	(1,262,891,266)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**401,238,061**	1,617,391,465	2,880,282,731
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱617,682,038**	₱401,238,061	₱1,617,391,465

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. The Group is also offering Senior High School (SHS).

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

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

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

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

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

Prior to School Year (SY) 2018-2019, STI schools start the school calendar every June of each year.

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

With this development, STI ESG made adjustments in its school calendar. For SY 2019-2020, classes for the basic education and SHS still start in June while classes for tertiary start in July.

Related events after the reporting period are discussed in Note 39.

b. Merger with several majority and wholly-owned subsidiaries

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

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

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

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at September 24, 2020, the amendment is pending approval by the SEC.

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

On September 5, 2019, the BOD of STI ESG approved the amendment of the following provisions to its By-Laws: (1) change of the principal address from Makati Metro Manila to STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal 1900; (2) change the Nominations Committee to Corporate Governance Committee; (3) change of the fiscal year from starting April 1 of each year ending on March 31 of the following year to starting July 1 of each year ending on June 30 of the following year; and, (4) change of the date of its annual stockholders' meeting from every first Thursday of September of each year to every first Thursday of November of each year. The SEC approved the amendments on November 4, 2019. The BIR approved STI ESG's application for the change in accounting period on August 27, 2020.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy, Inc. (STI Training Academy) with STI ESG owning 100% of the subscribed and issued capital stock. STI Training Academy is established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority (TESDA); and to provide other professional courses and training, such as tanked courses, allied and security courses, stewarding and culinary courses.

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

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on September 24, 2020.

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

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis, except for noncurrent asset held for sale which has been measured at fair value less costs to sell and equity instruments designated at FVOCI which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
As at and for the years ended March 31, 2020 and 2019, the accompanying consolidated financial statements, which were prepared for submission to the SEC and BIR, have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

For the year ended March 31, 2018, the accompanying consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines which includes all applicable PFRS and accounting standards set forth in Pre-Need Rule 31, As Amended: Accounting Standards for Pre-Need Plans and Pre-Need Uniform Chart of Accounts, otherwise known as PNUCA, as required by the SEC for PhilPlans First, Inc. (PhilPlans). PhilPlans is a pre-need company and is a wholly-owned subsidiary of Maestro Holdings, Inc. (Maestro Holdings, formerly known as STI Investments, Inc.), an associate of the Parent Company until June 2017.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended PFRS that became effective beginning on April 1, 2019. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated:

- PFRS 16, *Leases*

  PFRS 16 supersedes Philippine Accounting Standards (PAS) 17, *Leases*, Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation Standard Interpretations Committee (SIC)-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions*

Involving the Legal Form of a Lease. The standard 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.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of April 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’).

The effect of adoption PFRS 16 as at April 1, 2019 is as follows:

	Increase (decrease)
Assets	
Property and equipment	₱323,874,119
Prepaid expenses and other current assets	(3,796,127)
Deferred tax assets	35,347,900
Other noncurrent assets	(10,000,048)
Total Assets	**₱345,425,844**
Liabilities	
Accounts payable and other current liabilities	(₱20,485,350)
Lease liabilities - current	52,845,620
Lease liabilities - net of current portion	338,970,775
Current portion of obligations under finance lease	(6,208,432)
Obligations under finance lease - net of current portion	(11,643,614)
Deferred tax liabilities	32,387,412
	385,866,411
Equity	
Retained earnings	(40,440,567)
Total Liabilities and Equity	**₱345,425,844**

As at April 1, 2019:

- Property and equipment was recognized amounting to ₱323.9 million, representing the amount of right-of-use (ROU) assets set up on transition date. Lease assets recognized previously under finance leases, which were included under “Property and equipment” account, were reclassified.
- Deferred rent previously classified under “Other noncurrent assets” of ₱10.0 million was reclassified and included as part of ROU assets under “Property and equipment” account.
- Lease liabilities of ₱391.8 million were recognized.
- Accounts payable and other current liabilities of ₱20.5 million was reclassified to “Retained earnings” account to derecognize accrued rent expense arising from straight-lining under PAS 17.

- Current portion of obligation under finance lease and obligation under finance lease - net of current portion of ₱6.2 million and ₱11.6 million, respectively, were reclassified to “Lease liabilities” account.
- Deferred tax assets and deferred tax liabilities increased by ₱35.3 million and ₱32.4 million, respectively, because of the deferred tax impact of the changes in assets and liabilities.
- The net effect of these adjustments had been adjusted to retained earnings amounting to ₱40.4 million.

The Group leases land and building spaces, where the corporate office and schools are located, under operating lease agreements with varying terms and periods.

Before the adoption of PFRS 16, the Group classified each of these leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- Leases previously accounted for as finance leases

  The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the ROU assets and lease liabilities equal the lease assets and liabilities recognized under PAS 17). The requirements of PFRS 16 were applied to these leases from April 1, 2019. The finance lease liabilities reclassified to lease liabilities amounted to ₱17.9 million.

- Leases previously accounted for as operating leases

  The Group recognized ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. In some leases, the ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the IBR at the date of initial application.

  The Group also applied the following practical expedients provided by the standard:
  a. Relied on its assessment of whether leases are onerous immediately before the date of initial application;
  b. Exclusion of initial direct costs from the measurement of the ROU assets at the date of initial application; and
  c. Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities at as April 1, 2019 reconciled to the operating lease commitment as of March 31, 2019 follows:

Operating lease commitments as at March 31, 2019	₱630,195,391
Less commitments relating to short-term leases	19,389,667
Operating lease commitments before discounting as at April 1, 2019	610,805,724
Weighted average incremental borrowing rate as at April 1, 2019	7.35%
Discounted operating lease commitments as at April 1, 2019	373,964,349
Add finance lease commitments as at March 31, 2019	17,852,046
Lease liabilities as at April 1, 2019	₱391,816,395

- 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

  The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

  Upon adoption of the interpretation, the Group assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are solely payments of principal and interest (SPPI) on the principal amount outstanding and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments have no impact on the consolidated financial statements of the Group.

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

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

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

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

  The amendments have no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

- 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 (ECL) model in PFRS 9 applies to such long-term interests.

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

  These amendments have no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *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 have no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- 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, OCI or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application, permitted.

  These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

  These amendments have no impact on the consolidated financial statements of the Group as the Group's current practice is in line with these amendments.

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective for year ended March 31, 2020 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements, except otherwise stated:

Effective in fiscal year 2021

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

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

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

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

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

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

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

Effective in fiscal year 2024

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *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 (FRSC) deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2020 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures certain financial instruments, such as equity instruments designated at FVOCI, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in Note 35 to the consolidated financial statements.

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

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

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

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

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

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

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

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

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

External valuers are involved in the valuation of significant assets, such as investment property. Every year, the Group decides whether to involve an external valuer in determining the fair value of these assets. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

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

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

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

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

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

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the unrealized OCI deferred in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

		Effective Percentage of Ownership					
		2020		2019		2018	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Kalookan, Inc. (STI Caloocan)[a]	Educational Institution	**100**	**–**	100	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–	100	–
STI Training Academy[b]	Educational Institution	**100**	**–**	–	–	–	–
NAMEI Polytechnic Institute of Mandaluyong, Inc.[c]	Educational Institution	**100**	**–**	–	–	–	–
NAMEI Polytechnic Institute, Inc.[c]	Educational Institution	**94**	**–**	–	–	–	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [d]	Educational Institution	**52**	**–**	52	–	52	–
STI College Quezon Avenue, Inc. (STI QA) [e]	Educational Institution	**–**	**52**	–	52	–	52

[a] A subsidiary through a management contract (see Note 3)
[b] A subsidiary incorporated in November 11, 2019
[c] Collectively referred to as NAMEI, became subsidiaries starting April 1, 2019
[d] On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for school years 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations as at September 24, 2020.
[e] A wholly-owned subsidiary of De Los Santos-STI College

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

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

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

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

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

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

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

Cash and Cash Equivalents

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

Financial 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 fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, 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. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group'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. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

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), and
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group. The Group 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 at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at March 31, 2020 and 2019, the Group's financial assets at amortized cost include:

Cash and cash equivalents, *Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets* account.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). Upon initial recognition, the Group 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 nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group 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.

As at March 31, 2020 and 2019, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI (see Note 14).

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

The Group has no financial assets at FVTPL as at March 31, 2020 and 2019.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the stage for impairment
The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For receivable from students, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets
Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

Write-off Policy
The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Effective Prior to April 1, 2018

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

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

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

Subsequent Measurement

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

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

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

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

The fair value of AFS financial assets consisting of any investments that are actively traded in organized financial markets is determined by reference to market closing quotes as at financial reporting date. The Group's investments in club and ordinary shares are classified in this category.

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

Impairment of Financial Assets

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

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

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

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

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

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

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

b. Financial liabilities

Initial Recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

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

The Group does not have financial liabilities at FVTPL. The Group’s financial liabilities as at March 31, 2020 and 2019 are measured at amortized cost.

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

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

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 the consolidated statement of comprehensive income.

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

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

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

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

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value.

Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment

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

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

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

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

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

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

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

Investment Properties

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

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

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated 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 the property for subsequent accounting is its carrying value at the date of the change in use. If the property occupied by Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

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

Borrowing Costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

		Effective Percentage of Ownership					
		2020		2019		2018	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia [(a)]	Management Consulting Services	**30**	**–**	30	–	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings [(b)]	Holding Company	**20**	**–**	20	–	20	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3
STI Holdings (see Note 4)	Holding Company	**5**	**–**	5	–	5	–

[(a)] *Dormant entities*
[(b)] *Reclassified as asset held for sale on June 30, 2017.*

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

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

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

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

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

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset

is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

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

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

Goodwill

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

Unearned Tuition and Other School Fees

Unearned tuition and other school fees represent contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the

Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of comprehensive income.

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

Treasury Stocks
Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

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

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

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

Revenue Recognition

Effective beginning April 1, 2018

Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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 Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to the adoption of PFRS 15:

Trade Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's *Unearned tuition and other school fees* account represents contract liabilities which will be recognized as revenue when the related educational services are rendered.

Effective prior to April 1, 2018

The Group 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 Group'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 Group 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 Group's revenue upon adoption of PFRS 15.

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

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

Educational Services and Royalty Fees. Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods or services are transferred to the customer.

Following are the revenue streams outside the scope of PFRS 15:

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

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Other Revenues. Other revenues mainly pertain to the revenue related to the use of software licenses by franchised schools. These are recognized over the related school year based on the number of ongoing students of the schools and a fixed rate per student.

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

Pension Cost
The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI QA are members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP). CEAP is a funded, noncontributory, defined contribution plan covering De Los Santos-STI College's and STI QA's qualified employees under which De Los Santos-STI College and STI QA pay fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI QA, however, are covered under RA No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI QA account for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. De Los Santos-STI College and STI QA determine the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits. Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the 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).

Right-of-use assets
The Group recognizes ROU assets under "Property and equipment" account at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

Land	25 years
Building	2 to 5 years
Transportation equipment	4 years

ROU assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Group as a Lessee prior to adoption of PFRS 16

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Group as a Lessor. Leases, where the Group retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

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

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

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated statement of financial position.

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

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

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

3. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on net income (loss) for the year and EBITDA, defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains (losses) such as gain on disposal of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA:

	2020	2019	2018
Consolidated net income (loss)	**(₱231,416,213)**	₱254,593,791	₱433,068,227
Depreciation and amortization*	**437,444,138**	345,435,321	317,087,840
Provision for impairment of noncurrent asset held for sale	**297,470,664**	–	–
Interest expense*	**246,040,955**	189,520,401	210,506,049
Provision for income tax	**13,327,985**	37,426,647	67,676,384
Equity in net losses (earnings) of associates and joint ventures	**(5,307,508)**	(4,716,716)	218,245,327
Interest income	**(4,406,732)**	(16,147,640)	(27,201,134)
Gain on disposal of net assets	**(4,365,123)**	–	–
Consolidated EBITDA	**₱748,788,166**	₱806,111,804	₱1,219,382,693

**Depreciation and interest expenses exclude those related to ROU assets and lease liabilities, respectively.*

Inter-Segment Transactions

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

	2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,188,867,653	₱151,701,650	₱638,446,135	₱35,210,208	₱52,799,970	₱2,067,025,616
Results						
Income (loss) before other income (expenses) and income tax	52,135,410	(18,570,719)	210,486,682	(2,817,125)	(22,474,519)	218,759,729
Equity in net earnings of associates and joint ventures	5,307,508	–	–	–	–	5,307,508
Interest expense	(254,778,535)	(5,866,114)	(7,671,854)	(1,650,711)	(3,626,073)	(273,593,287)
Interest income	3,683,040	52,763	642,305	16,776	11,848	4,406,732
Other income (expenses) [(a)]	(174,186,545)	467,589	1,551,032	(913,959)	112,973	(172,968,910)
Provision for income tax	(13,327,985)	–	–	–	–	(13,327,985)
Net Income (Loss)	(₱381,167,107)	(₱23,916,481)	₱205,008,165	(₱5,365,019)	(₱25,975,771)	(₱231,416,213))
EBITDA						₱748,788,166
Assets and Liabilities						
Segment assets[(b)]	₱8,146,789,735	₱862,538,856	₱1,056,229,769	₱79,609,220	₱161,317,517	₱10,306,485,097
Goodwill (see Note 15)	229,750,336	–	–	–	–	229,750,336
Investments in and advances to associates and joint ventures (see Note 12)	503,626,787	–	–	–	–	503,626,787
Noncurrent asset held for sale (see Note 9)	419,115,894	–	–	–	–	419,115,894
Deferred tax assets - net (see Note 29)	30,787,357	781,979	1,477,235	252,325	82,085	33,380,981
Total Assets	₱9,330,070,109	₱863,320,835	₱1,057,707,004	₱79,861,545	₱161,399,602	₱11,492,359,095
Segment liabilities[(c)]	₱622,093,582	₱45,187,635	₱97,823,096	₱14,708,518	₱29,313,862	₱809,126,693
Interest-bearing loans and borrowings (see Note 17)	1,154,262,208	–	–	–	–	1,154,262,208
Bonds payable (see Note 18)	2,964,418,162	–	–	–	–	2,964,418,162
Pension liabilities (see Note 27)	39,794,523	4,559,234	10,064,894	41,613	1,683,970	56,144,234
Lease liabilities (see Note 28)	131,576,949	84,981,927	104,329,597	23,381,858	51,638,155	395,908,486
Total Liabilities	₱4,912,145,424	₱134,728,796	₱212,217,587	₱38,131,989	₱82,635,987	₱5,379,859,783
Other Segment Information						
Capital expenditures for property and equipment						₱464,639,614
Depreciation and amortization						437,444,138
Noncash expenses other than depreciation and amortization						69,642,742

[(a)] *Other income (expenses) exclude equity in net earnings of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*

	2019					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,333,203,275	₱114,476,219	₱629,889,898	₱39,566,194	₱74,108,083	₱2,191,243,669
Results						
Income (loss) before other income (expenses) and income tax	149,390,959	(2,696,212)	211,826,170	183,215	(14,013,932)	344,690,200
Equity in net earnings of associates and joint ventures	4,716,716	–	–	–	–	4,716,716
Interest expense	(189,520,280)	–	(121)	–	–	(189,520,401)
Interest income	15,518,125	51,912	539,087	15,024	23,492	16,147,640
Other income (expenses) [(a)]	114,488,957	128,000	1,192,602	369,548	(192,824)	115,986,283
Provision for income tax	(37,426,647)	–	–	–	–	(37,426,647)
Net Income (Loss)	₱57,167,830	(₱2,516,300)	₱213,557,738	₱567,787	(₱14,183,264)	₱254,593,791
EBITDA						₱806,111,804
Assets and Liabilities						
Segment assets[(b)]	₱8,350,197,108	₱108,113,352	₱933,535,224	₱60,021,003	₱140,418,589	₱9,592,285,276
Goodwill (see Note 15)	208,519,102	–	–	–	–	208,519,102
Investments in and advances to associates and joint ventures (see Note 12)	508,609,775	–	–	–	–	508,609,775
Noncurrent asset held for sale (see Note 9)	716,586,558	–	–	–	–	716,586,558
Deferred tax assets - net (see Note 29)	30,181,272	894,713	843,452	156,654	41,842	32,117,933
Total Assets	₱9,814,093,815	₱109,008,065	₱934,378,676	₱60,177,657	₱140,460,431	₱11,058,118,644
Segment liabilities[(c)]	₱716,370,432	₱31,643,191	₱86,971,535	₱11,879,740	₱32,398,502	₱879,263,400
Interest-bearing loans and borrowings (see Note 17)	600,000,000	–	–	–	–	600,000,000
Bonds payable (see Note 18)	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities (see Note 27)	14,794,481	5,614,191	10,616,437	84,403	2,231,945	33,341,457
Obligations under finance lease (see Note 28)	17,852,046	–	–	–	–	17,852,046
Total Liabilities	₱4,306,971,213	₱37,257,382	₱97,587,972	₱11,964,143	₱34,630,447	₱4,488,411,157
Other Segment Information						
Capital expenditures for property and equipment						₱1,780,021,439
Depreciation and amortization						345,435,321
Noncash expenses other than depreciation and amortization						84,966,128

[(a)] *Other income (expenses) exclude equity in net earnings of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.*

	2018					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,644,220,234	₱137,130,546	₱682,081,346	₱44,627,481	₱87,958,673	₱2,596,018,280
Results						
Income (loss) before other income (expenses) and income tax	526,114,822	17,897,080	257,182,223	2,990,272	(4,910,736)	799,273,661
Equity in net loss of associates and joint ventures	(218,245,327)	–	–	–	–	(218,245,327)
Interest expense	(210,496,885)	–	(9,164)	–	–	(210,506,049)
Interest income	26,906,076	71,317	167,874	28,518	27,349	27,201,134
Other income	101,534,100	60,000	1,243,528	61,060	122,504	103,021,192
Provision for income tax	(67,676,384)	–	–	–	–	(67,676,384)
Net Income (Loss)	₱158,136,402	₱18,028,397	₱258,584,461	₱3,079,850	(₱4,760,883)	₱433,068,227
EBITDA						₱1,219,382,693
Assets and Liabilities						
Segment assets[(a)]	₱8,106,603,160	₱132,951,846	₱922,464,706	₱52,590,632	₱151,714,860	₱9,366,325,204
Goodwill	225,554,342	–	–	–	–	225,554,342
Investments in and advances to associates and joint ventures (see Note 12)	514,904,349	–	–	–	–	514,904,349
Pension assets - net	53,474,883	–	–	–	–	53,474,883
Noncurrent asset held for sale	716,586,558	–	–	–	–	716,586,558
Deferred tax assets - net	12,652,738	916,408	345,862	105,387	42,971	14,063,366
Total Assets	9,629,776,030	133,868,254	922,810,568	52,696,019	151,757,831	10,890,908,702
Segment liabilities[(b)]	360,051,353	50,474,180	100,258,912	9,541,223	37,542,887	*557,868,555*
Interest-bearing loans and borrowings	734,400,000	–	–	–	–	734,400,000
Bonds payable	2,951,879,134	–	–	–	–	2,951,879,134
Pension liabilities	4,157,813	39,293	400,120	53,514	10,607	4,661,347
Obligations under finance lease	20,440,320	–	–	–	–	20,440,320
Total Liabilities	₱4,070,928,620	₱50,513,473	₱100,659,032	₱9,594,737	₱37,553,494	₱4,269,249,356
Other Segment Information						
Capital expenditures for property and equipment						₱1,209,647,204
Depreciation and amortization						317,087,840
Noncash expenses other than depreciation and amortization						89,749,101

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

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Group's consolidated financial statements.

In response to the novel Coronavirus Disease 2019 (COVID-19), which has caused global economic disruption, STI ESG has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgements and estimates and there are no changes to the significant judgements and estimates in the March 31, 2020 consolidated financial statements from those applied in previous financial year, other than for those disclosed under this section.

Determination of Control Arising from a Management Contract. The Parent Company has management contract with STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct its relevant activities and has the means to obtain the majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control of STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Contractual cash flows assessment. For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with SPPI.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. "Interest" is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

Evaluation of business model in managing financial instruments. The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Recognition of revenue from tuition and other school fees, educational services and royalty fees over time. The Group concluded that tuition and other school fees, educational services, and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Recognition of revenue from the sale of educational materials and supplies at the point in time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings (see Note 12). Management has assessed that it has significant influence by virtue of its pooling agreement with other stockholders of STI Holdings owning 31.12% of the voting stock of STI Holdings resulting in a total voting power of 36.19%. Under this agreement, the Parent Company and the stockholder will pool their shares in STI Holdings and vote as a block in all matters that would require a vote of the shareholders and the BOD. Accordingly, the Parent Company has the power to participate in the financial and operating policy decisions of STI Holdings and accounts for the said investment as an associate.

Investments in Joint Ventures. The Group has interests in PHEI and STI-PHNS, both joint ventures. The Parent Company owns 40% and 50% of PHEI and STI-PHNS, respectively. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Noncurrent Asset Held for Sale. On June 27, 2017, STI ESG's BOD approved the disposition of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition

- The shares will be sold at a price approximating its current fair value
- Actions to locate a buyer and complete the sale have been initiated
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings. The carrying value as at June 30, 2017, which is the date of reclassification of the noncurrent asset held for sale, amounted ₱716.6 million (see Notes 9 and 12).

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if there is sufficient evidence that the Group remains committed to its plan to sell the asset.

On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to the collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 33).

Classification of Leases - the Group as Lessee (Prior to adoption of PFRS 16). The Group acquired various transportation equipment under various lease arrangements. The Group has evaluated the arrangements and the terms and determined that the agreements qualify as finance lease since all the significant risks and rewards of ownership of the leased assets are transferred to the Group.

The Group has entered into several lease agreements for land and building spaces, where the corporate office and schools are located, where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease (see Note 28).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Allowance for ECL (Upon Adoption of PFRS 9)

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss given default*
  LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified approach for receivables from students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information at the end of the first three months subsequent to report date. As a result of this review, the probability of default of receivables from students that are due subsequent to report date was adjusted accordingly. Additional scenario analysis was incorporated which considered differing severity and duration assumptions relating to the global pandemic. This included probability-weighted shocks to annual gross domestic product (GDP) and consequential impacts on unemployment and other economic variables.

This adjustment has no significant impact on the ECL computation. As uncertainties in market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, actual results in the future periods may differ from the estimates.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Estimating Allowance for Doubtful Accounts (Prior to PFRS 9 Adoption)

The Group reviews its receivables and advances to associates and joint ventures and other related parties at each reporting date to assess whether an allowance for impairment loss should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowance against individually significant receivables and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the receivables and advances since it was granted or acquired.

The Group recognized provision for ECL/doubtful accounts amounting to ₱52.1 million, ₱61.6 million and ₱76.9 million in 2020, 2019 and 2018, respectively. Allowance for ECL on receivables amounted to ₱143.1 million and ₱163.2 million as at March 31, 2020 and 2019, respectively. The carrying amounts of receivables as at March 31, 2020 and 2019 are disclosed in Note 6 to the consolidated financial statements.

Valuation of Noncurrent Assets Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount. Management uses the adjusted consolidated net assets value of PhilPlans and discounted cash flows from the financial budget covering five years approved by the management of Philippine Life Financial Assurance Corporation (PhilLife) and PhilhealthCare, Inc. (PhilCare) in estimating the fair value of Maestro Holdings. Philplans consists primarily of investments in listed equity instruments, government bonds, other fixed-income securities (accounts valued at Level 1 and Level 2) and pre-need reserves. Management used a discount rate for the discounted cash flows of PhilLife and PhilCare equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Key assumptions used by management are growth rates, long-term growth rate, discount rates, discount on lack of control (DLOC), discount on lack of marketability (DLOM) and estimated costs to sell (under Level 3).

The Group recognized a provision for impairment of the noncurrent asset held for sale amounting to ₱297.5 million for the year ended March 31, 2020. No impairment was recognized in 2019 and 2018. As at March 31, 2020 and 2019, the carrying value of the noncurrent asset held for sale amounted to ₱419.1 million and ₱716.6 million, respectively (see Note 9).

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets in 2020 and 2019. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2020	2019
Property and equipment (see Note 10)	**₱5,528,952,723**	₱4,849,841,742
Investment properties (see Note 11)	**469,233,652**	497,710,588
Intangible assets (see Note 15)	**31,774,511**	3,332,089

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

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

The carrying value of property and equipment, investment properties, investment in and advances to subsidiaries, associates and joint ventures and intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12 and 15, respectively. No provision for impairment on nonfinancial assets was recognized in the Group's consolidated financial statements in 2020, 2019 and 2018.

Goodwill. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill which is subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at March 31, 2020 was conducted.

The recoverable amounts of CGUs have been determined based on the value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, EBITDA margins, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate of 10.44% to 11.06% was used as at March 31, 2020. The growth rate used in extrapolating the cash flows beyond the period covered by the CGU's recent budgets was 5.00%.

Impairment testing as at March 31, 2020 and 2019 showed that the CGUs recoverable amounts were greater than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian as at March 31, 2019. The Group recognized provision for impairment of Goodwill amounting to nil and ₱17.0 million for the years ended March 31, 2020 and 2019, respectively, related to these schools since their recoverable amounts were lower compared to their carrying amounts. Goodwill amounted to ₱229.8 million and ₱208.5 million as at March 31, 2020 and 2019, respectively (see Note 15).

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

Deferred tax assets recognized as at March 31, 2020 and 2019 are disclosed in Note 29 of the consolidated financial statements.

Measurement of Lease Liability. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*
  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

  The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*
  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at March 31, 2020 are disclosed in Note 28 of the consolidated financial statements.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 27 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at March 31, 2020 and 2019 are disclosed in Note 27 of the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱539,757,896**	₱321,478,088
Cash equivalents	**77,924,142**	79,759,973
	₱617,682,038	₱401,238,061

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

Interest earned from cash in banks and cash equivalents amounted to ₱3.7 million, ₱15.9 million and ₱26.5 million in 2020, 2019 and 2018, respectively (see Note 22).

6. Receivables

This account consists of:

	2020	2019
Tuition and other school fees	**₱538,989,342**	₱460,896,259
Educational services	**89,252,317**	54,755,086
Rent, utilities and other related receivables	**33,592,947**	31,226,307
Advances to officers and employees (see Note 30)	**24,131,003**	17,540,523
Dividend receivable	**–**	804,637
Others	**93,815,294**	18,822,102
	779,780,903	584,044,914
Less allowance for expected credit losses	**143,124,759**	163,201,256
	₱636,656,144	₱420,843,658

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students and DepEd and CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱0.7 million, ₱0.3 million and ₱0.6 million in 2020, 2019 and 2018, respectively (see Note 22).

c. Rent, utilities and other related receivables are normally collected within the next financial year.

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

e. Other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay). On November 4, 2019, STI ESG and the Development Bank of the Philippines (DBP) entered into a Deed of Assignment wherein DBP assigned, transferred and conveyed, without recourse, all its collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

   This account also includes receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱6.1 million and ₱5.0 million, respectively, as at March 31, 2020 and amounting to ₱1.6 million, ₱5.4 million and ₱3.0 million, respectively, as at March 31, 2019.

   These receivables are expected to be collected within the next reporting period.

The movements in the allowance for expected credit losses are as follows:

	2020		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱160,325,293**	**₱2,875,963**	**₱163,201,256**
Provisions (see Note 25)	**51,840,526**	**282,509**	**52,123,035**
Disposal of net assets (see Note 9)	**(487,033)**	**–**	**(487,033)**
Write-offs	**(71,429,990)**	**(282,509)**	**(71,712,499)**
Balance at end of year	**₱140,248,796**	**₱2,875,963**	**₱143,124,759**

	2019		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱180,254,832	₱2,760,450	₱183,015,282
Provisions (see Note 25)	61,448,754	115,513	61,564,267
Write-offs	(81,378,293)	–	(81,378,293)
Balance at end of year	₱160,325,293	₱2,875,963	₱163,201,256

7. **Inventories**

This account consists of:

	2020	2019
At net realizable value:		
Uniforms	**₱106,167,639**	₱124,414,895
Textbooks and other education-related materials	**10,437,489**	11,171,578
Educational materials	**116,605,128**	135,586,473
Proware materials	**10,197,432**	8,817,729
Marketing materials	**2,934,500**	5,712,848
Promotional materials	**13,131,932**	14,530,577
School materials and supplies	**2,659,742**	1,641,734
	₱132,396,802	₱151,758,784

The cost of inventories carried at net realizable values amounted to ₱148.1 million and ₱162.7 million as at March 31, 2020 and 2019, respectively. Allowance for inventory obsolescence amounted to ₱15.8 million and ₱11.0 million as at March 31, 2020 and 2019, respectively. Provision for inventory obsolescence resulting from the excess of cost over the net realizable value of inventories amounted to ₱4.8 million, ₱0.04 million and₱1.1 million in 2020, 2019 and 2018, respectively (see Note 25).

Inventories charged to cost of educational materials and supplies sold amounted to ₱105.0 million, ₱113.9 million and ₱119.3 million in 2020, 2019 and 2018, respectively (see Note 24).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Input VAT - net	**₱22,930,169**	₱43,646,166
Prepaid taxes	**20,841,589**	15,127,665
Excess contributions to CEAP	**3,069,046**	3,102,625
Prepaid subscriptions and licenses	**2,932,644**	1,549,762
Software maintenance cost	**2,182,105**	2,273,472
Prepaid rent	**1,296,212**	5,782,887
Prepaid insurance	**299,777**	462,781
Others	**1,633,198**	1,967,740
	₱55,184,740	₱73,913,098

Input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. Input VAT are primarily from the purchase of goods and services.

Prepaid taxes are substantially attributed to creditable taxes withheld by lessees and represent excess creditable withholding taxes over tax due which will be applied against income tax due of the following period.

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

Prepaid subscriptions and licenses pertain to Adobe Acrobat license subscriptions.

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

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

Prepaid insurance substantially represents fire insurance coverage. Fire insurance covers insurance on building, including equipment and furniture. Fire insurance coverages were paid in advance and will be recognized as expense over the period of the coverage, which is normally within the next reporting period.

9. Noncurrent Asset Held for Sale

Maestro Holdings

Noncurrent asset held for sale amounting to ₱419.1 million and ₱716.6 million as at March 31, 2020 and 2019, respectively, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans, 99.89% of PhilCare, 90.77% of PhilLife and 100% of Banclife Insurance Co. Inc. (Banclife).

On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Since then, management had discussions with potential buyers but no final agreements were reached. On September 24, 2020, STI ESG's BOD has approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017 and was carried at the lower of its carrying amount and fair value less cost to sell.

For the year ended March 31, 2020, STI ESG recognized a provision for impairment of ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed income securities (accounts valued at Level 1 and Level 2) and pre-need reserves for PhilPlans and discounted cash flows from the financial budget covering five years approved by the management of PhilLife and PhilCare.

Key assumptions used for the discounted cash flows of PhilLife and PhilCare (under Level 3) are growth rates for: net premiums (7.00% y-o-y growth), claims (30.00% of net premiums), enrollees' fee (9.31% to 9.66%) and enrollees' claims (70.00% of enrollees' fees); long-term growth rate (5.70%); and discount rates (13.80% to 15.10%). Other key assumptions used in determining the fair value less costs to sell include DLOC and DLOM (15.00% to 20.00%) and estimated costs to sell (5.00%) (see Note 4).

Management believes that a reasonably possible change in the assumptions used in the estimation would not materially affect the fair value of noncurrent asset held for sale.

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

<u>STI College Tagum, Inc.</u>
On March 27, 2019, STI ESG and STI College Tagum, Inc. (STI Tagum), the assignee, entered into a Deed of Assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG, for a sum of ₱7.0 million of which ₱3.5 million was paid as at March 31, 2019. The sale is effective on April 1, 2019. The transaction resulted in a gain on disposal of net assets amounting to ₱4.4 million presented in the consolidated statement of comprehensive income for the year ended March 31, 2020.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

March 31, 2020

	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction-in-Progress**	**Right-of Use asset- Land**	**Right-of Use asset- Building**	**Right-of Use asset- Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year, as previously stated	**₱2,303,062,317**	**₱4,368,847,627**	**₱237,360,017**	**₱72,732,084**	**₱69,815,890**	**₱16,588,930**	**₱66,425,354**	**₱18,071,840**	**₱517,575,407**	**₱–**	**₱–**	**₱–**	**₱7,670,479,466**
Effect of adoption of PFRS 16 (see Note 2)	**–**	**–**	**–**	**–**	**–**	**(14,715,936)**	**–**	**–**	**–**	**142,394,578**	**178,259,513**	**17,935,964**	**323,874,119**
Balance at beginning of year, as restated	**2,303,062,317**	**4,368,847,627**	**237,360,017**	**72,732,084**	**69,815,890**	**1,872,994**	**66,425,354**	**18,071,840**	**517,575,407**	**142,394,578**	**178,259,513**	**17,935,964**	**7,994,353,585**
Additions	**–**	**115,929,141**	**41,480,326**	**18,415,642**	**24,284,673**	**–**	**29,133,797**	**4,766,287**	**170,945,273**	**–**	**56,392,771**	**3,291,704**	**464,639,614**
Reclassifications	**–**	**516,306,485**	**(12,702)**	**–**	**1,268,922**	**–**	**12,702**	**–**	**(517,575,407)**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(243,265)**	**(136,784)**	**(207,477)**	**(114,816)**	**(480,791)**	**(22)**	**–**	**–**	**–**	**–**	**(1,183,155)**
Effect of business combination (see Note 38)	**–**	**–**	**10,563,539**	**1,590,200**	**–**	**–**	**1,262,265**	**2,726,126**	**–**	**–**	**–**	**–**	**16,142,130**
Depreciation and amortization (see Notes 23 and 25)	**–**	**(237,643,796)**	**(71,987,861)**	**(26,690,535)**	**(21,408,260)**	**(781,416)**	**(38,162,822)**	**(9,045,145)**	**–**	**(7,784,897)**	**(51,306,650)**	**(6,180,479)**	**(470,991,861)**
Balance at end of year	**₱2,303,062,317**	**₱4,763,439,457**	**₱217,160,054**	**₱65,910,607**	**₱73,753,748**	**₱ 976,762**	**₱58,190,505**	**₱16,519,086**	**₱170,945,273**	**₱134,609,681**	**₱183,345,634**	**₱15,047,189**	**₱8,002,960,313**
At March 31, 2020													
Cost	**₱2,303,062,317**	**₱6,017,020,481**	**₱690,270,775**	**₱309,777,457**	**₱280,930,801**	**₱7,372,919**	**₱384,660,883**	**₱123,674,649**	**₱170,945,273**	**₱142,394,578**	**₱234,652,284**	**₱21,227,668**	**₱10,685,990,085**
Accumulated depreciation and amortization	**–**	**1,253,581,024**	**473,110,721**	**243,866,850**	**207,177,053**	**6,396,157**	**326,470,378**	**107,155,563**	**–**	**7,784,897**	**51,306,650**	**6,180,479**	**2,683,029,772**
Net book value	**₱2,303,062,317**	**₱4,763,439,457**	**₱217,160,054**	**₱65,910,607**	**₱73,753,748**	**₱976,762**	**₱58,190,505**	**₱16,519,086**	**₱170,945,273**	**₱134,609,681**	**₱183,345,634**	**₱15,047,189**	**₱8,002,960,313**

March 31, 2019

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of Use asset- Land	Right-of Use asset- Building	Right-of Use asset- Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	₱2,303,062,317	₱2,833,240,358	₱98,294,053	₱53,362,705	₱65,679,119	₱21,375,401	₱52,702,795	₱13,031,566	₱756,857,644	₱–	₱–	₱–	₱6,197,605,958
Additions	–	950,514,215	186,837,611	45,616,395	18,850,215	3,306,898	46,207,970	11,112,727	517,575,408	–	–	–	1,780,021,439
Reclassifications	–	752,621,578	(19,634)	233,814	4,252,593	–	(258,317)	27,611	(756,857,645)	–	–	–	–
Depreciation and amortization (see Notes 23 and 25)	–	(167,528,524)	(47,752,013)	(26,480,830)	(18,966,037)	(8,093,369)	(32,227,094)	(6,100,064)	–	–	–	–	(307,147,931)
Balance at end of year	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱–	₱–	₱–	₱7,670,479,466
At March 31, 2019													
Cost	₱2,303,062,317	₱5,371,408,503	₱640,109,483	₱289,100,454	₱329,391,421	₱62,247,061	₱384,068,469	₱118,963,802	₱517,575,407	₱–	₱–	₱–	₱10,015,926,917
Accumulated depreciation and amortization	–	1,002,560,876	402,749,466	216,368,370	259,575,531	45,658,131	317,643,115	100,891,962	–	–	–	–	2,345,447,451
Net book value	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱16,588,930	₱66,425,354	₱18,071,840	₱517,575,407	₱–	₱–	₱–	₱7,670,479,466

There were no idle property and equipment as at March 31, 2020 and 2019.

Additions

Property and Equipment under Construction. As at March 31, 2020, the construction-in-progress account pertains substantially to the construction of STI Academic Center Legazpi. The related contract costs amounted to ₱379.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. Located at Rizal St., Cabangon East in Legazpi City, the four-storey school building was built on a 4,149-square-meter property with an estimated capacity of 2,500 senior high school and college students. The new STI Academic Center Legazpi was completed in September 2020, in time for the start of classes for SY 2020-2021.

As at March 31, 2019, the construction-in-progress account includes costs related to the construction of school buildings which will be the new sites of STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte. The related contract costs amounted to ₱2,128.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The construction works for STI San Jose del Monte was completed in March 2019. Similarly, the construction works for STI Sta. Mesa and STI Pasay-EDSA were completed in September 2019. For SY 2019-2020, these schools held classes beginning June 2019 and July 2019 for SHS and tertiary students, respectively.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱5.4 million and ₱35.5 million in 2020 and 2019, respectively. The average interest capitalization rate was 5.97% and 5.96% in 2020 and 2019, respectively, which was the effective rate of the borrowings.

11. Investment Properties

The rollforward analyses of this account are as follows:

	2020		
	Land	**Condominium Units and Buildings**	**Total**
Cost:			
Balance at beginning and end of year	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of year	**–**	**138,522,962**	**138,522,962**
Depreciation (see Notes 23 and 25)	**–**	**28,476,936**	**28,476,936**
Balance at end of year	**–**	**166,999,898**	**166,999,898**
Net book value	**₱23,986,424**	**₱469,233,652**	**₱493,220,076**

	2019		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of year	₱23,986,424	₱636,233,550	₱660,219,974
Accumulated depreciation:			
Balance at beginning of year	–	109,994,962	109,994,962
Depreciation (see Notes 23 and 25)	–	28,528,000	28,528,000
Balance at end of year	–	138,522,962	138,522,962
Net book value	₱23,986,424	₱497,710,588	₱521,697,012

Description of valuation techniques used and key inputs to valuation of investment properties
The fair values of investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land
Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which 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.

Using the latest available valuation report as at March 31, 2020, the following shows the valuation techniques used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value	**₱134,287,000**
Valuation technique	**Market approach**
Unobservable input	**Net price per square meter**
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**

The highest and best use of the land is commercial utility.

Condominium Units and Buildings
Level 3 fair values of condominium units and buildings have also been derived using the market approach. Using the latest available valuation report as at March 31, 2020, the following shows the valuation techniques used in measuring the fair value of the building, as well as the significant unobservable inputs used:

Fair value	**₱1,462,838,000**
Valuation technique	**Market approach**
Unobservable input	**Net price per square meter**
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**

The highest and best use of the condominium units and buildings is commercial utility.

Rental
Rental income earned from investment properties amounted to ₱109.2 million, ₱101.5 million and ₱93.2 million in 2020, 2019 and 2018, respectively (see Note 28). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱5.1 million, ₱4.6 million and ₱14.4 million in 2020, 2019 and 2018, respectively.

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

The details and movements of this account are as follows:

	2020	2019
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of year	**(41,763,526)**	(35,482,176)
Equity in net earnings of associates and joint ventures	**5,307,508**	4,716,716
Dividends received	**(10,222,582)**	(10,998,066)
Balance at end of year	**(46,678,600)**	(41,763,526)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of year	**506,049**	519,273
Remeasurement loss on pension liability	**(67,956)**	(14,818)
Unrealized fair value adjustment on equity investments designated at FVOCI	**42**	1,594
Balance at end of year	**438,135**	506,049
	503,626,787	508,609,775
Advances	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱503,626,787	₱508,609,775

There is no movement in the allowance for impairment of investments in and advances to associates and joint ventures. The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	2020	2019
Associates:		
STI Holdings	**₱458,928,855**	₱464,431,383
STI Accent	**37,868,986**	37,868,986
STI Alabang	**24,873,546**	24,873,546
GROW	**14,679,178**	16,248,742
Joint venture - PHEI	**5,145,208**	3,056,104
	541,495,773	546,478,761
Allowance for impairment loss	**37,868,986**	37,868,986
	₱503,626,787	₱508,609,775

As at March 31, 2020 and 2019, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and PHNS amounted to nil. The Group received dividends from STI Marikina which was recognized as income amounting to ₱1.0 million and ₱2.0 million in 2020 and 2019, respectively.

Information about associates and indirect associates and their major transactions are discussed below:

Maestro Holdings (an associate up to June 30, 2017 - see Note 9). Maestro Holdings is a holding company that holds investments in PhilPlans, PhilCare, PhilLife and Banclife. PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It owns 65% of Rosehills Memorial Management, Inc. (RMMI), a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products. PhilCare is a Health Maintenance Organization (HMO) that provides effective and quality health services and operates through its own clinics and through nationwide accredited clinics and hospitals. PhilLife provides financial services, such as individual, family and group life insurance, investment plans and loan privilege programs. Banclife is formerly engaged in the life insurance business in the Philippines. It ceased operations in March 2013. The investment in Maestro Holdings is presented as Noncurrent asset held for sale in the consolidated statements of financial position as at March 31, 2020 and 2019 (see Note 9).

Condensed financial information of Maestro Holdings, as at date of reclassification to noncurrent asset held for sale (see Note 9), is as follows:

	June 30, 2017
Current assets	₱5,324,841,521
Noncurrent assets	38,954,994,859
Current liabilities	(3,822,814,937)
Noncurrent liabilities	(36,416,273,771)
Total equity	4,040,747,672
Less: Equity attributable to holders of noncontrolling interests	458,421,345
Equity attributable to equity holders of the parent company	3,582,326,327
Proportion of the Group's ownership	20%
Carrying amount of the investment	₱716,586,558

	June 30, 2017 (Three months)
Revenues	₱1,530,208,762
Expenses	(2,538,092,480)
Provision for income tax	(4,384,215)
Loss from operation	(1,012,267,933)
Other comprehensive income (loss)	624,885,148
Total comprehensive loss	(387,382,785)
Less: Total comprehensive income attributable to equity holders of noncontrolling interests	103,625,679
Total comprehensive loss attributable to equity holders of the parent company	(491,008,464)
Proportion of the Group's ownership	20%
Share in total income comprehensive income	(₱98,201,693)

STI Holdings. STI Holdings is a holding company whose primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock, so owned, but not to act as dealer in securities and to invest in and manage any company or institution. STI Holdings aims to focus on education and education related activities and investments.

In 2017, the Group disposed of a portion of its investment in STI Holdings, or 0.02% interest, resulting in a gain of ₱0.2 million. Condensed financial information of STI Holdings is as follows:

	March 31		
	2020	2019	2018
Current assets	**₱2,177,644,765**	₱2,258,792,211	₱3,378,708,853
Noncurrent assets	**12,918,900,992**	12,516,396,609	11,045,334,618
Current liabilities	**(1,496,288,740)**	(1,447,858,004)	(1,190,253,558)
Noncurrent liabilities	**(5,347,584,743)**	(4,602,708,217)	(4,422,644,311)
Total equity	**8,252,672,274**	8,724,622,599	8,811,145,602
Less:			
Equity attributable to holders of noncontrolling interests	**(81,683,099)**	(7,272,646)	(100,648,270)
STI ESG's cumulative total comprehensive income taken up by STI Holdings	**(3,625,976,543)**	(4,065,618,985)	(3,888,525,411)
Total equity, net of cumulative total comprehensive income taken up by STI Holdings	**4,545,012,632**	4,651,730,968	4,821,971,921
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the parent company	**229,523,138**	235,025,666	243,626,978
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of the investment	**₱458,928,855**	₱464,431,383	₱473,032,695

	For Years Ended March 31		
	2020	2019	2018
Revenues	**₱2,674,624,129**	₱2,752,389,510	₱3,082,670,946
Expenses	**(2,885,226,196)**	(2,317,234,268)	(2,518,930,204)
Income (loss) from operations	**(210,602,067)**	435,155,242	563,740,742
Other comprehensive income (loss)	**(10,855,719)**	(69,351,858)	125,622,640
Total comprehensive income (loss)	**(221,457,786)**	365,803,384	689,363,382
Less:			
Comprehensive loss (income) attributable to equity holders of non-controlling interest	**12,474,510**	(2,129,655)	(8,013,337)
STI ESG's total comprehensive loss (income) taken up by STI Holdings	**298,170,646**	(335,818,938)	(597,561,000)
Total comprehensive income attributable to equity holders of the parent company net of STI ESG's total comprehensive income taken up by STI Holdings	**89,187,370**	27,854,791	83,789,045
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total income comprehensive income	**₱4,506,130**	₱1,407,345	₱4,233,387

Others. The carrying amount of the Group's investments in STI Alabang, GROW and STI Marikina represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

	March 31		
	2020	2019	2018
Current assets	**₱177,665,351**	₱168,750,426	₱151,461,875
Noncurrent assets	**40,436,151**	48,214,696	37,978,667
Current liabilities	**(106,685,234)**	(144,719,686)	(132,038,222)
Noncurrent liabilities	**(15,340,787)**	(11,647,634)	(10,022,871)
	₱96,075,481	₱60,597,802	₱47,379,449

	For Years Ended March 31		
	2020	2019	2018
Revenues	**₱489,941,910**	₱459,885,883	₱393,216,180
Expenses	**(493,140,183)**	(404,747,328)	(391,963,354)
Total comprehensive income (loss)	**(3,198,273)**	55,138,555	1,252,826
Share in comprehensive income	**₱733,464**	₱3,296,146	₱457,389

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at March 31, 2020 and 2019, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱37.9 million.

Terms and conditions relating to advances to associates and joint ventures are disclosed in Note 30 to the consolidated financial statements.

13. Interest in Joint Ventures

PHEI

On March 19, 2004, the Parent Company, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following are certain key terms under the agreement signed in 2003 by the Parent Company and UMak:

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

b. UMak will allow the use of its premises as a campus of BSN while the premises of Information and Communications Technology Academy, Inc. (iACADEMY) will be the campus of the post graduate degree.

c. Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

STI-PHNS

On September 16, 2005, GROW and PHNS International Holdings, Inc., a company incorporated in Dallas, Texas, USA, entered into a Joint Venture Agreement (JVA). Under the JVA, the parties have agreed to incorporate a joint venture company in the Philippines and set certain terms with regard to capitalization, organization, conduct of business and the extent of their participation in the management of affairs of the joint venture company for the primary purpose of engaging, directly or indirectly, in the business of medical transcription and other related business in the Philippines. As a result of the JVA, the parties incorporated STI-PHNS where each has a 50.00% ownership of the outstanding capital stock of STI-PHNS.

A Deed of Assignment between GROW and STI ESG was executed on May 5, 2006, to transfer all the rights of GROW in the JVA to the latter.

STI-PHNS ceased operations in 2014. On April 7, 2016, the BOD of STI-PHNS ratified the resolution approving the cessation of the business activities of STI-PHNS effective March 1, 2013 and approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On the same date, the BOD of Summit Technologies, Inc. (Summit) ratified the resolution approving the cessation of operations and closure of the business of Summit effective February 28, 2013 and March 1, 2013, respectively, and approved the resolution to shorten the corporate term of Summit until June 30, 2017. Summit is an 89.51%- subsidiary of STI-PHNS. Summit is primarily engaged in encoding, transcribing, translating or converting information, data, documents, files and records of whatever form into usable electronic information or database for use with software programs or other information or database application. The amendments to the STI-PHNS and Summit's Articles of Incorporation for shortening of the corporate term were approved by the SEC on July 12, 2016 and June 7, 2016, respectively.

The allowance for impairment loss on STI ESG's investment in STI-PHNS amounted to ₱5.6 million as at March 31, 2020 and 2019.

The Group's share in the net earnings of its joint ventures amounted to ₱2.1 million for the year ended March 31, 2020 and the share in net losses amounted to ₱0.4 million and ₱2.2 million for the years ended March 31, 2019 and 2018, respectively, which were are all individually immaterial.

14. Equity Instruments designated at Fair Value through Other Comprehensive Income (FVOCI)

This account consists of:

	2020	2019
Quoted equity shares	**₱3,746,944**	₱3,975,280
Unquoted equity shares	**63,852,363**	45,802,363
	₱67,599,307	₱49,777,643

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

b. Unquoted Equity Shares
Unquoted equity shares pertain to shares which are not listed in a stock exchange.

STI ESG and De Los Santos-STI College, a subsidiary, own 57,971 shares and 115,073 shares of De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, respectively.

On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in DLSMC to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to 37.1 million which was directly recognized to retained earnings in 2019.

In January 2019, First Pacific Investment Ltd., PLDT, Inc., Benpro Inc., Pilipinas Global Network Limited, Cignal TV, Inc., Suha-PH, Inc., Happyfeet Esports team and STI ESG entered into an investment and shareholders agreement whereby the parties agreed to form Philippine Online Sports League Inc., a stock association, which will establish, operate and maintain a national multi-game Esports league in the Philippines with the aim to promote and develop Esports in the country. Esports is a growing sport internationally and in the Philippines. With this, Philippine Online Sports League Inc. was incorporated on September 30, 2019 with the SEC. It has an authorized capital stock of ₱155.0 million divided into 1.25 million common shares and 200.0 thousand preferred shares with a par value of ₱100.0 per common share and ₱150.0 per preferred share. The initial subscribed and paid-up capital of Philippine Online Sports League Inc. is ₱90.0 million of which STI ESG subscribed to and paid ₱10.0 million for 100.0 thousand shares at ₱100.0 par value per share.

Dividend income earned from DLSMC shares pertaining to the shares held by De Los Santos-STI College classified as equity instruments designated at FVOCI amounted to ₱3.1 million and ₱2.9 million in 2019 and 2018, respectively, while STI ESG recognized dividend income earned from DLSMC shares amounting to ₱0.8 million, ₱2.4 million and ₱1.5 million in 2020, 2019 and 2018, respectively.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	2020	2019
Balance at beginning of year	**₱3,185,170**	₱40,580,739
Unrealized fair value adjustment on equity instruments designated at FVOCI	**7,821,664**	(261,920)
Realized fair value adjustment on disposal of equity instruments designated at FVOCI	–	(37,133,649)
Balance at end of year	**₱11,006,834**	₱3,185,170

c. <u>Pledged Shares</u>
On June 3, 2013, the Parent Company executed a Deed of Pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., now known as MPHHI, a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in its Investment Agreement entered into in 2013 with MPIC. On January 3, 2020, STI ESG received the notice of termination of the Deed of Pledge and as such, MPHHI released STI ESG from its liability. The pledged share certificates have likewise been released to STI ESG. The carrying value of the investment in DLSMC amounted to ₱29.0 million as at March 31, 2020 and 2019.

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

This account consists of:

	2020	2019
Goodwill	**₱229,750,336**	₱208,519,102
Deposits for asset acquisitions	**185,951,923**	231,735,901
Advances to suppliers	**47,295,901**	7,907,102
Rental and utility deposits	**32,194,153**	55,696,369
Intangible assets	**31,774,511**	3,332,089
Others	**3,569,189**	3,906,093
	₱530,536,013	₱511,096,656

Goodwill

Goodwill acquired through business combinations have been allocated to select schools which are considered separate cash-generating units (CGUs).

	2020	2019
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Pasay-EDSA *(formerly STI Makati and STI Taft)*	**22,292,630**	22,292,630
STI Novaliches (see Note 19)	**21,803,322**	21,803,322
NAMEI (see Note 38)	**21,231,234**	–
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa *(formerly STI Shaw)*	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Iloilo	**3,806,173**	3,806,173
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
	₱229,750,336	₱208,519,102

Management performs its impairment test every March 31 for each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 10.44% to 11.06% and from 11.55% to 12.29% in 2020 and 2019, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in 2020 and 2019. Considering the impact of COVID-19, the management used forecasted revenue decrease ranging from 10.19% to 46.93% on all CGUs for SY 2020-2021 and forecasted revenue increase on all CGUs ranging from 2.16% to 54.07% in the next five years. In 2019, forecasted growth rates ranging from 3.00% to 49.00% were used on most CGUs while STI ESG used 4.00% to 125.00% on select CGUs with expansion projects. Provision for impairment on goodwill amounted to nil in 2020, ₱17.0 million in 2019 and nil in 2018 (see Note 25).

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors.

- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differ for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond 10 years.

- Long-term growth rate - Rates are based on published industry research.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Deposits for Asset Acquisitions
This account consists of deposits for the purchase of a property in Iloilo aggregating to ₱183.1 million and ₱161.7 million as at March 31, 2020 and 2019, respectively. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed as at September 24, 2020. As at March 31, 2019, the deposits for asset acquisition include the deposits made for the purchase of shares of NAMEI amounting to ₱70.0 million. This amount was reversed on April 1, 2019 upon execution of the Deeds of Assignment for the purchase of NAMEI (see Note 38).

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

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

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

The rollforward analyses of this account follow:

	2020	2019
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱3,332,089**	₱12,965,479
Additions	**31,689,789**	126,000
Amortization (see Notes 23 and 25)	**(3,247,367)**	(9,759,390)
Balance at end of year	**₱31,774,511**	₱3,332,089
Cost	**₱70,689,872**	₱39,000,083
Accumulated amortization	**(38,915,361)**	(35,667,994)
Net carrying amount	**₱31,774,511**	₱3,332,089

The Group identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Accordingly, intangible assets with indefinite useful life amounting to ₱27.6 million representing the fair value of the license and agreements was recognized as at March 31, 2020 (see Note 38).

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

This account consists of:

	2020	2019
Accounts payable	**₱349,761,233**	₱481,262,236
Accrued expenses:		
Contracted services	**30,689,676**	27,635,392
School-related expenses	**19,986,323**	39,896,759
Salaries, wages and benefits	**13,928,469**	15,129,693
Utilities	**10,827,197**	5,320,924
Interest	**8,957,748**	11,435,922
Rent	**6,771,834**	30,093,370
Advertising and promotion	**2,837,774**	2,984,643
Others	**1,601,074**	3,406,086
Statutory payables	**21,053,413**	21,363,074
Current portion of advanced rent (see Note 19)	**16,210,383**	–
Current portion of payable to STI Diamond (see Note 19)	**15,914,962**	11,727,550
Dividends payable	**13,758,185**	12,431,266
Student organization fund	**8,597,907**	6,575,662
Network events fund	**7,483,407**	7,514,345
Current portion of refundable deposits (see Note 19)	**7,018,392**	5,508,189
Others	**4,291,105**	1,607,123
	₱539,689,082	₱683,892,234

The terms and conditions of the liabilities are as follows:

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

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

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

d. Advanced rent pertains to amount received by the Group which will be earned and applied within the next financial year.

e. Dividends payable pertains to dividend declared which are unclaimed as at report date.

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

g. Terms and conditions of payables to related parties are disclosed in Note 30 to the consolidated financial statements.

17. Interest-bearing Loans and Borrowings

This account consists of:

	2020	2019
Corporate Notes Facility:		
Current portion	**₱240,000,000**	₱240,000,000
Non-current portion	**120,000,000**	360,000,000
Term Loans:		
Non-current portion*	**794,262,208**	–
	₱1,154,262,208	₱600,000,000

Net of unamortized debt issuance costs of ₱5.7 million and nil as at March 31, 2020 and 2019, respectively.

Corporate Notes Facility

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Banking Corporation (China Bank) granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

In 2015, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The Parent Company has made payments totaling to ₱240.0 million and ₱134.4 million in 2020 and 2019, respectively.

These loans are unsecured and are due as at March 31:

Fiscal Year	**2020**	2019
2020	**₱–**	₱240,000,000
2021	**240,000,000**	240,000,000
2022	**120,000,000**	120,000,000
	₱360,000,000	₱600,000,000

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

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

Breakdown of the Group's Credit Facility Agreement are as follows:

	2020	2019
Balance at beginning of year	**₱600,000,000**	₱600,000,000
Repayments	**240,000,000**	–
Balance at end of year	**360,000,000**	600,000,000
Less current portion	**240,000,000**	240,000,000
Noncurrent portion	**₱120,000,000**	₱360,000,000

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

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) Debt service cover ratio of a minimum of 1.05x.

As at March 31, 2020 and 2019, STI ESG complied with the above covenants (see Note 18).

Related events after the reporting period are discussed in Note 39.

Term Loan Agreement
On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP Bloomberg Valuation Services (BVAL) rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns shall be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

As at March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% and 6.31%.

The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's consolidated financial statements:

1. Debt-to-equity ratio of not more than 1.5x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

2. Debt Service Cover Ratio of a minimum of 1.05x, which is the ratio of EBITDA to Debt Service.

As at March 31, 2020, STI ESG is compliant with the required ratios.

Breakdown of the Group's Term Loan are as follows:

	March 31, 2020
Balance at beginning of year	₱–
Proceeds	800,000,000
Balance at end of year	800,000,000
Less current portion	–
	800,000,000
Deferred finance cost	(5,737,792)
Noncurrent portion	₱794,262,208

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

Fiscal Year	Amount
2022	₱80,000,000
2023	160,000,000
2024	160,000,000
2025	160,000,000
2026	160,000,000
2027	80,000,000
	₱800,000,000

Related events after the reporting period are discussed in Note 39.

Short-term Loans
STI ESG availed of loans from Bank of the Philippine Islands aggregating to ₱468.0 million in 2020. These loans are subject to interest rates ranging from 4.75% to 5.75%. The short-term loans were unsecured and were fully settled as at March 31, 2020. The proceeds from these loans were used for working capital requirements.

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

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

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

Interest incurred on the loans amounted to ₱56.7 million, ₱35.4 million and ₱46.0 million for the years ended March 31, 2020, 2019 and 2018, respectively.

18. **Bonds Payable**

This account consists of:

	2020	2019
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**35,581,838**	42,045,746
	₱2,964,418,162	₱2,957,954,254

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which ended on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million were listed through the PDEx, with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756%

for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by PhilRatings in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of the Group.

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

A summary of the terms of the Parent Company's issued bonds is as follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at March 31, 2020**	Carrying Value as at March 31, 2019	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,155,683,709**	₱2,150,449,125	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**808,734,453**	807,505,129	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,964,418,162**	₱2,957,954,254	

Covenants

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

As at March 31, 2020 and 2019, STI ESG is in compliance with the debt covenants.

The Group's debt-to-equity and debt service cover ratios as at March 31, 2020 and 2019 are as follows:

	2020	2019
Total liabilities[(a)]	**₱5,184,846,516**	₱4,407,031,500
Total equity	**6,112,499,312**	6,569,707,487
Debt-to-equity	**0.85:1.00**	0.67:1.00

[(a)] *Excluding unearned tuition and other school fees*

	2020	2019
EBITDA (Note 3)[(b)]	**₱748,788,166**	₱806,111,804
Total interest-bearing liabilities[(c)]	**491,929,714**	462,616,744
Debt service cover	**1.52:1.00**	1.74:1.00

[(b)] *EBITDA for the last twelve months*
[(c)] *Total principal and interests due in the next twelve months*

Related events after the reporting period are discussed in Note 39.

Bond Issuance Cost
In 2017, the Parent Company incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱35.6 million and ₱42.0 million as at March 31, 2020 and 2019, respectively. Amortization of bond issuance costs amounting to ₱6.4 million and ₱11.8 million for the years ended March 31, 2020 and 2019, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱183.7 million, ₱150.7 million and ₱162.0 million in 2020, 2019 and 2018, respectively.

19. Other Noncurrent Liabilities

	2020	2019
Advance rent - net of current portion (see Note 16)	**₱30,866,051**	₱45,053,509
Payable to STI Diamond - net of current portion (see Note 16)	**22,421,181**	38,336,143
Refundable deposit - net of current portion (see Note 16)	**15,382,548**	16,075,752
Deferred lease liability	**2,869,794**	2,438,532
	₱71,539,574	₱101,903,936

Advance rent pertains to amount received by the Group which will be earned and applied to future rentals for periods more than one year after the reporting date.

On August 16, 2016, STI Diamond entered into a Deed of Assignment with STI Novaliches where STI Diamond assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Novaliches all its rights, title and interest in its assets and liabilities for a price of ₱75.7 million, payable quarterly over five years. Consequently, the management contract between the Parent Company and STI Diamond was terminated. In addition, any rights to the residual interest in STI Diamond was transferred to an entity outside of the Group. As a result, STI Diamond was derecognized as a subsidiary of the Parent Company. The total carrying value of the unpaid purchase price amounted to ₱38.3 million and ₱50.0 million as at March 31, 2020 and 2019, respectively. The current portion of the payable amounted to ₱15.9 million and ₱11.7 million is recorded under the "Accounts payable and other current liabilities" account as at March 31, 2020 and 2019, respectively (see Note 16).

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

20. **Equity**

Capital Stock
The details of the issued and outstanding number of common shares and amount in 2020 and 2019 are as follows:

	March 31	
	No. of Shares	Amount (at par)
Authorized - ₱1 par value	5,000,000,000	₱5,000,000,000
Issued and outstanding:		
Balance at beginning and end of year	3,087,829,443	3,087,829,443
Less: Treasury stocks	(5,952,273)	(5,952,273)
Issued and outstanding at end of year	3,081,877,170	₱3,081,877,170

Treasury stock
Treasury stocks acquired as at March 31, 2020 and 2019 amounted to ₱10.8 million.

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale (Note 9)
As at March 31, 2020 and 2019, the cumulative balance of other comprehensive income and other equity reserves associated with noncurrent asset held for sale consists of:

Share in associates':	
Unrealized fair value adjustment on equity instruments designated at FVOCI	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

Retained Earnings

a. On September 20, 2019, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2019. Such dividends were paid on November 5, 2019.

b. On September 27, 2018, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.

c. On September 19, 2017, the Parent Company's BOD approved the cash dividends declaration of ₱0.08 per share for a total amount of ₱246.5 million, in favor of the stockholders of record as at September 30, 2017. Such dividends were paid on October 19, 2017.

d. STI ESG's retained earnings available for dividend declaration computed on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,967.3 million and ₱2,123.7 million as at March 31, 2020 and 2019, respectively.

Policy on Dividends Declaration
On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business-which is education and other recurring income.

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

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

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

21. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the years ended March 31, 2020, 2019 and 2018:

	2020	2019	2018
Tuition and other school fees	**₱1,707,247,204**	₱1,801,197,426	₱2,146,448,575
Educational services	**140,705,289**	166,922,124	208,333,217
Sale of educational materials and supplies	**135,885,345**	149,644,539	161,870,856
Royalty fees	**12,950,012**	15,717,540	20,545,886
Other revenues	**70,237,766**	57,762,040	58,819,746
Total consolidated revenues	**₱2,067,025,616**	₱2,191,243,669	₱2,596,018,280

Timing of revenue recognition

	2020	2019	2018
Services transferred over time	**₱1,931,140,271**	₱2,041,599,130	₱2,434,147,424
Goods and services transferred at a point in time	**135,885,345**	149,644,539	161,870,856
Total consolidated revenue	**₱2,067,025,616**	₱2,191,243,669	₱2,596,018,280

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as *Unearned tuition and other school fees* in the consolidated statements of financial position. Significant changes in the contract liability include the implementation of the second batch of tertiary students in SY2018-2019 and the shift in the classes of tertiary students from June to July in SY2019-2020 that extended collection of tuition and other school fees after March 31, 2019 and 2020, respectively.

Set out below is the amount of revenue recognized from:

	2020	2019
Amounts included in contract liabilities at the beginning of the year	**₱59,890,787**	₱39,370,772

There is no revenue recognized from performance obligations satisfied in previous years in 2020 and 2019.

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

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

As at March 31, 2020 and 2019, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	2020	2019
Within one year	**₱195,013,267**	₱81,379,657
More than one year	**–**	–

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

22. Interest Income and Interest Expense

Sources of interest income are as follows:

	2020	2019	2018
Cash and cash equivalents (see Note 5)	**₱3,730,967**	₱15,871,714	₱26,480,632
Past due accounts receivable (see Note 6)	**675,765**	271,068	602,352
Others	–	4,858	118,150
	₱4,406,732	₱16,147,640	₱27,201,134

Sources of interest expense are as follows:

	2020	2019	2018
Bonds payable (see Note 18)	**₱183,737,468**	₱150,687,700	₱161,995,040
Interest-bearing loans and borrowings (see Note 17)	**56,672,029**	35,426,479	45,953,211
Lease liabilities (see Note 28)	**28,633,210**	–	–
Obligations under finance lease (see Note 28)	–	1,082,828	845,252
Others	**4,550,580**	2,323,394	1,712,546
	₱273,593,287	₱189,520,401	₱210,506,049

23. Cost of Educational Services

This account consists of:

	2020	2019	2018
Depreciation and amortization	**₱297,950,364**	₱185,432,820	₱168,380,798
Faculty salaries and benefits	**258,822,292**	253,972,183	287,473,573
Student activities and programs	**87,499,338**	128,236,784	113,131,942
Rental	**29,592,050**	90,426,271	89,784,387
School materials and supplies	**15,826,063**	14,876,265	13,577,041
Software maintenance	**12,660,669**	9,348,599	14,202,681
Courseware development costs	**10,249,143**	2,232,736	1,285,625
Others	**2,692,761**	3,321,632	6,188,957
	₱715,292,680	₱687,847,290	₱694,025,004

24. **Cost of Educational Materials and Supplies Sold**

This account consists of:

	2020	2019	2018
Educational materials and supplies	**₱92,237,140**	₱98,852,774	₱104,733,552
Promotional materials	**10,984,396**	14,070,716	13,249,399
Others	**1,819,721**	945,646	1,309,240
	₱105,041,257	₱113,869,136	₱119,292,191

25. **General and Administrative Expenses**

This account consists of:

	2020	2019	2018
Salaries, wages and benefits	**₱263,348,666**	₱260,198,618	₱252,625,249
Depreciation and amortization	**204,765,800**	160,002,501	148,707,042
Light and water	**106,447,474**	103,538,167	104,473,851
Outside services	**93,433,367**	81,453,441	79,641,808
Professional fees	**76,285,627**	76,102,158	75,864,723
Provision for:			
Expected credit losses/doubtful accounts (see Note 6)	**52,123,035**	61,564,267	76,913,827
Inventory obsolescence	**4,805,445**	43,403	1,074,439
Impairment of goodwill (see Note 15)	**–**	17,035,240	–
Impairment of investments in and advances to associates and joint ventures	**–**	–	591,839
Advertising and promotions	**51,921,332**	63,692,095	21,995,944
Taxes and licenses	**37,168,582**	36,056,790	40,129,627
Transportation	**25,514,302**	26,593,163	25,740,842
Repairs and maintenance	**19,887,679**	20,477,328	19,293,757
Rental	**15,031,152**	51,849,731	51,548,688
Insurance	**14,802,020**	11,600,851	10,725,595
Meetings and conferences	**14,017,525**	17,418,023	16,621,372
Entertainment, amusement and recreation	**13,369,134**	16,330,615	16,315,646
Office supplies	**9,289,815**	12,720,985	12,957,325
Communication	**7,188,843**	7,886,417	7,893,780
Software maintenance	**2,840,650**	2,706,021	2,773,560
Association dues	**311,329**	597,381	560,117
Others	**15,380,173**	16,969,848	16,978,393
	₱1,027,931,950	₱1,044,837,043	₱983,427,424

26. **Personnel Cost**

This account consists of:

	2020	2019	2018
Salaries and wages	**₱455,372,917**	₱455,370,034	₱477,251,298
Pension expense (see Note 27)	**12,714,262**	6,323,218	11,168,996
Other employee benefits	**54,083,779**	52,477,549	51,678,528
	₱522,170,958	₱514,170,801	₱540,098,822

27. **Pension Plans**

Defined Benefit Plans
The Group (except De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension asset/liability recognized in the consolidated statements of financial position as at March 31:

	2020	2019	2018
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱10,630,684**	₱9,600,156	₱11,309,240
Net interest cost (income)	**2,083,578**	(3,406,208)	(436,686)
	₱12,714,262	₱6,193,948	₱10,872,554

	2020	2019	2018
Net pension liabilities (assets) (recognized in the consolidated statements of financial position):			
Pension liabilities	**₱56,144,234**	₱33,341,457	₱4,661,347
Pension assets	**–**	–	(53,474,883)
	₱56,144,234	₱33,341,457	(₱48,813,536)
Present value of defined benefit obligations	**₱153,336,657**	₱150,224,551	₱114,079,602
Fair value of plan assets	**(97,192,423)**	(116,883,094)	(162,893,138)
	₱56,144,234	₱33,341,457	(₱48,813,536)

The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	2020	2019	2018
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱150,224,551**	₱114,079,602	₱133,237,145
Current service cost	**10,630,684**	9,600,156	11,309,240
Interest cost	**8,959,741**	7,610,995	6,062,572
Benefits paid	**(158,292)**	(2,641,809)	(5,165,344)
Actuarial loss (gain) on pension obligation from change in:			
Deviations of experience from assumptions	**(6,032,213)**	10,811,993	(6,213,343)
Financial assumptions	**(14,876,098)**	10,763,614	(25,168,330)
Demographic assumptions	**4,667,527**	–	17,662
Effect of disposal of net asset (see Note 9)	**(79,243)**	–	–
Balance at end of year	**₱153,336,657**	₱150,224,551	₱114,079,602

	2020	2019	2018
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱116,883,094**	₱162,893,138	₱129,912,590
Interest income	**6,876,163**	11,017,203	6,499,258
Contributions	**158,292**	5,292,194	11,006,012
Benefits paid	**(158,292)**	(2,641,809)	(5,165,344)
Actuarial gain (loss) on pension plan assets	**(26,566,834)**	(59,677,632)	20,640,622
Balance at end of year	**₱97,192,423**	₱116,883,094	₱162,893,138
Actual return (loss) on plan assets	**(₱19,690,671)**	(₱48,660,429)	₱27,139,880

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

	March 31, 2020	March 31, 2019	March 31, 2018
Discount rate	**4.92%**	5.87%	6.77%
Future salary increases	**3.00%**	5.00%	5.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2020	2019
Short-term fixed income	**67%**	55%
Investments in:		
Equity securities	**33%**	42%
Debt securities	**–%**	3%
	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines and United Coconut Planters Bank.

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	2020	2019
Cash and cash equivalents	**₱180,656**	₱2,141
Short-term fixed income	**65,272,765**	63,727,326
Investments in:		
Equity securities	**31,739,002**	49,676,952
Debt securities	**–**	3,476,675
	₱97,192,423	₱116,883,094

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.40 and ₱0.71 per share as at March 31, 2020 and 2019, respectively.

Total unrealized loss from investments in equity securities of related parties amounted to ₱7.0 million as at March 31, 2020 and ₱14.7 million unrealized gain as at March 31, 2019.

The plan may expose the Group to a concentration of equity market risk since the STI ESG's plan assets are primarily composed of investments in listed equity securities.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2021 is ₱7.6 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment consists of 67% of short-term fixed income, 33% of equity instruments and minimal cash and cash equivalents.

The average duration of the defined benefit obligation as at March 31, 2020 is 13 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at March 31:

	2020	2019
Less than one year	**₱40,595,143**	₱30,483,598
More than one year to five years	**56,991,519**	23,736,779
More than five years to 10 years	**58,351,014**	82,265,004
More than 10 years to 15 years	**99,644,518**	142,779,528
More than 15 years to 20 years	**78,359,622**	102,365,640
More than 20 years	**108,441,132**	391,996,893

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Defined Benefit Obligation		
	2020	2019	2018
Discount rates			
Increase by 1%	**(₱9,901,659)**	(₱12,628,005)	(₱11,796,570)
Decrease by 1%	**11,627,329**	15,071,196	13,798,539
Future salary increases			
Increase by 1%	**11,807,506**	15,031,219	13,936,174
Decrease by 1%	**(10,402,124)**	(13,106,047)	(12,210,599)
Employee turnover			
Increase by 10%	**1,734,287**	1,892,304	1,760,831
Decrease by 10%	**(1,734,287)**	(1,892,304)	(1,760,831)

Defined Contribution Plans

De Los Santos-STI College and STI QA have funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and is a participating employer in CEAP Retirement Plan. The De Los Santos Plan has a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution is optional.

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. The future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12-month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at March 31, 2020, 2019 and 2018, the Group is in compliance with the requirements of RA No. 7641.

As at March 31, 2020 and 2019, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.1 million. These excess contributions are classified as a prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 8).

Philippine Interpretations Committee Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as a defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is performed every year-end. Based on the latest actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan, however, the amount is not significant.

Pension expense recognized by De Los Santos-STI College and STI QA amounted to ₱0.1 million, ₱0.1 million and ₱0.3 million in 2020, 2019 and 2018, respectively.

Total pension expense recognized in profit or loss follows:

	2020	2019	2018
Defined benefit plans	**₱12,643,862**	₱6,193,948	₱10,872,554
Defined contribution plans	**70,400**	129,270	296,442
	₱12,714,262	₱6,323,218	₱11,168,996

28. **Leases**

Finance Lease *(prior to adoption of PFRS 16)*

The Group acquired various transportation equipment under various finance lease arrangements. These are included as part of transportation equipment under the "Property and equipment" account in the consolidated statements of financial position.

Future minimum lease payments under the lease agreements, together with the present value of the minimum lease payments follow:

	2019
Within one year	₱7,451,034
After one year but not more than five years	12,845,387
Total minimum lease payments	20,296,421
Less amount representing interest	2,444,375
Present value of lease payments	17,852,046
Less current portion of obligations under finance lease	6,208,432
Noncurrent portion of obligations under finance lease	₱11,643,614

Interest expense incurred from obligations under finance lease amounted to nil, ₱1.1 million and ₱0.8 million in 2020, 2019 and 2018, respectively (see Note 22).

As Lessor

The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. All leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of some of the Group's properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱118.4 million, ₱107.8 million and ₱98.5 million in 2020, 2019 and 2018, respectively (see Notes 11 and 30).

Future minimum rental receivable for the remaining lease terms as at March 31 are as follow:

	2020	2019
Within one year	**₱108,450,346**	₱83,949,795
After one year but not more than five years	**154,009,364**	103,392,016
	₱262,459,710	₱187,341,811

As Lessee

The Group leases land and building spaces where the corporate office and schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate.

The total rental expense charged to operations amounted to ₱44.6 million, ₱142.3 million and ₱141.3 million in 2020, 2019 and 2018, respectively (see Notes 23 and 25).

Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 15).

The following are the amounts recognized in consolidated statement of comprehensive income:

	2020
Depreciation expense of ROU assets included in property and equipment (see Note 10)	₱65,272,026
Interest expense on lease liabilities (see Note 22)	28,633,210
Expenses relating to short-term leases (see Notes 23 and 25)	43,761,281
Variable lease payments (see Notes 23 and 25)	861,921
Total amount recognized in the consolidated statement of comprehensive income	₱138,528,438

The rollforward analysis of lease liabilities follows:

	2020
As at April 1, 2019, as previously stated	₱–
Effect of adoption of PFRS 16 (see Note 2)	391,816,395
At April 1, 2019, as restated	391,816,395
Additions	58,461,692
Interest expense	28,633,210
Payments	(83,002,811)
As at March 31, 2020	395,908,486
Less current portion	66,111,807
Noncurrent portion	₱329,796,679

Shown below is the maturity analysis of the undiscounted lease payments:

	March 31	
	2020	2019
Within one year	**₱80,507,482**	₱102,110,073
After one year but not more than five years	**208,726,972**	244,092,438
More than five years	**276,381,169**	283,992,880
	₱565,615,623	₱630,195,391

29. Income Tax

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.00%) on its taxable income.

In 2020, 2019 and 2018, the current income tax pertains to regular corporate income tax.

The components of recognized net deferred tax assets and deferred tax liabilities are as follows:

	2020	2019
Deferred tax assets:		
Lease liabilities	**₱38,060,131**	₱–
Allowance for ECL (see Note 6)	**14,312,476**	16,234,248
Unearned tuition and other school fees	**6,672,419**	7,473,621
Pension liabilities (see Note 27)	**5,595,173**	3,309,855
Advance rent	**4,707,643**	4,505,351
Excess of cost over net realizable value of inventories	**1,646,017**	1,093,436
	70,993,859	32,616,511
Deferred tax liabilities:		
Right-of-use assets	**(32,117,533)**	–
Intangible assets	**(2,762,187)**	–
Unamortized debt issue costs	**(1,554,555)**	(1,164,068)
Excess of rental under operating lease computed on a straight-line basis	**(1,178,603)**	874,634
Excess of fair values of net assets acquired over acquisition cost from a business combination	**–**	(209,144)
	(37,612,878)	(498,578)
Net deferred tax assets	**₱33,380,981**	₱32,117,933

Certain deferred tax assets of the Group were not recognized as at March 31, 2020 and 2019 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	2020	2019
NOLCO	**₱78,467,814**	₱55,728,103
Allowance for:		
Advances to associate (see Note 12)	**37,868,986**	37,868,986
ECL (see Note 6)	**–**	858,771
Pension liability (see Note 27)	**192,506**	242,908
Net deferred tax assets	**₱116,529,306**	₱94,698,768

As at March 31, 2020 and 2019, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in associate because management does not expect to generate enough capital gains against which these capital losses can be offset.

The details of the Group's NOLCO are as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2017	2018-2020	₱10,876,863	(₱4,235,871)	(₱6,640,992)	₱–
2018	2019-2021	9,194,238	–	–	9,194,238
2019	2020-2022	35,859,985	(880,534)	–	34,979,451
2020	2021-2023	34,294,125	–	–	34,294,125
		₱90,225,211	(₱5,116,405)	(₱6,640,992)	₱78,467,814

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

	2020	2019	2018
Provision for (benefit from) income tax at statutory income tax rate	**(₱21,808,823)**	₱29,202,044	₱50,074,461
Income tax effects of:			
Nondeductible expense pertaining to provision for impairment of noncurrent asset held for sale and goodwill	**29,747,066**	1,703,524	–
Accounts written-off	**(7,171,250)**	(4,471,845)	(5,142,822)
Unrecognized DTA	**7,110,516**	13,337,231	177,571
Nondeductible expenses	**6,964,274**	6,204,466	6,278,538
Royalty fees subjected to final tax	**(1,295,001)**	(1,571,754)	(2,054,589)
Equity in net (earnings) loss of associates and joint ventures	**(530,751)**	(471,672)	21,824,533
Interest income already subjected to final tax	**(373,097)**	(1,587,171)	(2,648,063)
Dividend income	**(176,951)**	(754,955)	(443,166)
Others	**862,002**	(4,163,221)	(390,079)
Provision for income tax	**₱13,327,985**	₱37,426,647	₱67,676,384

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

30. Related Party Transactions

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

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

	Amount of Transactions During the period			**Outstanding Receivable (Payable)**				
Related Party	**2020**	2019	2018	**2020**	2019	2018	**Terms**	**Conditions**
Associates								
STI Accent								
Reimbursement for various expenses and other charges	**₱–**	₱–	₱591,839	**₱37,868,986**	₱37,868,986	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW								
Rental income and other charges	**585,110**	232,379	29,025	**7,600,032**	7,033,994	6,931,016	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**–**	–	–	**–**	–	143,571	30 days upon receipt of billings;	

(Forward)

Related Party	Amount of Transactions During the period 2020	2019	2018	Outstanding Receivable (Payable) 2020	2019	2018	Terms	Conditions
STI Holdings								
Advisory fees	**₱14,400,000**	₱14,400,000	₱14,400,000	**₱–**	₱–	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**770,363**	73,123	–	**–**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**182,437,383**	182,437,382	243,249,841	**–**	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividend income	**10,008,658**	10,008,658	10,008,658	**–**	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang								
Educational services and sale of educational materials and supplies	**12,283,237**	14,563,510	19,762,175	**7,158,501**	539,737	435,759	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina	**12,116,812**	14,797,696	10,889,990	**12,200**	97,000	84,956	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services and sale of educational materials and supplies								
Dividends received	**1,171,260**	2,037,549	**–**	**–**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*								
PhilCare								
Rental income and other charges	**9,648,898**	16,240,688	16,794,804	**1,979,097**	820,496	4,031,857	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,612,950**	3,927,285	3,180,588	**–**	(20,125)	(28,449)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	–	–	–	**(1,820,984)**	(1,820,984)	(1,820,984)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.								
Utilities and other charges	–	101,703	216,552	**22,228**	29,473	27,732	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**6,207,615**	4,465,161	4,541,733	**(178,215)**	(60,944)	(19,829)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation								
Association dues, utilities and other charges	**10,342,494**	10,939,214	11,113,310	–	(866,327)	(1,295,754)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife								
Insurance	**171,387**	170,098	–	–	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and related charges	**9,238,997**	–	–	**2,454,352**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the period 2020	2019	2018	Outstanding Receivable (Payable) 2020	2019	2018	Terms	Conditions
STI WNU								
Educational services and sale of educational materials and supplies	**₱13,637,929**	₱14,922,983	₱8,895,083	**₱3,935,160**	₱–	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**4,500,376**	4,700,539	3,051,198	**1,123,185**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY								
Reimbursement for various expenses and other charges	**573,074**	7,767,365	9,454,076	–	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees								
Advances for various expenses	**12,557,884**	13,791,819	20,759,339	**24,131,003**	17,540,523	20,389,150	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others								
Rental income and other charges	**45,087**	4,094,599	5,356,366	**1,686,071**	1,721,262	2,043,402	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱85,971,616	₱62,883,091	₱68,791,413		

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

Related party receivables and payables are generally settled in cash.

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

	2020	2019	2018
Advances to associates and joint ventures (see Note 12)	**₱37,868,986**	₱37,868,986	₱37,868,986
Advances to officers and employees (see Note 6)	**24,131,003**	17,540,523	20,389,150
Rent, utilities and related receivables	**14,864,964**	9,605,225	13,034,007
Current portion of advances to associates, joint ventures and other related parties (see Note 6)	–	–	143,571
Educational services and sale of educational materials and supplies	**11,105,862**	636,737	520,715
Accounts payable	**(1,999,199)**	(2,768,380)	(3,165,016)
	₱85,971,616	₱62,883,091	₱68,791,413

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the period			Outstanding Receivable (Payable)				
Related Party	**2020**	2019	2018	**2020**	2019	2018	**Terms**	**Conditions**
Subsidiaries								
STI Caloocan								
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱86,307,679**	₱101,007,832	₱77,903,673	**₱–**	₱–	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,423,929**	42,207,135	41,184,083	**(244,470,858)**	(233,089,773)	(236,271,389)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**50,289,600**	50,289,600	50,289,600	**–**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches								
Educational services, sale of educational materials and supplies, management fees, and other charges	**28,807,978**	56,302,202	54,620,643	**–**	–	5,398,721	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**6,614,932**	8,340,336	6,622,888	**(151,067,438)**	(163,986,690)	(160,495,253)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**30,720,000**	30,720,000	30,720,000	**–**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao								
Educational services, sale of educational materials and supplies, management fees, and other charges	**917,580**	950,348	1,259,791	**12,997,611**	12,195,755	12,556,544	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,953,440**	887,867	668,043	**2,578,637**	1,580,004	1,328,925	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI QA								
Educational services, sale of educational materials and supplies, management fees, and other charges	**7,023,318**	9,620,184	10,500,868	**209,186**	205,365	1,651,658	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**–**	70	–	**14,251,618**	14,251,618	14,251,548	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Batangas								
Educational services, sale of educational materials and supplies, management fees and other charges	**23,004,071**	36,859,134	23,827,583	**1,010,749**	61,417	9,259,570	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**10,874,621**	10,774,059	11,006,688	**13,813,003**	10,118,298	11,006,688	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**14,968,800**	14,968,800	14,968,800	**33,530,112**	33,530,112	23,613,620	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo								
Educational services, sale of educational materials and supplies,	**2,147,587**	3,054,565	4,069,589	**7,566,256**	6,166,856	4,013,036	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**2,930,171**	114,561	635,073	**9,523,888**	6,693,717	7,079,156	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian								
Educational services, sale of educational materials and supplies,	**2,218,247**	1,527,787	909,367	**5,326,164**	3,468,764	2,451,353	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**3,446,117**	2,260,105	2,811,758	**9,244,550**	7,238,674	5,922,799	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the period 2020	2019	2018	Outstanding Receivable (Payable) 2020	2019	2018	Terms	Conditions
Subscription of common stock	**₱–**	₱–	₱–	**(₱15,000,000)**	(₱15,000,000)	(₱15,000,000)	Due and demandable, noninterest-bearing	Unsecured
STI Tanauan								
Educational services, sale of educational materials and supplies,	**7,492,746**	8,758,427	8,946,759	**–**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**522,423**	8,112,311	4,320,101	**(15,012,877)**	(10,517,394)	(15,573,659)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa								
Educational services, sale of educational materials and supplies,	**22,495,896**	10,817,829	9,684,534	**–**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**919,217**	13,905,677	686,247	**4,821,605**	3,056,709	711,192	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**44,067,600**	–	–	**38,567,232**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria								
Educational services, sale of educational materials and supplies,	**13,323,856**	17,728,653	–	**–**	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**10,380,338**	10,059,610	145,868,951	**60,722,408**	55,622,603	58,252,912	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy								
Reimbursement for various expenses	**8,363,843**	–	–	**8,363,843**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute of Mandaluyong Inc.								
Reimbursement for various expenses	**3,633,188**	–	–	**198,484**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**5,148,260**	–	–	**5,148,260**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute, Inc.								
Reimbursement for various expenses	**55,999,726**	–	–	**49,022,388**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**7,061,069**	–	–	**7,061,069**	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2020	2019	2018
Short-term employee benefits	**₱43,869,440**	₱49,571,260	₱46,376,741
Post-employment benefits	**2,432,229**	1,302,699	2,150,526
	₱46,301,669	₱50,873,959	₱48,527,267

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

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of EPS for the years ended March 31:

	2020	2019	2018
Net income (loss) attributable to equity holders of the Parent Company	**(₱226,277,507)**	₱254,872,593	₱432,057,214
Weighted average number of common shares outstanding	**3,087,829,443**	3,087,829,443	3,087,829,443
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of the Parent Company	**(₱0.07)**	₱0.08	₱0.14

The basic and diluted EPS are the same for the years ended March 31, 2020, 2019 and 2018 as there are no dilutive potential common shares.

32. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI Group to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies. As at September 24, 2020, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

33. **Contingencies and Commitments**

Contingencies

a. *Tax Assessment Case.* The Parent Company filed a petition for review with the Court of Tax Appeals (CTA) on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing the Parent Company for deficiencies on income tax and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On April 17, 2013, the CTA issued a Decision which granted the Parent Company's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. The Commissioner of Internal Revenue's ("CIR") filed a Motion for Reconsideration which was later denied by the CTA. On August 22, 2013, the CIR filed its Petition for Review with the CTA En Banc. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and ordered the cancellation of the BIR assessment for the fiscal year ended March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc, which was denied by the CTA En Banc on September 2, 2015. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. STI ESG filed its Comment on the Petition and, subsequently, the CIR filed its reply to STI ESG's Comment.

   On October 4, 2017, STI ESG received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

   On December 14, 2017 the Supreme Court denied with finality the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017.

   The Supreme Court also ordered the immediate issuance of the Entry of Judgment.

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

b. *Labor Cases.*

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

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

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

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

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

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

In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

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

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

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

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

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

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

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

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

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

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

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

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

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

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of Corporation was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from the Corporation's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

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

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

As at September 24, 2020, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at September 24, 2020, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

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

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

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

As at September 24, 2020, STI ESG has yet to receive a motion for reconsideration by the petitioners of the decision dated November 21, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A motion for reconsideration dated July 18, 2019 on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari was filed by complainants. As at September 24, 2020, STI ESG filed its Comment to the motion for reconsideration of the complainants.

Without having received the resolution of the Court of Appeals on the motion for reconsideration filed by complainant, as at August 03, 2020, STI ESG received a copy of Complainant's Petition for Review on Certiorari filed before the Supreme Court. As at September 24, 2020, STI ESG has yet to receive any action by the Court of Appeals on the motion for reconsideration filed by complainants. The Supreme Court likewise has yet to render its initial action on the Petition.

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

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

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

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

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

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

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

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

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

   As required by the rules, the case was re-raffled to a new presiding judge who will handle the trial and disposition of the case.

   On August 3, 2018, STI ESG received a Notice from the new Presiding Judge setting the case for pre-trial on August 14, 2018.

   After the unsuccessful judicial dispute resolution, the case was re-raffled from Branch 6 to Branch 42 of the Regional Trial Court of Manila

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

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

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

On November 8, 2018, the Defendants received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018 and required the parties to file not later than five (5) days before pre-trial their respective Judicial Affidavit(s) of their witnesses.

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

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference Based on the plaintiffs' pre-trial brief and manifestation during said hearing, the Plaintiffs intended to include in their list of witnesses two senior officers of STI ESG. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on said matter.

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

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

After the Plaintiffs presented their fourth (4^{th}) witness, the Plaintiffs orally moved for the issuance of Subpoena to two Senior Officers of STI ESG.

In relation to said subpoena and to comply with the relevant provisions of the Rules of Court, the Plaintiffs served written interrogatories to the said Senior Officers.

After STI ESG objected on the same, the Trial Court ordered the Senior Officers to file their respective Answer(s) to the written interrogatories.

After the filing and admission of their Answer(s) to the written interrogatories of the Plaintiffs, the case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

Despite being allowed by the Trial Court to propound additional oral interrogatories to the Senior Officers, the Plaintiffs waived the same before the scheduled hearing.

Consequently, the Trial Court required the Plaintiffs to file their Formal Offer of Evidence in order to terminate the presentation of their evidence.

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

After the Defendants filed its Objections to the Formal Offer of Evidence, the Trial Court issued its Order dated September 27, 2019. In the Order, the Trial Court denied the admission of, among others, the SMS messages relating to the communications between certain officers of STI ESG and Plaintiffs, and a certification issued by the Finance Officer on the receipt of an earnest money from the Plaintiffs marked as Exhibit "G-2".

On October 21, 2019, the parties appeared before the Trial Court to set the schedule for the presentation of the testimonies of the witnesses of STI ESG. Upon agreement of the parties, the same is set for hearing on November 12, 19, 29 and December 3, 2019.

On October 23, 2019, STI ESG received the Plaintiffs' Motion for Partial Reconsideration of the Order dated September 27, 2019. In the said Motion, the Plaintiffs sought for the admission of the evidence excluded by the Trial Court except Exhibit "G-2".

After filing the Comment to the Plaintiffs' Motion for Partial Reconsideration on November 8, 2019, the Trial Court issued its Omnibus Order dated November 11, 2019. In the Omnibus Order, the Trial Court admitted the exhibits enumerated in the Motion for Partial Reconsideration except the SMS messages. However, the Trial Court also admitted Exhibit "G-2" despite (a) the Defendant's valid objections and (b) the same was not included in the exhibits sought to be admitted in the Motion for Partial Reconsideration.

On November 12, 2019, the Defendants presented their first witness, Defendant Finance Officer, to testify, among others, that (a) he acted as liaison of the STI Cebu and STI ESG on the negotiations for the sale of the subject property and (b) the Boards of Directors of STI Cebu and STI ESG did not approve the proposal/offer to purchase of the Plaintiffs.

After cross-examination, the Defendants terminated the presentation of said witness' testimony.

On November 29, 2019, the Defendants presented their external counsel's accountant who testified on their counterclaim against the Plaintiffs for legal cost/fees incurred for the case.

On January 17, 2020, the Defendants terminated the presentation of their evidence.

After due proceedings on the Defendants' Formal Offer of Evidence, the Trial Court issued the Order dated February 13, 2020, which admitted all the documentary evidence of the Defendants.

After both parties completed the presentation of evidence and filed their respective Memoranda, the Defendants received the Decision of the Trial Court on June 22, 2020.

In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its BOD, (a) gave its consent to the sale or (b) authorized its Finance Officer to sell the Property in favor of the Plaintiffs.

However, the Trial Court determined that STI ESG's Finance Officer is liable to pay the Plaintiffs the total amount of Two Hundred Thousand Pesos (₱0.2 million) representing temperate and exemplary damages ("Damages"). The Trial Court determined that the actions of STI ESG's Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

Lastly, the Trial Court ordered STI ESG to return the amount of Three Hundred Thousand Pesos (₱0.3 million) it received from the Plaintiffs as "earnest money" with interest rate of six percent (6%) per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

Both parties filed their respective Partial Motion for Reconsideration insofar as the (a) dismissal of the Complaint and (b) award of Damages.

On August 25, 2020, the Trial Court issued its *Order,* which modified the Decision only insofar as requiring STI ESG's Finance Officer to pay an additional ₱50.0 thousand as attorney's fees in favor of the Plaintiffs. The rest of the findings in the Decision is affirmed.

On September 16, 2020, the Plaintiffs filed a Notice of Appeal.

Consequently, the parties will comply with the appeal procedures required under the Rules of Court.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court issued its Order dated July 18, 2019. In the Order, the Trial Court denied the admission of only one (1) exhibit, which was the letter of Plaintiff' counsel to STI ESG insisting that the cancellation of the Licensing Agreement was erroneous and in bad faith.

In the same Order, the Trial Court required the parties to file their respective Memoranda. After the filing of said Memoranda, the case was submitted for decision by the Trial Court.

On February 4, 2020, STI ESG received the Decision dated January 16, 2020. In the Decision, the Trial Court dismissed the instant case because the Plaintiffs failed to establish that STI ESG acted in abuse of rights when it refused to renew the Licensing Agreement with the Plaintiffs. The Trial Court confirmed that said Agreement clearly provided that the same can only be renewed by mutual agreement of the parties.

The Trial Court also ordered the payment by the Plaintiffs of STI ESG's counterclaim in the amount of ₱0.3 million as attorney's fees plus cost of suit. Despite filing a Motion for Reconsideration, the Trial Court affirmed its dismissal of the Plaintiff's claim and the award of litigation cost in favor of STI ESG in an Order dated July 6, 2020.

On August 3, 2020, STI ESG received the Notice of Appeal filed by the Plaintiff.

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

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

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

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

As at September 24, 2020, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

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

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

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

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

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

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

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

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

h. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees.

   As at September 24, 2020, the cases are pending before the labor arbiter.

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

Commitments

a. Financial Commitments

   The Parent Company has domestic bills purchase lines from various local banks amounting to ₱65.0 million as at March 31, 2020, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments

As at March 31, 2020, STI ESG has contractual commitments and obligations for the construction of STI Legazpi with an aggregate project cost of ₱251.8 million of which ₱135.2 million has been paid as at March 31, 2020.

As at March 31, 2019, the STI ESG has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,850.6 million and ₱1,682.4 million have been paid as at March 31, 2020 and 2019, respectively.

c. Others

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

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

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

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

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

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

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

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

(ii) On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

(iii) On October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI Polytechnic Institute Inc. (collectively referred to as "STI") and Raft Shore People, Inc. (RAFT), entered into a Cooperation Agreement (the "Agreement") to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. In summary, the parties agree as follows:

a. Establish a culinary school offering modular culinary courses which shall prepare the students to work on board cruise vessels and to jointly oversee the preparation and implementation of modular culinary and catering courses.

b. To jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW).

c. To engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50% payable upon signing of the agreement while the remaining 50% will be payable within calendar year 2020. Additionally, and as compensation for jointly overseeing and providing academic governance, selection and management of faculty, as well as curriculum and courseware preparation and implementation for the courses agreed upon, STI shall pay RAFT the sum of US$10,000 per month beginning January 2020. The parties also agreed that a variable compensation of 5% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1% variable compensation for every 1,000 enrollees while RAFT shall receive 5% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1% variable compensation for every

1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

34. **Financial Risk Management Objectives and Policies**

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

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

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

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

As at March 31, 2020 and 2019, the Group's current assets amounted to ₱1,861.0 million and ₱1,764.3 million respectively, while current liabilities amounted to ₱1,043.7 million and ₱1,023.6 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank and the STI ESG bondholders. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. Related developments due to the outbreak and the economic effects of COVID-19 are discussed in Note 39.

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

	2020				
	On demand	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	**₱617,682,038**	**₱–**	**₱–**	**₱–**	**₱617,682,038**
Receivables*	**170,078,732**	**181,103,982**	**117,673,877**	**143,668,550**	**612,525,141**
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**–**	**–**	**–**	**32,194,153**	**32,194,153**
Equity investments designated at FVOCI	**–**	**–**	**–**	**67,599,307**	**67,599,307**
	₱787,760,770	**₱72,807,969**	**₱181,103,982**	**₱243,462,010**	**₱1,330,000,639**
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	**₱–**	**₱–**	**₱–**	**₱3,000,000,000**	**₱3,000,000,000**
Interest	**–**	**–**	**178,905,220**	**693,555,420**	**872,460,640**
Interest-bearing loans and borrowings					
Principal	**–**	**–**	**240,000,000**	**920,000,000**	**1,160,000,000**
Interest	**–**	**–**	**81,704,050**	**235,849,160**	**317,553,210**
Accounts payable and other current liabilities**	**468,555,889**	**6,716,532**	**43,363,248**	**–**	**518,635,669**
Lease liabilities	**–**	**17,877,211**	**62,630,271**	**485,108,141**	**565,615,623**
Other noncurrent liabilities***	**–**	**–**	**–**	**37,803,729**	**37,803,729**
	₱468,555,889	**₱24,593,743**	**₱606,602,789**	**₱5,372,316,450**	**₱6,472,068,871**

	2019				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	₱401,238,061	₱–	₱–	₱–	₱401,238,061
Receivables*	378,667,040	24,636,095	–	–	403,303,135
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	55,696,369	55,696,369
Equity investments designated at FVOCI	–	–	–	49,777,643	49,777,643
	₱779,905,101	₱24,636,095	₱–	₱105,474,012	₱910,015,208
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest	–	–	178,905,220	872,460,640	1,051,365,860
Interest-bearing loans and borrowings					
Principal	–	–	240,000,000	360,000,000	600,000,000
Interest	–	–	36,260,490	27,364,050	63,624,540
Accounts payable and other current liabilities**	264,916,411	112,840,892	284,771,857	–	662,529,160
Obligations under finance lease					
Principal	–	1,565,143	4,643,289	11,643,614	17,852,046
Interest	–	357,703	884,899	1,201,773	2,444,375
Other noncurrent liabilities***	–	–	–	54,411,895	54,411,895
	₱264,916,411	₱114,763,738	₱745,465,755	₱4,327,081,972	₱5,452,227,876

**Excluding advances to officers and employees amounting to ₱24,1 million and ₱17.5 million as at March 31, 2020 and 2019, respectively.*
***Excluding government and other statutory liabilities amounting to ₱21.1 million and ₱21.4 million as at March 31, 2020 and 2019, respectively.*
****Excluding advance rent and deferred lease liability amounting to ₱33.7 million and ₱47.5 million as at March 31, 2020 and 2019, respectively.*

The Group's current ratios are as follows:

	2020	2019
Current assets	**₱1,861,035,618**	₱1,764,340,159
Current liabilities	**1,043,698,926**	1,023,567,896
Current ratios	**1.78:1.00**	1.72:1.00

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity investments designated at FVOCI, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at March 31, 2020 and 2019, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2020		2019	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱420,680,596**	**₱399,680,596**	₱400,436,569	₱379,436,569
Receivables*	**612,525,141**	**612,525,141**	403,303,135	403,303,135
Rental deposits**	**32,194,153**	**32,194,153**	55,696,369	55,696,369
Equity investment designated at FVOCI	**67,599,307**	**67,599,307**	49,777,643	49,777,643
	₱1,132,999,197	**₱1,111,999,197**	₱909,213,716	₱888,213,716

**Excluding advances to officers and employees amounting to ₱24.1 million and ₱17,5 million as at March 31, 2020 and 2019, respectively.*
***Included as part of "Goodwill, intangible and other noncurrent assets" account.*
(1) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.
(2) Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on STI ESG's credit rating system as at March 31, 2020 and 2019:

	2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱827,659,992**	**₱324,019,393**	**₱–**	**₱1,151,679,385**
Class B	**–**	**260,006,501**	**–**	**260,006,501**
Class C	**–**	**58,563,550**	**2,875,962**	**61,439,512**
Gross carrying amount	**827,659,992**	**642,589,444**	**2,875,962**	**1,473,125,398**
ECL	**–**	**140,248,797**	**2,875,962**	**143,124,759**
Carrying amount	**₱827,659,992**	**₱502,340,647**	**₱–**	**₱1,330,000,639**

	2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱586,823,216	₱200,689,985	₱–	₱787,513,201
Class B	–	203,167,029	–	203,167,029
Class C	–	79,660,271	2,875,963	82,536,234
Gross carrying amount	586,823,216	483,517,285	2,875,963	1,073,216,464
ECL	–	160,325,293	2,875,963	163,201,256
Carrying amount	₱586,823,216	₱323,191,992	₱–	₱910,015,208

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with a high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.
- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
March 2020	**₱234,767,076**	**₱34,448,801**	**₱1,231,961**	**₱58,563,550**	**(₱140,248,795)**	**₱188,762,593**
March 2019	145,934,900	49,715,933	1,057,885	78,602,387	(160,325,293)	114,985,812

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

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statement of comprehensive income and consolidated statement of changes in equity for the years ended March 31:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2020**	2019	2018
+100 bps	**(₱41,000,000)**	(₱36,000,000)	(₱37,344,000)
-100 bps	**41,000,000**	36,000,000	37,344,000

Capital Risk Management Policy
The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

The Group considers its equity contributed by stockholders as capital.

	March 31	
	2020	2019
Capital stock	**₱3,087,829,443**	₱3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Retained earnings (see Note 20)	**2,572,194,979**	3,023,825,683
	₱6,046,940,901	₱6,498,571,605

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

	March 31	
	2020	2019
Total liabilities*	**₱5,184,846,516**	₱4,407,031,500
Total equity	**6,112,499,312**	6,569,707,487
Debt-to-equity ratio	**0.85:1.00**	0.67:1.00

**Excluding unearned tuition and other school fees*

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

	March 31	
	2020	2019
Total assets	**₱11,492,359,095**	₱11,058,118,644
Total equity	**6,112,499,312**	6,569,707,487
Asset-to-equity ratio	**1.88:1.00**	1.68:1.00

No changes were made in the objectives, policies or processes during the years ended March 31, 2020 and 2019.

35. **Fair Value Information of Financial Instruments**

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at March 31, 2020 and 2019. There are no material unrecognized financial assets and liabilities as at March 31, 2020 and 2019.

	2020				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost:					
Rental and utility deposits	**₱32,194,153**	**₱31,550,028**	**₱–**	**₱–**	**₱31,550,028**
Equity instruments designated at FVOCI	**67,599,307**	**67,599,307**	**3,746,944**	**63,852,363**	**–**
	₱99,793,460	**₱99,149,335**	**₱3,746,944**	**₱63,852,363**	**₱31,550,028**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Lease liabilities	**₱395,908,486**	**₱395,908,486**	**₱–**	**₱–**	**₱395,908,486**
Refundable deposits	**22,400,940**	**22,479,301**	–	–	**22,479,301**
	₱418,309,426	**₱418,387,787**	**₱–**	**₱–**	**₱418,387,787**

	2019				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost:					
Rental and utility deposits	₱55,696,369	₱54,989,443	₱–	₱–	₱54,989,443
Equity instruments designated at FVOCI	49,777,643	49,777,643	3,975,280	45,085,500	–
	₱105,474,012	₱104,767,086	₱3,975,280	₱45,085,500	₱54,989,443
Financial Liabilities					
Other financial liabilities at amortized cost:					
Obligations under finance lease	₱17,852,046	₱ 16,194,197	₱–	₱–	₱16,194,197
Refundable deposits	21,778,168	21,120,069	–	–	21,120,068
	₱39,630,214	₱37,314,266	₱–	₱–	₱37,314,265

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

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

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Equity instruments designated at FVOCI. The fair values of publicly-traded Equity instruments designated at FVOCI, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

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

Lease Liabilities. Estimated fair value is based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Obligation under Finance Lease. The fair values of obligations under finance lease are computed based on the discounted present value of lease payments with discount rate ranging from 5.59% to 6.18% as at March 31, 2019.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In 2020 and 2019, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Changes in Liabilities Arising from Financing Activities

	March 31, 2019	**Cash flows**	**Noncash Movements: Effect of Adoption of PFRS 16** (see Note 2)	**Interest Expense** (see Note 22)	**Capitalized borrowing costs** (see Note 10)	**Dividends Declared** (see Note 20)	**Reclassified as Current**	**New Leases** (see Note 28)	**March 31, 2020**
Current interest-bearing loans and borrowings	**₱240,000,000**	**(₱240,000,000)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱240,000,000**	**₱–**	**₱240,000,000**
Current obligations under finance leases	**6,208,432**	**–**	**(6,208,432)**	**–**	**–**	**–**	**–**	**–**	**–**
Bonds payable	**2,957,954,254**	**–**	**–**	**6,463,908**	**–**	**–**	**–**	**–**	**2,964,418,162**
Noncurrent interest-bearing loans and borrowings	**360,000,000**	**794,000,000**	**–**	**(1,866,285)**	**2,128,493**	**–**	**(240,000,000)**	**–**	**914,262,208**
Noncurrent obligations under finance leases	**11,643,614**	**–**	**(11,643,614)**	**–**	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**–**	**(83,002,811)**	**391,816,395**	**28,633,210**	**–**	**–**	**–**	**58,461,692**	**395,908,486**
Dividends payable	**12,431,266**	**(183,585,711)**	**–**	**–**	**–**	**184,912,630**	**–**	**–**	**13,758,185**
Interest payable	**11,435,922**	**(247,308,163)**	**1,180,635**	**240,362,454**	**3,286,900**	**–**	**–**	**–**	**8,957,748**
Total liabilities from financing activities	**₱3,599,673,488**	**₱40,103,315**	**₱375,144,984**	**₱273,593,287**	**₱5,415,393**	**₱184,912,630**	**₱–**	**₱58,461,692**	**₱4,537,304,789**

	March 31, 2018	Cash flows	Noncash Movements: Effect of Adoption of PFRS 16 (see Note 2	Interest Expense (see Note 22)	Capitalized borrowing costs (see Note 10)	Dividends Declared (see Note 20)	Reclassified as Current	New Leases	March 31, 2019
Current interest-bearing loans and borrowings	₱134,400,000	(₱134,400,000)	₱–	₱–	₱–	₱–	₱240,000,000	₱–	₱240,000,000
Current obligations under finance leases	6,360,503	(6,607,474)	–	–	–	–	6,455,403	–	6,208,432
Bonds payable	2,951,879,134	–	–	6,075,120	–	–	–	–	2,957,954,254
Noncurrent interest-bearing loans and borrowings	600,000,000	–	–	–	–	–	(240,000,000)	–	360,000,000
Noncurrent obligations under finance leases	14,079,817	–	–	–	–	–	(6,455,403)	4,019,200	11,643,614
Dividends payable	13,813,740	(186,295,104)	–	–	–	184,912,630	–	–	12,431,266
Interest payable	9,283,548	(216,761,784)	–	183,445,281	35,468,877	–	–	–	11,435,922
Total liabilities from financing activities	₱3,729,816,742	(₱544,064,362)	₱–	₱189,520,401	₱35,468,877	₱184,912,630	₱–	₱4,019,200	₱3,599,673,488

37. **Notes to the Consolidated Statements of Cash Flows**

The Group's material noncash investing and financing activities pertain to the following:

a. Noncash additions to ROU assets presented under "Property and equipment" aggregating to ₱59.7 million as at March 31, 2020.

b. Unpaid progress billing for construction-in-progress amounting to ₱13.9 million, ₱250.5 million and ₱30.3 million as at March 31, 2020, 2019 and 2018 respectively.

c. Acquisitions of property and equipment under finance lease presented as part of "Property and equipment" account in the consolidated statements of financial position amounting to nil, ₱3.1 million and ₱15.5 million as at March 31, 2020, 2019 and 2018, respectively.

d. Uncollected dividends from De Los Santos Medical Center amounting to nil as at March 31, 2020 and 2018 and ₱0.8 million as at March 31, 2019 (see Note 2).

38. **Business Combination**

Sta. Maria. On May 23, 2017, STI Sta. Maria entered into a Deed of Assignment with Halili Reyes Educational Institution, Inc. (HREI) where HREI assigned, transferred and conveyed in a manner absolute and irrevocable, and free and clear of all liens and encumbrances, to STI Sta. Maria all its rights, title and interest in the acquired school's assets and liabilities for a price of ₱20.0 million. The assignment of the net assets shall retroact to April 1, 2017. Consequently, the ₱18.0 million initial deposit made was applied to the purchase price and the Parent Company paid the remaining balance of ₱2.0 million in 2018.

The purchase price consideration has been allocated to the assets and liabilities based on the fair values at the date of acquisition resulting in goodwill amounting to ₱1.8 million. The carrying values of the financial assets and liabilities and other assets recognized at the date of acquisition approximate their fair values due to the short-term nature of the transactions.

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

Assets	
Cash and cash equivalents	₱7,828,110
Receivables	8,483,088
Inventories	674,354
Prepaid expenses	2,356,576
Property and equipment-net	1,529,891
	20,872,019
Liabilities	
Accounts payable and other current liabilities	2,648,715
Total identifiable net assets at fair value	18,223,304
Purchase consideration transferred	20,000,000
Goodwill	₱1,776,696

Analysis of cash flow on acquisition is as follows:

Cash paid during the year	(₱2,000,000)
Cash acquired from the subsidiary	7,828,110
Net cash inflow on acquisition	₱5,828,110

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

The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report of the fair value of these assets and liabilities at the time of acquisition resulting in goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represents the fair value of the license and agreements. Deferred tax liability amounting to ₱2.8 million is calculated based on the estimated fair value of the license to operate a maritime school, its related agreements and a 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values.

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

NAMEI Polytechnic Institute, Inc.

Assets	
Cash and cash equivalents	₱52,938
Receivables	8,173,081
Inventories	158,769
Prepaid expenses	51,000
Intangible assets	27,621,874
Property and equipment-net	12,630,327
	48,687,989
Liabilities	
Accounts payable and other current liabilities	9,330,730
Deferred tax liabilities	2,762,187
Non-controlling interest	1,090,678
Total identifiable net assets at fair value	35,504,394
Purchase consideration transferred	56,735,628
Goodwill	₱21,231,234

NAMEI Polytechnic Institute of Mandaluyong, Inc.

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

Analysis of cash flow on acquisition is as follows:

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

39. Events after Reporting Period

a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. On May 11, 2020, Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) Resolution No. 35 was issued, placing high-risk local government units (LGUs) (i.e., entire Metro Manila, Laguna, and Cebu City) under modified enhanced community quarantine (MECQ) from May 16, 2020 until May 31, 2020. On May 29, 2020 under IATF Resolution No. 41 series of 2020, all Highly Urbanized Cities (HUCs) of the NCR and the Municipality of Pateros were placed under general community quarantine (GCQ) until June 15, 2020, subsequently extended until June 30, 2020 under IATF Resolution No. 46-A dated June 15, 2020. On June 29 and again on July 14, 2020, the GCQ in the NCR and some areas was extended further to July 15 and July 31, 2020 under IATF Resolution Nos. 50-A and 55-A, respectively.

   On August 3, 2020, the Office of the President supported an urgent appeal by medical workers to reimpose stricter quarantine measures in the NCR and selected provinces and declared these areas under MECQ from August 4 to 18. The quarantine status of these areas was subsequently downgraded to GCQ from August 19 until August 31, 2020.

   These measures have caused disruptions to businesses and economic activities, and their impact on businesses continue to evolve. The Group has considered the impact of these disruptions to its financial position, performance and cash flows as at and for the year ended March 31, 2020. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

b. For SY 2019-2020, the school calendar for tertiary students is from July 2019 to April 2020. Classes of tertiary students were suspended since the implementation of the ECQ in March 2020. Online classes of those who opted online and offline studies resumed beginning the 3rd week of May 2020 and were completed as at July 30, 2020. For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education (ONE) STI Learning Model. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the IATF, DepEd for Senior High School, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed.

   Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruptions, government regulations and other COVID-19 consequences.

c. On June 23, 2020, STI ESG requested China Bank for waivers on certain covenants in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) **AC**cess to **A**cademic **D**evelopment to **E**mpower the **M**asses towards **E**ndless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

   Further, China Bank approved the temporary waiver of the DSCR requirement covering period ending September 30, 2020 and March 31, 2021.

d. On July 3, 2020, STI ESG and China Bank executed the amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility shall be available to the Borrower on any Business day for the period beginning on the date of this Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with this Agreement. Any amount undrawn at the end of the Availability Period shall be automatically cancelled and may not be reinstated. On July 3, 2020 and July 30, 2020, STI ESG made drawdowns aggregating to ₱400.0 million from this Term Loan Facility. As of July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million.

e. On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the holders of the Bonds (the "Record Bondholders") to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of Land Bank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the Debt Service Coverage Ratio up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

    Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

    (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows:
    "directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

    (b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:
    "incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

(c) Section 7.02(f) of the Trust Agreement is hereby amended to read as follows:

"assign, transfer or otherwise convey any right to receive any of its income or revenues unless in the ordinary course of business, or unless otherwise required by applicable law, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to Debt Service Coverage Ratio Waiver

Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

(k) maintain and observe the following financial ratios:

(i) a Debt Service Coverage Ratio of not less than 1.05:1, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

f. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a Refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest free.

This ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank.

g. In various dates in September 2020, STI ESG wrote CHED, TESDA and DepEd of its decision to suspend the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY 2020-2021 and to cease the operations of STI Pagadian effective SY 2020-2021. Similarly, the respective franchisees also informed CHED, TESDA and DepEd of the cessation of operations of some of STI ESG's franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021.

h. On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group) as at March 31, 2020 and for the year ended, on which we have rendered the attached report dated September 24, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Group has 48 stockholders owning 100 or more shares each.

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. 8125320, January 7, 2020, Makati City

September 24, 2020

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group) as at March 31, 2020 and 2019 and for each of the three years in the period ended March 31, 2020, included in this Form 17-A, and have issued our report thereon dated September 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
SEC Accreditation No. 1539-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. 8125320, January 7, 2020, Makati City

September 24, 2020

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at March 31, 2020 and 2019 and for each of the three years in the period ended March 31, 2020, included in this Form 17-A, and have issued our report thereon dated September 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at March 31, 2020 and 2019 and for each of the three years in the period ended March 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 8125320, January 7, 2020, Makati City

September 24, 2020

COVER SHEET

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

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

(Company's Full Name)

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

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

MERLIZA D. SANTOS

Contact Person

(632) 8812 1784

Company Telephone Number

0	6		3	0

Month *Day*

Fiscal Year

SEC FORM 17-Q For the three-month period ended 30 June 2020

FORM TYPE

1st Thursday of September

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

M	S	R	D

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

Total Amount of Borrowings

				6	4

Total No. of Stockholders

₱3 Billion bonds

N/A

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the three-month period ended	June 30, 2020
2.	SEC Identification Number	113156
3.	BIR Tax Identification Number	000-143-457-000
4.	Exact name of registrant as specified in its charter	STI EDUCATION SERVICES GROUP, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Metro Manila, Philippines
6.	Industry Classification Code (SEC Use Only)	
7.	Address of Principal Office	STI Academic Center Ortigas-Cainta Ortigas Avenue Extension, Cainta Rizal
8.	Registrant's telephone number (including area code)	(632) 8812-17-84
9.	Former name, former address, former fiscal year, if changed since last report	N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱ 3,000,000,000.00 Outstanding

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

Yes [√] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17 (a) - 1 there under and Sections 26 and 141 of the Corporation

Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	October 2, 2020
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	October 2, 2020
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	October 2, 2020

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc. and its subsidiaries** (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and years ended March 31, 2020 and 2019 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Subscribed and Sworn to before me this 01 OCT 2020, affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Mr. Jesli A. Lapus	Passport No. P6589685A	28 Mar 2018, DFA Manila
Mr. Monico V. Jacob	Passport No. EC7728486	16 May 2021 DFA NCR East
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

JAYPEE B. ORTIZ
NOTARY PUBLIC
ROLL NO. 66493
MAKATI CITY, PHILIPPINES

JAYPEE B. ORTIZ
Notary Public for Makati City
Appointment No. M-182
Until 31 December 2021
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 66493
PTR No. 8116831/ Makati / 02 January 2020
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2020 and March 31, 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2020 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for credit losses for the three-month period ended June 30, 2020 amounted to ₱2.0 million.

The disclosures on the allowance for credit losses are included in Notes 4 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments,* to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Valuation of Investment in Maestro Holdings, Inc.

The Group classified its 20%-investment in Maestro Holdings, Inc. (Maestro Holdings) as noncurrent asset held for sale in accordance with PFRS 5, *Noncurrent Asset Held for Sale and Discontinued Operation,* effective June 30, 2017. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. The Group continued to classify its investment as held for sale in the amount of ₱419.1 million, measured at fair value less costs to sell, as at June 30, 2020. This matter is significant to our audit because the classification of the investment as asset held for sale and the determination of its fair value involve significant management judgment and estimate.

The disclosures on the investment in Maestro Holdings are included in Notes 4 and 9 to the consolidated financial statements.

Audit response

Our audit procedures include, among others, evaluation of management's assessment of the requirements under PFRS 5 for the classification of the investment as held for sale, by inspecting supporting documents such as correspondences with interested buyers, inquiries of management and reading of minutes of meetings.

We also involved our internal specialist in evaluating the methodology and assumptions used in determining the investment's fair value less costs to sell. The significant assumptions include growth rates, long-term growth rate, discount rates, discount on lack of control, discount on lack of marketability and estimated costs to sell. We tested the parameters used in the determination of the average forecasted growth rates against historical performance; and the long-term growth rate, discount rates, discount on lack of control, discount on lack of marketability and estimated costs to sell against relevant market and industry data. For accounts valued at Level 1 and Level 2, we compared the recorded prices as of the reporting date with the observable prices in the market. We also reviewed the Group's disclosures relative to the investment in Maestro Holdings in the consolidated financial statements.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2020, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱229.8 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group's disclosures about goodwill are included in Notes 4 and 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include discount rate, forecasted revenue growth, EBITDA margins and long-term growth rate. We compared the key assumptions used, such as forecasted revenue growth, EBITDA margins, and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-Q for the three-month period ended June 30, 2020 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 8125320, January 7, 2020, Makati City

September 24, 2020

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

	June 30, 2020 (Note 2)	March 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱584,179,314**	₱617,682,038
Receivables (Note 6)	**489,982,620**	636,656,144
Inventories (Note 7)	**133,112,366**	132,396,802
Prepaid expenses and other current assets (Note 8)	**45,916,518**	55,184,740
	1,253,190,818	1,441,919,724
Noncurrent asset held for sale (Note 9)	**419,115,894**	419,115,894
Total Current Assets	**1,672,306,712**	1,861,035,618
Noncurrent Assets		
Property and equipment - net (Note 10)	**7,918,740,761**	8,002,960,313
Investment properties - net (Note 11)	**486,100,841**	493,220,076
Investments in and advances to associates and joint ventures (Note 12)	**501,846,375**	503,626,787
Equity instruments designated at fair value through other comprehensive income (FVOCI) (Note 14)	**67,261,243**	67,599,307
Deferred tax assets - net (Note 29)	**50,043,226**	33,380,981
Goodwill, intangible and other noncurrent assets (Note 15)	**531,579,086**	530,536,013
Total Noncurrent Assets	**9,555,571,532**	9,631,323,477
TOTAL ASSETS	**₱11,227,878,244**	₱11,492,359,095
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱598,994,620**	₱539,689,082
Current portion of interest-bearing loans and borrowings (Note 17)	**240,000,000**	240,000,000
Unearned tuition and other school fees	**113,521,168**	195,013,267
Current portion of lease liabilities (Note 28)	**59,783,396**	66,111,807
Income tax payable	**2,642,389**	2,884,770
Total Current Liabilities	**1,014,941,573**	1,043,698,926
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 17)	**914,693,192**	914,262,208
Bonds payable (Note 18)	**2,966,097,772**	2,964,418,162
Lease liabilities - net of current portion (Note 28)	**324,010,251**	329,796,679
Pension liabilities - net (Note 27)	**66,499,004**	56,144,234
Other noncurrent liabilities (Note 19)	**53,116,267**	71,539,574
Total Noncurrent Liabilities	**4,324,416,486**	4,336,160,857
Total Liabilities *(Carried Forward)*	**5,339,358,059**	5,379,859,783

(Forward)

	June 30, 2020 (Note 2)	March 31, 2020
Total Liabilities *(Brought Forward)*	**₱5,339,358,059**	₱5,379,859,783
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 20)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 20)	**(10,833,137)**	(10,833,137)
Cumulative actuarial loss (Note 27)	**(7,889,345)**	(1,092,511)
Other comprehensive income associated with noncurrent asset held for sale (Note 20)	**91,876,446**	91,876,446
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**10,668,770**	11,006,834
Other equity reserve	**(30,941,455)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**471,690**	468,522
Unrealized fair value loss on equity instruments designated at FVOCI (Note 12)	**(30,848)**	(30,387)
Retained earnings	**2,357,529,814**	2,572,194,979
Total Equity Attributable to Equity Holders of the Parent Company	**5,885,597,857**	6,107,395,213
Equity Attributable to Non-Controlling Interests	**2,922,328**	5,104,099
Total Equity	**5,888,520,185**	6,112,499,312
TOTAL LIABILITIES AND EQUITY	**₱11,227,878,244**	₱11,492,359,095

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	June 30, 2020 (Three months - Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
REVENUES (Note 21)			
Sale of services:			
Tuition and other school fees	**₱82,174,375**	₱1,707,247,204	₱1,801,197,426
Educational services	**21,182,148**	140,705,289	166,922,124
Royalty fees	**1,963,548**	12,950,012	15,717,540
Others	**6,339,507**	70,237,766	57,762,040
Sale of goods:			
Sale of educational materials and supplies	**76,549**	135,885,345	149,644,539
	111,736,127	2,067,025,616	2,191,243,669
COSTS AND EXPENSES			
Cost of educational services (Note 23)	**119,108,347**	715,292,680	687,847,290
Cost of educational materials and supplies sold (Note 24)	**55,497**	105,041,257	113,869,136
General and administrative expenses (Note 25)	**182,473,657**	1,027,931,950	1,044,837,043
	301,637,501	1,848,265,887	1,846,553,469
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(189,901,374)**	218,759,729	344,690,200
OTHER INCOME (EXPENSES)			
Interest expense (Notes 17, 18, 22 and 28)	**(72,367,239)**	(273,593,287)	(189,520,401)
Rental income (Note 28)	**30,341,265**	118,367,121	107,769,741
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**(1,783,119)**	5,307,508	4,716,716
Interest income (Notes 5, 6 and 22)	**956,490**	4,406,732	16,147,640
Provision for impairment of noncurrent asset held for sale (Note 9)	**–**	(297,470,664)	–
Gain on:			
Disposal of net assets (Note 9)	**–**	4,365,123	–
Sale of property and equipment	**–**	–	666,988
Dividend income (Notes 12 and 14)	**–**	1,769,510	7,549,554
	(42,852,603)	(436,847,957)	(52,669,762)
INCOME (LOSS) BEFORE INCOME TAX	**(232,753,977)**	(218,088,228)	292,020,438
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**–**	13,349,875	37,685,409
Deferred	**(15,907,041)**	(21,890)	(258,762)
	(15,907,041)	13,327,985	37,426,647
NET INCOME (LOSS) *(Carried Forward)*	**(216,846,936)**	(231,416,213)	254,593,791

(Forward)

	June 30, 2020 (Three months - Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
NET INCOME (LOSS) *(Brought Forward)*	**(₱216,846,936)**	(₱231,416,213)	₱254,593,791
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement loss in pension liability (Note 27)	**(7,552,038)**	(10,326,050)	(82,499,491)
Tax effect on remeasurement loss in pension liability (Note 29)	**755,204**	1,042,857	8,112,751
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**(338,064)**	7,821,664	(261,920)
Share in associates' remeasurement gain (loss) on pension liabilities (Note 12)	**3,168**	(67,956)	(14,818)
Share in associates' fair value adjustment on equity instruments designated at FVOCI (Note 12)	**(461)**	42	1,594
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(7,132,191)**	(1,529,443)	(74,661,884)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱223,979,127)**	(₱232,945,656)	₱179,931,907
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱214,665,165)**	(₱226,277,507)	₱254,872,593
Non-controlling interests	**(2,181,771)**	(5,138,706)	(278,802)
	(₱216,846,936)	(₱231,416,213)	₱254,593,791
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱221,797,356)**	(₱227,806,950)	₱180,210,709
Non-controlling interests	**(2,181,771)**	(5,138,706)	(278,802)
	(₱223,979,127)	(₱232,945,656)	₱179,931,907
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 31)	**(₱0.07)**	(₱0.07)	₱0.08

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Treasury Stock (Note 20)	Cumulative Actuarial Gain (Loss) (Note 27)	Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI (Note 14)	Other Equity Reserve (Note 20)	Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments Designated at FVOCI (Note 12)	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 12)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 20)	Retained Earnings (Note 20)	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balance at April 1, 2020	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**(₱1,092,511)**	**₱11,006,834**	**(₱30,941,455)**	**(₱30,387)**	**₱468,522**	**₱91,876,446**	**₱2,572,194,979**	**₱6,107,395,213**	**₱5,104,099**	**₱6,112,499,312**
Net loss	–	–	–	–	–	–	–	–	–	**(214,665,165)**	**(214,665,165)**	**(2,181,771)**	**(216,846,936)**
Other comprehensive income (loss)	–	–	–	**(6,796,834)**	**(338,064)**	–	**(461)**	**3,168**	–	–	**(7,132,191)**	–	**(7,132,191)**
Total comprehensive income (loss)	–	–	–	**(6,796,834)**	**(338,064)**	–	**(461)**	**3,168**	–	**(214,665,165)**	**(221,797,356)**	**(2,181,771)**	**(223,979,127)**
Balance at June 30, 2020	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**(₱7,889,345)**	**₱10,668,770**	**(₱30,941,455)**	**(₱30,848)**	**₱471,690**	**₱91,876,446**	**₱2,357,529,814**	**₱5,885,597,857**	**₱2,922,328**	**₱5,888,520,185**
Balance at April 1, 2019	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,190,682	₱3,185,170	(₱30,941,455)	(₱30,429)	₱536,478	₱91,876,446	₱2,983,385,116	₱6,520,114,793	₱9,152,127	₱6,529,266,920
Net loss	–	–	–	–	–	–	–	–	–	(226,277,507)	(226,277,507)	(5,138,706)	(231,416,213)
Other comprehensive income (loss)	–	–	–	(9,283,193)	7,821,664	–	42	(67,956)	–	–	(1,529,443)	–	(1,529,443)
Total comprehensive income (loss)	–	–	–	(9,283,193)	7,821,664	–	42	(67,956)	–	(226,277,507)	(227,806,950)	(5,138,706)	(232,945,656)
Effect of business combination (Note 38)	–	–	–	–	–	–	–	–	–	–	–	1,090,678	1,090,678
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	(184,912,630)	(184,912,630)	–	(184,912,630)
Balance at March 31, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱1,092,511)	₱11,006,834	(₱30,941,455)	(₱30,387)	₱468,522	₱91,876,446	₱2,572,194,979	₱6,107,395,213	₱5,104,099	₱6,112,499,312
Balance at April 1, 2018	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱82,577,422	₱40,580,739	(₱30,941,455)	(₱32,023)	₱551,296	₱91,876,446	₱2,916,732,071	₱6,565,257,281	₱9,430,929	₱6,574,688,210
Net income	–	–	–	–	–	–	–	–	–	254,872,593	254,872,593	(278,802)	254,593,791
Other comprehensive income (loss)	–	–	–	(74,386,740)	(261,920)	–	1,594	(14,818)	–	–	(74,661,884)	–	(74,661,884)
Total comprehensive income (loss)	–	–	–	(74,386,740)	(261,920)	–	1,594	(14,818)	–	254,872,593	180,210,709	(278,802)	179,931,907
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	(184,912,630)	(184,912,630)	–	(184,912,630)
Realized fair value adjustment on disposal of equity instruments designated at FVOCI (Note 14)	–	–	–	–	(37,133,649)	–	–	–	–	37,133,649	–	–	–
Balance at March 31, 2019	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,190,682	₱3,185,170	(₱30,941,455)	(₱30,429)	₱536,478	₱91,876,446	₱3,023,825,683	₱6,560,555,360	₱9,152,127	₱6,569,707,487

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	June 30, 2020 (Three months - Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱232,753,977)**	(₱218,088,228)	₱292,020,438
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11 and 15)	**126,873,257**	502,716,164	345,435,321
Interest expense (Note 22)	**72,367,239**	273,593,287	189,520,401
Movements in pension (Note 27)	**2,802,731**	12,555,975	1,031,024
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**1,783,119**	(5,307,508)	(4,716,716)
Interest income (Note 22)	**(956,490)**	(4,406,732)	(16,147,640)
Provision for impairment of:			
Noncurrent asset held for sale (Note 9)	**–**	297,470,664	–
Goodwill (Note 25)	**–**	–	17,035,240
Gain on:			
Disposal of net assets (Note 9)	**–**	(4,365,123)	–
Sale of property and equipment	**–**	–	(666,988)
Dividend income (Notes 12 and 14)	**–**	(1,769,510)	(7,549,554)
Operating income (loss) before working capital changes	**(29,884,121)**	852,398,989	815,961,526
Decrease (increase) in:			
Receivables	**219,795,673**	(139,754,315)	(102,697,350)
Inventories	**(715,564)**	18,844,852	(16,893,071)
Prepaid expenses and other current assets	**10,100,607**	3,307,201	21,806,681
Increase (decrease) in:			
Accounts payable and other current liabilities	**41,491,391**	(136,679,156)	44,767,437
Unearned income	**(154,614,248)**	46,909,421	27,394,638
Other noncurrent liabilities	**(18,423,307)**	(30,364,362)	(1,667,952)
Net cash generated from operations	**67,750,431**	614,662,630	788,671,909
Interest received	**956,490**	4,406,732	16,147,640
Income and other taxes paid	**(1,074,766)**	(10,735,362)	(38,578,982)
Net cash from operating activities	**67,632,155**	608,334,000	766,240,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 10 and 37)	**(33,293,902)**	(385,645,974)	(1,490,963,115)
Equity instruments designated at FVOCI (Note 14)	**–**	(10,000,000)	–
Subsidiaries, net of cash received (Note 38)	**–**	1,443,724	–
Increase in intangible assets and other noncurrent assets (Note 15)	**(2,561,272)**	(53,873,893)	(23,312,965)
Proceeds from:			
Disposal of net assets (Note 9)	**–**	3,500,000	–
Sale of equity instruments designated at FVOCI (Note 14)	**–**	–	57,536,500
Sale of property and equipment	**–**	–	666,988
Dividends received (Notes 12, 14 and 37)	**–**	12,582,805	17,742,983
Net cash used in investing activities	**(35,855,174)**	(431,993,338)	(1,438,329,609)

(Forward)

	June 30, 2020 (Three months - Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of long-term loans (Note 17)	**₱–**	₱794,000,000	₱–
Availment of short-term loans (Note 17)	**–**	468,000,000	–
Payments of:			
Interests	**(46,681,520)**	(247,308,163)	(216,761,784)
Lease liabilities (Note 28)	**(18,598,185)**	(83,002,811)	–
Short-term loans (Note 17)	**–**	(468,000,000)	–
Long-term loans (Note 17)	**–**	(240,000,000)	(134,400,000)
Dividends (Note 20)	**–**	(183,585,711)	(186,295,104)
Obligations under finance lease	**–**	–	(6,607,474)
Net cash from (used in) financing activities	**(65,279,705)**	40,103,315	(544,064,362)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(33,502,724)**	216,443,977	(1,216,153,404)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**617,682,038**	401,238,061	1,617,391,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱584,179,314**	₱617,682,038	₱401,238,061

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering and business studies. The Group is also offering Senior High School (SHS).

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

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

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

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

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

Prior to School Year (SY) 2018-2019, STI schools start the school calendar every June of each year.

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

With this development, STI ESG made adjustments in its school calendar. For SY 2019-2020, classes for the basic education and SHS still start in June while classes for tertiary start in July.

Related events after the reporting period are discussed in Note 39.

b. Merger with several majority and wholly-owned subsidiaries

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

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

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

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at September 24, 2020, the amendment is pending approval by the SEC.

As at September 24, 2020, STI ESG's request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

On September 5, 2019, the BOD of STI ESG approved the amendment of the following provisions to its By-Laws: (1) change of the principal address from Makati Metro Manila to STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal 1900; (2) change the Nominations Committee to Corporate Governance Committee; (3) change of the fiscal year from starting April 1 of each year ending on March 31 of the following year to starting July 1 of each year ending on June 30 of the following year; and, (4) change of the date of its annual stockholders' meeting from every first Thursday of September of each year to every first Thursday of November of each year. The SEC approved the amendments on November 4, 2019. The BIR approved STI ESG's application for the change in accounting period on August 27, 2020.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy, Inc. (STI Training Academy) with STI ESG owning 100% of the subscribed and issued capital stock. STI Training Academy is established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority (TESDA); and to provide other professional courses and training, such as tanker courses and their allied and security courses, stewarding and culinary courses.

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

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on September 24, 2020.

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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for noncurrent asset held for sale which has been measured at fair value less costs to sell and equity instruments designated at FVOCI which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest Peso, except when otherwise indicated.

The accompanying consolidated financial statements have been prepared as short-period consolidated financial statements as at and for the three-month period ended June 30, 2020 pursuant to STI ESG's change in accounting period from fiscal year ending March 31 to fiscal year ending June 30, as discussed in Note 1, for purposes of filing with the SEC. The amounts reflected in the June 30, 2020 consolidated statement of comprehensive income, consolidated statement of changes in equity and, consolidated statement of cash flows and the related notes are for three months and, accordingly, are not comparable with amounts in the March 31, 2020 and 2019 consolidated financial statements with each pertaining to a whole year.

Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except when STI ESG accepted a second batch of college freshmen enrollees for SY2018-2019 which began in August 2018 and ended in May 2019. For SY 2019-2020, STI ESG started the school calendar of tertiary students in mid-July 2019 with the school year ended in April 2020 while classes for the basic education and SHS started in June with the school year ending in March 2020. With the imposition of the Enhanced Community Quarantine ("ECQ") and the General Community Quarantine ("GCQ") in certain areas around the country, as discussed in Note 39, the schools in the Group started online classes to complete the SY 2019-2020. This school year has been completed by the end of July 2020. For SY 2020-2021, STI ESG has started classes in September 2020 with classes in all schools ending in June the following year. The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, as it has been in its old fiscal year and even with its new fiscal year, as discussed in Note 1, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

Statement of Compliance
The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended PFRS that became effective beginning on April 1, 2020. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated:

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective for the three-month period ended June 30, 2020 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements, except otherwise stated:

Effective in fiscal year 2021

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The Group is currently assessing impact of adopting the amendments to PFRS 16.

Effective in fiscal year 2024

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *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 April 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2020 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures certain financial instruments, such as equity instruments designated at FVOCI, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in Notes 35 and 11 of the consolidated financial statements, respectively.

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

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

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

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

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

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

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

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

External valuers are involved in the valuation of significant assets, such as investment property. Every year, the Group decides whether to involve an external valuer in determining the fair value of these assets. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

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

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

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

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

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

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the unrealized OCI deferred in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

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

		Effective Percentage of Ownership					
		June 30, 2020		March 31, 2020		March 31, 2019	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Kalookan, Inc. (STI Caloocan)[(a)]	Educational Institution	**100**	**–**	100	–	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–	100	–
STI Training Academy[(b)]	Educational Institution	**100**	**–**	100	–	–	–
NAMEI Polytechnic Institute of Mandaluyong, Inc.[(c)]	Educational Institution	**100**	**–**	100	–	–	–
NAMEI Polytechnic Institute, Inc.[(c)]	Educational Institution	**94**	**–**	94	–	–	–
De Los Santos-STI College, Inc. (De Los Santos-STI College)[(d)]	Educational Institution	**52**	**–**	52	–	52	–
STI College Quezon Avenue, Inc. (STI QA)[(e)]	Educational Institution	**–**	**52**	–	52	–	52

[(a)] A subsidiary through a management contract (see Note 3)
[(b)] A subsidiary incorporated in November 11, 2019
[(c)] Collectively referred to as NAMEI, became subsidiaries starting April 1, 2019
[(d)] On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations as at September 24, 2020.
[(e)] A wholly-owned subsidiary of De Los Santos-STI College

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

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, except for the accounts of STI Tuguegarao, STI Caloocan, STI Iloilo and NAMEI, whose financial reporting date ends on December 31 and the other subsidiaries of STI ESG whose financial reporting date ends on March 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

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

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

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

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

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

Financial 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

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, 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 solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group'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. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

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), and
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group. The Group 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 at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at June 30, 2020 and March 31, 2020, the Group's financial assets at amortized cost include:

Cash and cash equivalents, *Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets* account.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). Upon initial recognition, the Group 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 nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group 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.

As at June 30, 2020 and March 31, 2020, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI (see Note 14).

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

The Group has no financial assets at FVTPL as at June 30, 2020 and March 31, 2020.

Impairment of Financial Assets

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group 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.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the stage for impairment
The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For receivable from students, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets
Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

Write-off Policy
The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;

- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial liabilities

Initial Recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

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

The Group does not have financial liabilities at FVTPL. The Group's financial liabilities as at June 30, 2020 and March 31, 2020 are measured at amortized cost.

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

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

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled 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 the consolidated statement of comprehensive income.

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

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

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

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

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment
Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition

and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

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

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

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

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

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

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

Investment Properties

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

Depreciation of buildings is computed on a straight-line basis over 20 to 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 consolidated 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 the property for subsequent accounting is its carrying value at the date of the change in use. If the property occupied by Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

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

Borrowing Costs

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

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

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

Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

		Effective Percentage of Ownership					
		June 30, 2020		March 31, 2020		March 31, 2019	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia [(a)]	Management Consulting Services	**30**	**–**	30	–	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings [(b)]	Holding Company	**20**	**–**	20	–	20	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3
STI Holdings (see Note 4)	Holding Company	**5**	**–**	5	–	5	–

[(a)] *Dormant entities*
[(b)] *Reclassified as asset held for sale on June 30, 2017.*

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

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

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

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

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable

amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

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

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

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

Unearned Tuition and Other School Fees
Unearned tuition and other school fees represent contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

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

the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of comprehensive income.

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

Treasury Stock
Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

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

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

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

Revenue Recognition
Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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 Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to PFRS 15:

Trade Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's *Unearned tuition and other school fees* account represents contract liabilities which will be recognized as revenue when the related educational services are rendered.

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

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

Educational Services and Royalty Fees. Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods or services are transferred to the customer.

Following are the revenue streams outside the scope of PFRS 15:

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

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Other Revenues. Other revenues mainly pertain to the revenue related to the use of software licenses by franchised schools. These are recognized over the related school year based on the number of ongoing students of the schools and a fixed rate per student.

Costs and Expenses

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

Pension Cost

The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI QA are members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP). CEAP is a funded, noncontributory, defined contribution plan covering De Los Santos-STI College's and STI QA's qualified employees under which De Los Santos-STI College and STI QA pay fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI QA, however, are covered under RA No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI QA account for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. De Los Santos-STI College and STI QA determine the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits. Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs.

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the 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).

Group as a Lessee upon adoption of PFRS 16 effective April 1, 2019

Right-of-use assets

The Group recognizes ROU assets under “Property and equipment” account at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

Land	25 years
Building	2 to 5 years
Transportation equipment	4 years

ROU assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Group as a Lessee prior to adoption of PFRS 16

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss.

Capitalized leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases, where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

Group as a Lessor. Leases, where the Group retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

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

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

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

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

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

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated statement of financial position.

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

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

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

3. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on net income (loss) for the year and EBITDA, defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains (losses) such as gain on disposal of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)	March 31, 2019 (One Year)
Consolidated net income (loss)	**(₱216,846,936)**	(₱231,416,213)	₱254,593,791
Depreciation and amortization*	**110,068,216**	437,444,138	345,435,321
Provision for impairment of noncurrent asset held for sale	–	297,470,664	–
Interest expense*	**65,883,893**	246,040,955	189,520,401
Provision for (benefit from) income tax	**(15,907,041)**	13,327,985	37,426,647
Equity in net losses (earnings) of associates and joint ventures	**1,783,119**	(5,307,508)	(4,716,716)
Interest income	**(956,490)**	(4,406,732)	(16,147,640)
Gain on disposal of net assets	–	(4,365,123)	–
Consolidated EBITDA	**(₱55,975,239)**	₱748,788,166	₱806,111,804

**Depreciation and interest expenses exclude those related to ROU assets and lease liabilities, respectively.*

<u>Inter-Segment Transactions</u>

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

	June 30, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	**₱71,680,315**	**₱7,241,392**	**₱28,189,143**	**₱2,120,634**	**₱2,504,643**	**₱111,736,127**
Results						
Loss before other income (expenses) and income tax	**(116,532,695)**	**(21,391,314)**	**(39,613,601)**	**(3,662,430)**	**(8,701,334)**	**(189,901,374)**
Equity in net losses of associates and joint ventures	**(1,783,119)**	**–**	**–**	**–**	**–**	**(1,783,119)**
Interest expense	**(67,907,431)**	**(1,390,713)**	**(1,832,473)**	**(382,212)**	**(854,410)**	**(72,367,239)**
Interest income	**826,265**	**14,693**	**107,793**	**4,291**	**3,448**	**956,490**
Other income[(a)]	**30,341,265**	**–**	**–**	**–**	**–**	**30,341,265**
Provision for income tax	**15,907,041**	**–**	**–**	**–**	**–**	**15,907,041**
Net Loss	**(₱139,148,674)**	**(₱22,767,334)**	**(₱41,338,281)**	**(₱4,040,351)**	**(₱9,552,296)**	**(₱216,846,936)**
EBITDA						**(₱55,975,239)**
Assets and Liabilities						
Segment assets[(b)]	**₱8,009,819,915**	**₱835,073,144**	**₱959,895,983**	**₱73,540,482**	**₱148,792,889**	**₱10,027,122,413**
Goodwill (see Note 15)	**229,750,336**	**–**	**–**	**–**	**–**	**229,750,336**
Investments in and advances to associates and joint ventures (see Note 12)	**501,846,375**	**–**	**–**	**–**	**–**	**501,846,375**
Noncurrent asset held for sale (see Note 9)	**419,115,894**	**–**	**–**	**–**	**–**	**419,115,894**
Deferred tax assets - net (see Note 29)	**47,098,516**	**906,468**	**1,701,851**	**256,259**	**80,132**	**50,043,226**
Total Assets	**₱9,207,631,036**	**₱ 835,979,612**	**₱961,597,834**	**₱73,796,741**	**₱148,873,021**	**₱11,227,878,244**
Segment liabilities[(c)]	**₱586,840,501**	**₱45,962,613**	**₱88,543,503**	**₱15,534,353**	**₱31,393,474**	**₱768,274,444**
Interest-bearing loans and borrowings (see Note 17)	**1,154,693,192**	**–**	**–**	**–**	**–**	**1,154,693,192**
Bonds payable (see Note 18)	**2,966,097,772**	**–**	**–**	**–**	**–**	**2,966,097,772**
Pension liabilities (see Note 27)	**49,603,591**	**4,699,923**	**10,403,110**	**45,508**	**1,746,872**	**66,499,004**
Lease liabilities (see Note 28)	**127,280,519**	**82,870,413**	**102,454,338**	**21,752,743**	**49,435,634**	**383,793,647**
Total Liabilities	**₱4,884,515,575**	**₱133,532,949**	**₱201,400,951**	**₱37,332,604**	**₱82,575,980**	**₱5,339,358,059**
Other Segment Information						
Capital expenditures for property and equipment						**₱34,016,272**
Depreciation and amortization[(d)]						**110,068,216**
Noncash expenses other than depreciation and amortization						**4,813,649**

[(a)] *Other income (expenses) exclude equity in net losses of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*
[(d)] *Depreciation and amortization exclude those related to ROU assets.*

	March 31, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,188,867,653	₱151,701,650	₱638,446,135	₱35,210,208	₱52,799,970	₱2,067,025,616
Results						
Income (loss) before other income (expenses) and income tax	52,135,410	(18,570,719)	210,486,682	(2,817,125)	(22,474,519)	218,759,729
Equity in net earnings of associates and joint ventures	5,307,508	–	–	–	–	5,307,508
Interest expense	(254,778,535)	(5,866,114)	(7,671,854)	(1,650,711)	(3,626,073)	(273,593,287)
Interest income	3,683,040	52,763	642,305	16,776	11,848	4,406,732
Other income (expenses)[(a)]	(174,186,545)	467,589	1,551,032	(913,959)	112,973	(172,968,910)
Provision for income tax	(13,327,985)	–	–	–	–	(13,327,985)
Net Income (Loss)	(₱381,167,107)	(₱23,916,481)	₱205,008,165	(₱5,365,019)	(₱25,975,771)	(₱231,416,213)
EBITDA						₱748,788,166
Assets and Liabilities						
Segment assets[(b)]	₱8,146,789,735	₱862,538,856	₱1,056,229,769	₱79,609,220	₱161,317,517	₱10,306,485,097
Goodwill (see Note 15)	229,750,336	–	–	–	–	229,750,336
Investments in and advances to associates and joint ventures (see Note 12)	503,626,787	–	–	–	–	503,626,787
Noncurrent asset held for sale (see Note 9)	419,115,894	–	–	–	–	419,115,894
Deferred tax assets - net (see Note 29)	30,787,357	781,979	1,477,235	252,325	82,085	33,380,981
Total Assets	₱9,330,070,109	₱863,320,835	₱1,057,707,004	₱79,861,545	₱161,399,602	₱11,492,359,095
Segment liabilities[(c)]	₱622,093,582	₱45,187,635	₱97,823,096	₱14,708,518	₱29,313,862	₱809,126,693
Interest-bearing loans and borrowings (see Note 17)	1,154,262,208	–	–	–	–	1,154,262,208
Bonds payable (see Note 18)	2,964,418,162	–	–	–	–	2,964,418,162
Pension liabilities (see Note 27)	39,794,523	4,559,234	10,064,894	41,613	1,683,970	56,144,234
Lease liabilities (see Note 28)	131,576,949	84,981,927	104,329,597	23,381,858	51,638,155	395,908,486
Total Liabilities	₱4,912,145,424	₱134,728,796	₱212,217,587	₱38,131,989	₱82,635,987	₱5,379,859,783
Other Segment Information						
Capital expenditures for property and equipment						₱464,639,614
Depreciation and amortization[(d)]						437,444,138
Noncash expenses other than depreciation and amortization						69,642,742

[(a)] *Other income (expenses) exclude equity in net earnings of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*
[(d)] *Depreciation and amortization exclude those related to ROU assets.*

	March 31, 2019					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,333,203,275	₱114,476,219	₱629,889,898	₱39,566,194	₱74,108,083	₱2,191,243,669
Results						
Income (loss) before other income (expenses) and income tax	149,390,959	(2,696,212)	211,826,170	183,215	(14,013,932)	344,690,200
Equity in net earnings of associates and joint ventures	4,716,716	–	–	–	–	4,716,716
Interest expense	(189,520,280)	–	(121)	–	–	(189,520,401)
Interest income	15,518,125	51,912	539,087	15,024	23,492	16,147,640
Other income (expenses) [(a)]	114,488,957	128,000	1,192,602	369,548	(192,824)	115,986,283
Provision for income tax	(37,426,647)	–	–	–	–	(37,426,647)
Net Income (Loss)	₱57,167,830	(₱2,516,300)	₱213,557,738	₱567,787	(₱14,183,264)	₱254,593,791
EBITDA						₱806,111,804
Assets and Liabilities						
Segment assets[(b)]	₱8,350,197,108	₱108,113,352	₱933,535,224	₱60,021,003	₱140,418,589	₱9,592,285,276
Goodwill (see Note 15)	208,519,102	–	–	–	–	208,519,102
Investments in and advances to associates and joint ventures (see Note 12)	508,609,775	–	–	–	–	508,609,775
Noncurrent asset held for sale (see Note 9)	716,586,558	–	–	–	–	716,586,558
Deferred tax assets - net (see Note 29)	30,181,272	894,713	843,452	156,654	41,842	32,117,933
Total Assets	₱9,814,093,815	₱109,008,065	₱934,378,676	₱60,177,657	₱140,460,431	₱11,058,118,644
Segment liabilities[(c)]	₱716,370,432	₱31,643,191	₱86,971,535	₱11,879,740	₱32,398,502	₱879,263,400
Interest-bearing loans and borrowings (see Note 17)	600,000,000	–	–	–	–	600,000,000
Bonds payable (see Note 18)	2,957,954,254	–	–	–	–	2,957,954,254
Pension liabilities (see Note 27)	14,794,481	5,614,191	10,616,437	84,403	2,231,945	33,341,457
Obligations under finance lease (see Note 28)	17,852,046	–	–	–	–	17,852,046
Total Liabilities	₱4,306,971,213	₱37,257,382	₱97,587,972	₱11,964,143	₱34,630,447	₱4,488,411,157
Other Segment Information						
Capital expenditures for property and equipment						₱1,780,021,439
Depreciation and amortization[(d)]						345,435,321
Noncash expenses other than depreciation and amortization						84,966,128

[(a)] *Other income (expenses) exclude equity in net earnings of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and obligations under finance lease.*
[(d)] *Depreciation and amortization exclude those related to ROU assets.*

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Group's consolidated financial statements.

In response to the novel Coronavirus Disease 2019 (COVID-19), which has caused global economic disruption, STI ESG has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgements and estimates in the June 30, 2020 consolidated financial statements from those applied in previous financial year, other than for those disclosed under this section.

Determination of Control Arising from a Management Contract. The Parent Company has management contract with STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct its relevant activities and has the means to obtain the majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control of STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Classification and Measurement of Financial Assets

a. *Contractual Cash Flows Assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with SPPI.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. "Interest" is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

b. *Evaluation of Business Model in Managing Financial Instruments*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Recognition of revenue from tuition and other school fees, educational services and royalty fees over time. The Group concluded that tuition and other school fees, educational services, and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Recognition of revenue from the sale of educational materials and supplies at the point in time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings (see Note 12). Management has assessed that it has significant influence by virtue of its pooling agreement with other stockholders of STI Holdings owning 31.12% of the voting stock of STI Holdings resulting in a total voting power of 36.19%. Under this agreement, the Parent Company and the stockholder will pool their shares in STI Holdings and vote as a block in all matters that would require a vote of the shareholders and the BOD. Accordingly, the Parent Company has the power to participate in the financial and operating policy decisions of STI Holdings and accounts for the said investment as an associate.

Investments in Joint Ventures. The Group has interests in PHEI and STI-PHNS, both joint ventures. The Parent Company owns 40% and 50% of PHEI and STI-PHNS, respectively. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Noncurrent Asset Held for Sale. On June 27, 2017, STI ESG's BOD approved the disposition of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings

- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- The shares will be sold at a price approximating its current fair value
- Actions to locate a buyer and complete the sale have been initiated
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings effective June 30, 2017. The carrying value as at June 30, 2017, which is the date of reclassification of the noncurrent asset held for sale, amounted ₱716.6 million (see Note 9). As at June 30, 2020 and March 31, 2020, management reassessed the classification of its investment in Maestro Holdings and still assessed it to be held for sale.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset from being classified as held for sale if there is sufficient evidence that the Group remains committed to its plan to sell the asset.

On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to the collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 33).

Classification of Leases - the Group as Lessee (Prior to adoption of PFRS 16). The Group acquired various transportation equipment under various lease arrangements. The Group has evaluated the arrangements and the terms and determined that the agreements qualify as finance lease since all the significant risks and rewards of ownership of the leased assets are transferred to the Group.

The Group has entered into several lease agreements for land and building spaces, where the corporate office and schools are located, where it has determined that the risks and rewards related to the properties are retained with the lessor (e.g., no bargain purchase option and transfer of ownership at the end of the lease term). The lease is, therefore, accounted for as an operating lease (see Note 28).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss given default*
  LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified approach for receivables from students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information at the end of the first three months subsequent to report date. As a result of this review, the probability of default of receivables from students that are due subsequent to report date was adjusted accordingly. Additional scenario analysis was incorporated which considered differing severity and duration assumptions relating to the global pandemic. This included probability-weighted shocks to annual gross domestic product (GDP) and consequential impacts on unemployment and other economic variables.

This adjustment has no significant impact on the ECL computation. As uncertainties in market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, actual results in the future periods may differ from the estimates.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL amounting to ₱2.0 million, ₱52.1 million and ₱61.6 million for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019, respectively. Allowance for ECL on receivables amounted to ₱143.1 million and ₱143.1 million as at June 30, 2020 and March 31, 2020, respectively. The carrying amounts of receivables as at June 30, 2020 and March 31, 2020 are disclosed in Note 6 to the consolidated financial statements.

Valuation of Noncurrent Assets Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount. Management used the adjusted consolidated net assets value of PhilPlans First, Inc. (PhilPlans) and discounted cash flows from the financial budget covering five years approved by the management of Philippine Life Financial Assurance Corporation (PhilLife) and PhilhealthCare, Inc. (PhilCare) in estimating the fair value of Maestro Holdings. Philplans consists primarily of investments in listed equity instruments, government bonds, other fixed-income securities (accounts valued at Level 1 and Level 2) and pre-need reserves. Management used a discount rate for the discounted cash flows of PhilLife and PhilCare equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Key assumptions used by management are growth rates, long-term growth rate, discount rates, discount on lack of control (DLOC), discount on lack of marketability (DLOM) and estimated costs to sell (under Level 3).

The Group recognized a provision for impairment of the noncurrent asset held for sale amounting to ₱297.5 million for the year ended March 31, 2020. No impairment was recognized for the three-month period ended June 30, 2020 and year ended March 31, 2019. As at June 30, 2020 and March 31, 2020, the carrying value of the noncurrent asset held for sale amounted to ₱419.1 million (see Note 9).

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2020 and March 31, 2020. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	June 30, 2020	March 31, 2020
Property and equipment (see Note 10)	**₱5,417,046,226**	₱5,528,952,723
Investment properties (see Note 11)	**462,114,418**	469,233,652
Intangible assets (see Note 15)	**30,524,169**	31,774,511

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

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

The carrying value of property and equipment, investment properties, investment in and advances to subsidiaries, associates and joint ventures and intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12 and 15, respectively. No provision for impairment on nonfinancial assets was recognized in the Group's consolidated financial statements for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019.

Goodwill. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill which is subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting period was conducted.

The recoverable amounts of CGUs have been determined based on the value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, EBITDA margins, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate ranging from 9.52% to 10.03% and from 10.44% to 11.06% were used as at June 30, 2020 and March 31, 2020, respectively. The growth rate used in extrapolating the cash flows beyond the period covered by the CGU's recent budgets was 5.00%.

Impairment testing showed that the CGUs recoverable amounts were greater than their carrying amounts except for the Goodwill related to STI Tuguegarao and STI Pagadian as at March 31, 2019. No provision for impairment losses on goodwill are recognized for the three-month period ended June 30, 2020 and year ended March 31, 2020. The Group recognized impairment loss on goodwill aggregating to ₱17.0 million for the year ended March 31, 2019. Goodwill amounted to ₱229.8 million as at June 30, 2020 and March 31, 2020 (see Note 15).

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

Deferred tax assets recognized as at June 30, 2020 and March 31, 2020 are disclosed in Note 29 of the consolidated financial statements.

Measurement of Lease Liability. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*
  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

  The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*
  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2020 and March 31, 2020 are disclosed in Note 28 of the consolidated financial statements.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 27 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at June 30, 2020 and March 31, 2020 are disclosed in Note 27 of the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2020	March 31, 2020
Cash on hand and in banks	**₱508,963,843**	₱539,757,896
Cash equivalents	**75,215,471**	77,924,142
	₱584,179,314	₱617,682,038

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

Interest earned from cash in banks and cash equivalents amounted to ₱0.6 million, ₱3.7 million and ₱15.9 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Note 22).

6. Receivables

This account consists of:

	June 30, 2020	March 31, 2020
Tuition and other school fees	**₱373,058,586**	₱538,989,342
Educational services	**94,297,658**	89,252,317
Rent, utilities and other related receivables	**50,408,791**	33,592,947
Advances to officers and employees (see Note 30)	**22,849,022**	24,131,003
Others	**94,504,240**	93,815,294
	635,118,297	779,780,903
Less allowance for expected credit losses	**145,135,677**	143,124,759
	₱489,982,620	₱636,656,144

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students and DepEd and CHED. These receivables are noninterest-bearing and are normally collected on or before the date of major examinations while receivables from DepEd and CHED are expected to be collected within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱0.3 million, ₱0.7 million and ₱0.3 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Note 22).

c. Rent, utilities and other related receivables are normally collected within the next financial year.

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

e. Other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay). On November 4, 2019, STI ESG and the Development Bank of the Philippines (DBP) entered into a Deed of Assignment wherein DBP assigned, transferred and conveyed, without recourse, all its collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

   This account also includes receivables from a former franchisee, vendors and SSS amounting to ₱1.6 million, ₱6.3 million and ₱5.7 million, respectively, as at June 30, 2020 and amounting to ₱1.6 million, ₱6.1 million and ₱5.0 million, respectively, as at March 31, 2020.

   These receivables are expected to be collected within the next reporting period.

The movements in the allowance for expected credit losses are as follows:

	June 30, 2020		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of period	**₱140,248,796**	**₱2,875,963**	**₱143,124,759**
Provisions (see Note 25)	**1,939,020**	**71,898**	**2,010,918**
Balance at end of period	**₱142,187,816**	**₱2,947,861**	**₱145,135,677**

	March 31, 2020		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱160,325,293	₱2,875,963	₱163,201,256
Provisions (see Note 25)	51,840,526	282,509	52,123,035
Disposal of net assets (see Note 9)	(487,033)	–	(487,033)
Write-offs	(71,429,990)	(282,509)	(71,712,499)
Balance at end of year	₱140,248,796	₱2,875,963	₱143,124,759

7. Inventories

This account consists of:

	June 30, 2020	March 31, 2020
At net realizable value:		
Uniforms	**₱105,771,285**	₱106,167,639
Textbooks and other education-related materials	**10,793,447**	10,437,489
Educational materials	**116,564,732**	116,605,128
Proware materials	**10,302,936**	10,197,432
Marketing materials	**3,029,945**	2,934,500
Promotional materials	**13,332,881**	13,131,932
School materials and supplies	**3,214,753**	2,659,742
	₱133,112,366	₱132,396,802

The cost of inventories carried at net realizable values amounted to ₱148.9 million and ₱148.1 million as at June 30, 2020 and March 31, 2020, respectively. Allowance for inventory obsolescence amounted to ₱15.8 million as at June 30, 2020 and March 31, 2020. Provision for inventory obsolescence resulting from the excess of cost over the net realizable value of inventories amounted to nil, ₱4.8 million and ₱0.04 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Note 25).

Inventories charged to cost of educational materials and supplies sold amounted to ₱55.5 thousand, ₱105.0 million and ₱113.9 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Note 24).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2020	March 31, 2020
Input VAT - net	**₱17,423,572**	₱22,930,169
Prepaid taxes	**19,081,770**	20,841,589
Excess contributions to CEAP	**3,005,913**	3,069,046
Prepaid insurance	**2,789,307**	299,777
Software maintenance cost	**1,149,237**	2,182,105
Prepaid rent	**774,900**	1,296,212
Prepaid subscriptions and licenses	**139,699**	2,932,644
Others	**1,552,120**	1,633,198
	₱45,916,518	₱55,184,740

Input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. Input VAT are primarily from the purchase of goods and services.

Prepaid taxes are substantially attributed to creditable taxes withheld by lessees and represent excess creditable withholding taxes over tax due which will be applied against income tax due of the following period.

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

Prepaid insurance substantially represents health coverage of employees which was paid in advance and is recognized as expense over the period of coverage which is within the next reporting period.

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

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

Prepaid subscriptions and licenses pertain to Adobe Acrobat license subscriptions.

9. Noncurrent Asset Held for Sale

Maestro Holdings
Noncurrent asset held for sale amounting to ₱419.1 million as at June 30, 2020 and March 31, 2020, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans, 99.89% of PhilCare, 90.77% of PhilLife and 100% of Banclife Insurance Co. Inc. (Banclife). PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It owns 65% of Rosehills Memorial Management, Inc. (RMMI), a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products. PhilCare is a Health Maintenance Organization (HMO) that provides effective and quality health services and operates through its own clinics and through nationwide accredited clinics and hospitals. PhilLife provides financial services, such as individual, family and group life insurance, investment plans and loan privilege programs. Banclife is formerly engaged in the life insurance business in the Philippines. It ceased operations in March 2013.

On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. Since then, management had discussions with potential buyers but no final agreements were reached. On September 24, 2020, STI ESG's BOD approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

With the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings on June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell.

For the year ended March 31, 2020, STI ESG recognized a provision for impairment of ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed income securities (accounts valued at Level 1 and Level 2) and pre-need reserves of PhilPlans and discounted cash flows from the financial budget covering five years approved by the management of PhilLife and PhilCare. No provision for impairment was recognized for the three-month period ended June 30, 2020 and year ended March 31, 2019.

Key assumptions used for the discounted cash flows of PhilLife and PhilCare (under Level 3) are growth rates for: net premiums (7.00% y-o-y growth), claims (30.00% of net premiums), enrollees' fee (9.31% to 9.66%) and enrollees' claims (70.00% of enrollees' fees); long-term growth rate (5.70%); and discount rates (13.80% to 15.10%). Other key assumptions used in determining the fair value less costs to sell include DLOC and DLOM (15.00% to 20.00%) and estimated costs to sell (5.00%) (see Note 4).

Management believes that a reasonably possible change in the assumptions used in the estimation would not materially affect the fair value of noncurrent asset held for sale.

STI College Tagum, Inc.
On March 27, 2019, STI ESG and STI College Tagum, Inc. (STI Tagum), the assignee, entered into a Deed of Assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG, for a sum of ₱7.0 million of which ₱3.5 million was paid as at March 31, 2019. The sale is effective on April 1, 2019. The transaction resulted in a gain on disposal of net assets amounting to ₱4.4 million presented in the consolidated statement of comprehensive income for the year ended March 31, 2020.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

June 30, 2020

	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction-in-Progress**	**Right-of Use asset-Land**	**Right-of Use asset-Building**	**Right-of Use asset-Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	**₱2,303,062,317**	**₱4,763,439,457**	**₱217,160,054**	**₱65,910,607**	**₱73,753,748**	**₱976,762**	**₱58,190,505**	**₱16,519,086**	**₱170,945,273**	**₱134,609,681**	**₱183,345,634**	**₱15,047,189**	**₱8,002,960,313**
Additions	**–**	**2,509,426**	**2,401,709**	**37,221**	**–**	**–**	**955,055**	**425,816**	**27,687,045**	**–**	**–**	**–**	**34,016,272**
Depreciation and amortization (see Notes 23 and 25)	**–**	**(61,468,972)**	**(17,460,983)**	**(5,516,361)**	**(5,980,840)**	**(237,564)**	**(9,341,037)**	**(1,425,026)**	**–**	**(1,946,224)**	**(13,279,736)**	**(1,579,081)**	**(118,235,824)**
Balance at end of year	**₱2,303,062,317**	**₱4,704,479,911**	**₱202,100,780**	**₱60,431,467**	**₱67,772,908**	**₱739,198**	**₱49,804,523**	**₱15,519,876**	**₱198,632,318**	**₱132,663,457**	**₱170,065,898**	**₱13,468,108**	**₱7,918,740,761**
At June 30, 2020													
Cost	**₱2,303,062,317**	**₱6,019,529,906**	**₱692,672,484**	**₱309,814,677**	**₱280,930,801**	**₱7,372,919**	**₱384,313,429**	**₱124,100,464**	**₱198,632,318**	**₱142,394,578**	**₱234,630,629**	**₱58,937,475**	**₱10,756,391,997**
Accumulated depreciation and amortization	**–**	**1,315,049,995**	**490,571,704**	**249,383,210**	**213,157,893**	**6,633,721**	**334,508,906**	**108,580,588**	**–**	**9,731,121**	**64,564,731**	**45,469,367**	**2,837,651,236**
Net book value	**₱2,303,062,317**	**₱4,704,479,911**	**₱202,100,780**	**₱60,431,467**	**₱67,772,908**	**₱739,198**	**₱49,804,523**	**₱15,519,876**	**₱198,632,318**	**₱132,663,457**	**₱170,065,898**	**₱ 13,468,108**	**₱7,918,740,761**

March 31, 2020

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of Use asset-Land	Right-of Use asset-Building	Right-of Use asset-Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	₱2,303,062,317	₱4,368,847,627	₱237,360,017	₱72,732,084	₱69,815,890	₱1,872,994	₱66,425,354	₱18,071,840	₱517,575,407	₱142,394,578	₱178,259,513	₱17,935,964	₱7,994,353,585
Additions	–	115,929,141	41,480,326	18,415,642	24,284,673	–	29,133,797	4,766,287	170,945,273	–	56,392,771	3,291,704	464,639,614
Reclassifications	–	516,306,485	(12,702)	–	1,268,922	–	12,702	–	(517,575,407)	–	–	–	–
Disposals	–	–	(243,265)	(136,784)	(207,477)	(114,816)	(480,791)	(22)	–	–	–	–	(1,183,155)
Effect of business combination (see Note 38)	–	–	10,563,539	1,590,200	–	–	1,262,265	2,726,126	–	–	–	–	16,142,130
Depreciation and amortization (see Notes 23 and 25)	–	(237,643,796)	(71,987,861)	(26,690,535)	(21,408,260)	(781,416)	(38,162,822)	(9,045,145)	–	(7,784,897)	(51,306,650)	(6,180,479)	(470,991,861)
Balance at end of year	₱2,303,062,317	₱4,763,439,457	₱217,160,054	₱65,910,607	₱73,753,748	₱ 976,762	₱58,190,505	₱16,519,086	₱170,945,273	₱134,609,681	₱183,345,634	₱15,047,189	₱8,002,960,313
At March 31, 2020													
Cost	₱2,303,062,317	₱6,017,020,481	₱690,270,775	₱309,777,457	₱280,930,801	₱7,372,919	₱384,660,883	₱123,674,649	₱170,945,273	₱142,394,578	₱234,652,284	₱21,227,668	₱10,685,990,085
Accumulated depreciation and amortization	–	1,253,581,024	473,110,721	243,866,850	207,177,053	6,396,157	326,470,378	107,155,563	–	7,784,897	51,306,650	6,180,479	2,683,029,772
Net book value	₱2,303,062,317	₱4,763,439,457	₱217,160,054	₱65,910,607	₱73,753,748	₱976,762	₱58,190,505	₱16,519,086	₱170,945,273	₱134,609,681	₱183,345,634	₱15,047,189	₱8,002,960,313

There were no idle property and equipment as at June 30, 2020 and March 31, 2020.

Additions

Property and Equipment under Construction. As at June 30, 2020 and March 31, 2020, the construction-in-progress account pertains substantially to the construction of STI Academic Center Legazpi. The related contract costs amounted to ₱379.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. Located at Rizal St., Cabangon East in Legazpi City, the four-storey school building was built on a 4,149-square-meter property with an estimated capacity of 2,500 senior high school and college students. The new STI Academic Center Legazpi was completed in September 2020, in time for the start of classes for SY 2020-2021.

As at March 31, 2019, the construction-in-progress account includes costs related to the construction of school buildings which will be the new sites of STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte. The related contract costs amounted to ₱2,128.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The construction works for STI San Jose del Monte was completed in March 2019. Similarly, the construction works for STI Sta. Mesa and STI Pasay-EDSA were completed in September 2019. For SY 2019-2020, these schools held classes beginning June 2019 and July 2019 for SHS and tertiary students, respectively.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱13.8 thousand for the three-month period ended June 30, 2020 and ₱5.4 million for the year ended March 31, 2020. The average interest capitalization rate was 5.90% and 5.97% for the three-month period ended June 30, 2020 and year ended March 31, 2020, respectively, which was the effective rate of the borrowings.

Collaterals

Transportation equipment, which were acquired under finance lease, are pledged as security for the related lease liabilities as at June 30, 2020 and March 31, 2020 (see Note 28).

11. **Investment Properties**

The rollforward analyses of this account are as follows:

	June 30, 2020		
	Land	**Condominium Units and Buildings**	**Total**
Cost:			
Balance at beginning and end of year	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of year	**–**	**166,999,898**	**166,999,898**
Depreciation (see Notes 23 and 25)	**–**	**7,119,235**	**7,119,235**
Balance at end of year	**–**	**174,119,133**	**174,119,133**
Net book value	**₱23,986,424**	**₱462,114,417**	**₱486,100,841**

	March 31, 2020		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of year	₱23,986,424	₱636,233,550	₱660,219,974
Accumulated depreciation:			
Balance at beginning of year	–	138,522,962	138,522,962
Depreciation (see Notes 23 and 25)	–	28,476,936	28,476,936
Balance at end of year	–	166,999,898	166,999,898
Net book value	₱23,986,424	₱469,233,652	₱493,220,076

Description of valuation techniques used and key inputs to valuation of investment properties

The fair values of investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. 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 as at June 30, 2020 is not significantly different from the fair value determined as at March 31, 2020.

Land

Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which 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.

Using the latest available valuation report as at March 31, 2020, the following shows the valuation techniques used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value	₱134,287,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the land is commercial utility.

Condominium Units and Buildings

Level 3 fair values of condominium units and buildings have also been derived using the market approach. Using the latest available valuation report as at March, 2020, the following shows the valuation techniques used in measuring the fair value of the building, as well as the significant unobservable inputs used:

Fair value	₱1,462,838,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the condominium units and buildings is commercial utility.

Rental
Rental income earned from investment properties amounted to ₱28.5 million, ₱109.2 million and ₱101.5 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Note 28). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱1.4 million, ₱5.1 million and ₱4.6 million the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively.

12. Investments in and Advances to Associates and Joint Ventures

The details and movements of this account are as follows:

	June 30, 2020	March 31, 2020
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of year	**(46,678,600)**	(41,763,526)
Equity in net earnings (losses) of associates and joint ventures	**(1,783,119)**	5,307,508
Dividends received	–	(10,222,582)
Balance at end of year	**(48,461,719)**	(46,678,600)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of year	**438,135**	506,049
Remeasurement gain (loss) on pension liability	**3,168**	(67,956)
Unrealized fair value adjustment on equity investments designated at FVOCI	**(461)**	42
Balance at end of year	**440,842**	438,135
	501,846,375	503,626,787
Advances	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱501,846,375	₱503,626,787

There is no movement in the allowance for impairment of investments in and advances to associates and joint ventures. The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	June 30, 2020	March 31, 2020
Associates:		
STI Holdings	**₱458,509,710**	₱458,928,855
STI Accent	**37,868,986**	37,868,986
STI Alabang	**24,873,546**	24,873,546
GROW	**14,109,539**	14,679,178
Joint venture - PHEI	**4,353,580**	5,145,208
	539,715,361	541,495,773
Allowance for impairment loss	**37,868,986**	37,868,986
	₱501,846,375	₱503,626,787

As at June 30, 2020 and March 31, 2020, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and PHNS amounted to nil. The Group received dividends from STI Marikina which was recognized as income amounting to nil for the three-month period ended June 30, 2020 and ₱1.0 million and ₱2.1 million for the years ended March 31, 2020 and 2019, respectively.

Information about associates and indirect associates and their major transactions are discussed below:

STI Holdings. STI Holdings is a holding company whose primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock, so owned, but not to act as dealer in securities and to invest in and manage any company or institution. STI Holdings aims to focus on education and education related activities and investments.

Condensed financial information of STI Holdings is as follows:

	June 30, 2020	March 31, 2020	March 31, 2019
Current assets	**₱2,023,283,976**	₱2,177,644,765	₱2,258,792,211
Noncurrent assets	**12,794,062,978**	12,918,900,992	12,516,396,609
Current liabilities	**(1,432,159,887)**	(1,496,288,740)	(1,447,858,004)
Noncurrent liabilities	**(5,296,510,070)**	(5,347,584,743)	(4,602,708,217)
Total equity	**8,088,676,997**	8,252,672,274	8,724,622,599
Less:			
Equity attributable to holders of noncontrolling interests	**(82,465,840)**	(81,683,099)	(7,272,646)
STI ESG's cumulative total comprehensive income taken up by STI Holdings	**(3,469,498,428)**	(3,625,976,543)	(4,065,618,985)
Total equity, net of cumulative total comprehensive income taken up by STI Holdings	**4,536,712,729**	4,545,012,632	4,651,730,968
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the parent company	**229,103,993**	229,523,138	235,025,666
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of the investment	**₱458,509,710**	₱458,928,855	₱464,431,383

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Revenues	**₱196,887,727**	₱2,674,624,129	₱2,752,389,510
Expenses	**(433,672,815)**	(2,885,226,196)	(2,317,234,268)
Income (loss) from operations	**(236,785,088)**	(210,602,067)	435,155,242
Other comprehensive loss	**(1,013,068)**	(10,855,719)	(69,351,858)
Total comprehensive income (loss)	**(237,798,156)**	(221,457,786)	365,803,384
Less:			
Comprehensive loss (income) attributable to equity holders of non-controlling interest	**1,290,821**	12,474,510	(2,129,655)
STI ESG's total comprehensive loss (income) taken up by STI Holdings	**228,411,423**	298,170,646	(335,818,938)
Total comprehensive income (loss) attributable to equity holders of the parent company net of STI ESG's total comprehensive income taken up by STI Holdings	**(8,095,261)**	89,187,370	27,854,791
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total income comprehensive income (loss)	**(₱419,145)**	₱4,506,130	₱1,407,345

Others. The carrying amount of the Group's investments in STI Alabang, GROW and STI Marikina represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

	June 30, 2020	March 31, 2020	March 31, 2019
Current assets	**₱174,217,900**	₱177,665,351	₱168,750,426
Noncurrent assets	**39,855,675**	40,436,151	48,214,696
Current liabilities	**(109,629,086)**	(106,685,234)	(144,719,686)
Noncurrent liabilities	**(15,610,013)**	(15,340,787)	(11,647,634)
	₱88,834,476	₱96,075,481	₱60,597,802

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Revenues	**₱46,707,334**	**₱489,941,910**	₱459,885,883
Expenses	**(52,037,224)**	**(493,140,183)**	(404,747,328)
Total comprehensive income (loss)	**(5,329,890)**	**(3,198,273)**	55,138,555
Share in comprehensive income (loss)	**(₱1,361,268)**	**₱733,464**	₱3,296,146

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2020 and March 31, 2020, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱37.9 million.

Terms and conditions relating to advances to associates and joint ventures are disclosed in Note 30 to the consolidated financial statements.

13. **Interest in Joint Ventures**

PHEI
On March 19, 2004, the Parent Company, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following are certain key terms under the agreement signed in 2003 by the Parent Company and UMak:

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

b. UMak will allow the use of its premises as a campus of BSN while the premises of Information and Communications Technology Academy, Inc. (iACADEMY) will be the campus of the post graduate degree.

c. Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

STI-PHNS
On September 16, 2005, GROW and PHNS International Holdings, Inc., a company incorporated in Dallas, Texas, USA, entered into a Joint Venture Agreement (JVA). Under the JVA, the parties have agreed to incorporate a joint venture company in the Philippines and set certain terms with regard to capitalization, organization, conduct of business and the extent of their participation in the management of affairs of the joint venture company for the primary purpose of engaging, directly or indirectly, in the business of medical transcription and other related business in the Philippines. As a result of the JVA, the parties incorporated STI-PHNS where each has a 50.00% ownership of the outstanding capital stock of STI-PHNS.

A Deed of Assignment between GROW and STI ESG was executed on May 5, 2006, to transfer all the rights of GROW in the JVA to the latter.

STI-PHNS ceased operations in 2014. On April 7, 2016, the BOD of STI-PHNS ratified the resolution approving the cessation of the business activities of STI-PHNS effective March 1, 2013 and approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On the same date, the BOD of Summit Technologies, Inc. (Summit) ratified the resolution approving the cessation of operations and closure of the business of Summit effective February 28, 2013 and March 1, 2013, respectively, and approved the resolution to shorten the corporate term of Summit until June 30, 2017. Summit is an 89.51%- subsidiary of STI-PHNS. Summit is primarily engaged in encoding, transcribing, translating or converting information, data, documents, files and records of whatever form into usable electronic information or database for use with software programs or other information or database application. The amendments to the STI-PHNS and Summit's Articles of Incorporation for shortening of the corporate term were approved by the SEC on July 12, 2016 and June 7, 2016, respectively.

The allowance for impairment loss on STI ESG's investment in STI-PHNS amounted to ₱5.6 million as at June 30, 2020 and March 31, 2020.

The Group's share in the net losses of its joint ventures amounted to ₱0.8 million and ₱0.4 million for the three-month period ended June 30, 2020 and year ended March 31, 2019, respectively, and the share in net earnings amounted to ₱2.1 million for the year ended March 31, 2020, which were are all individually immaterial.

14. **Equity Instruments designated at Fair Value through Other Comprehensive Income (FVOCI)**

This account consists of:

	June 30, 2020	March 31, 2020
Quoted equity shares	**₱3,408,880**	₱3,746,944
Unquoted equity shares	**63,852,363**	63,852,363
	₱67,261,243	₱67,599,307

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

b. Unquoted Equity Shares
Unquoted equity shares pertain to shares which are not listed in a stock exchange.

STI ESG and De Los Santos-STI College, a subsidiary, own 57,971 shares and 115,073 shares of De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, respectively. On December 12, 2018, De Los Santos-STI College and Metro Pacific Hospital Holdings, Inc. (MPHHI) entered into a deed of absolute sale wherein De Los Santos-STI College sold its 79,399 common shares of stock in DLSMC to MPHHI for a total consideration of ₱39.7 million. Similarly, on February 7, 2019, De Los Santos-STI College and MPHHI entered into another deed of absolute sale wherein De Los Santos-STI College sold its remaining 35,674 common shares of stock in DLSMC to MPHHI for a total consideration of ₱17.8 million. At the date of sale, the fair value of the shares is equal to the total consideration. These transactions resulted in realized fair value gain on financial assets designated at FVOCI amounting to ₱37.1 million which was directly recognized to retained earnings in 2019.

In January 2019, First Pacific Investment Ltd., PLDT, Inc., Benpro Inc., Pilipinas Global Network Limited, Cignal TV, Inc., Suha-PH, Inc., Happyfeet Esports team and STI ESG entered into an investment and shareholders agreement whereby the parties agreed to form Philippine Online Sports League Inc., a stock association, which will establish, operate and maintain a national multi-game Esports league in the Philippines with the aim to promote and develop Esports in the country. Esports is a growing sport internationally and in the Philippines. With this, Philippine Online Sports League Inc. was incorporated on September 30, 2019 with the SEC. It has an authorized capital stock of ₱155.0 million divided into 1.25 million common shares and 200.0 thousand preferred shares with a par value of ₱100.0 per common share and ₱150.0 per preferred share. The initial subscribed and paid-up capital of Philippine Online Sports League Inc. is ₱90.0 million of which STI ESG subscribed to and paid ₱10.0 million for 100.0 thousand shares at ₱100.0 par value per share.

Dividend income from DLSMC shares pertaining to the shares held by De Los Santos-STI College classified as equity instruments designated at FVOCI amounted to nil, ₱3.1 million and ₱2.9 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and 2019, respectively, while STI ESG recognized dividend income from DLSMC shares amounting to ₱0.8 million, ₱2.4 million and ₱1.5 million in 2020, 2019 and 2018, respectively.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	June 30, 2020	March 31, 2020
Balance at beginning of year	**₱11,006,834**	₱3,185,170
Unrealized fair value adjustment on equity instruments designated at FVOCI	**(338,064)**	7,821,664
Balance at end of year	**₱10,668,770**	₱11,006,834

c. Pledged Shares
On June 3, 2013, the Parent Company executed a Deed of Pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., now known as MPHHI, a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in its Investment Agreement entered into in 2013 with MPIC. On January 3, 2020, STI ESG received the notice of termination of the Deed of Pledge and as such, MPHHI released STI ESG from its liability. The pledged share certificates have likewise been released to STI ESG. The carrying value of the investment in DLSMC amounted to ₱29.0 million as at June 30, 2020 and March 31, 2020.

15. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	June 30, 2020	March 31, 2020
Goodwill	**₱229,750,336**	₱229,750,336
Deposits for asset acquisitions	**185,951,923**	185,951,923
Advances to suppliers	**50,395,925**	47,295,901
Rental and utility deposits	**31,612,543**	32,194,153
Intangible assets	**30,524,169**	31,774,511
Others	**3,344,190**	3,569,189
	₱531,579,086	₱530,536,013

Goodwill
As at June 30, 2020 and March 31, 2020, the Group's goodwill acquired through business combinations have been allocated to select schools which are considered as separate CGUs.

	Amount
STI Caloocan	₱64,147,877
STI Cubao	28,327,670
STI Pasay-EDSA *(formerly STI Makati and STI Taft)*	22,292,630
STI Novaliches (see Note 19)	21,803,322
NAMEI (see Note 38)	21,231,234
STI Global City	11,360,085
STI Sta. Mesa *(formerly STI Shaw)*	11,213,342
STI Lipa	8,857,790
STI Ortigas-Cainta	7,476,448
STI Dagupan	6,835,818

(Forward)

	Amount
STI Meycauayan	₱5,460,587
STI Tanauan	4,873,058
STI Iloilo	3,806,173
STI Las Piñas	2,922,530
STI Batangas	2,585,492
STI Kalibo	2,474,216
STI Naga	2,305,368
STI Sta. Maria	1,776,696
	₱229,750,336

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 9.52% to 10.03% and from 10.44% to 11.06% in June 30, 2020 and March 31, 2020, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 30, 2020 and March 31, 2020. Considering the impact of COVID-19, the management used forecasted revenue decrease ranging from 10.19% to 46.93% on all CGUs for SY 2020-2021 and forecasted revenue increase on all CGUs ranging from 2.16% to 54.07% in the next five years. Provision for impairment on goodwill amounted to nil for the three-month period ended June 30, 2020 and year ended March 31, 2020 and ₱17.0 million for the year ended March 31, 2019 (see Note 25).

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors.

- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differ for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond 10 years.

- Long-term growth rate - Rates are based on published industry research.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Deposits for Asset Acquisitions
This account consists of deposits for the purchase of a property in Iloilo aggregating to ₱183.1 million as at June 30, 2020 and March 31, 2020, respectively. The last installment for this Iloilo property was paid in June 2019. Documents for the transfer of ownership to STI ESG are being processed as at September 24, 2020.

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

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

Intangible Assets

Intangible assets pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives.

The rollforward analyses of this account follow:

	June 30, 2020	March 31, 2020
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱31,774,511**	₱3,332,089
Additions (see Note 38)	**267,857**	31,689,789
Amortization (see Notes 23 and 25)	**(1,518,199)**	(3,247,367)
Balance at end of year	**₱30,524,169**	₱31,774,511
Cost	**₱70,957,729**	₱70,689,872
Accumulated amortization	**(40,433,560)**	(38,915,361)
Net carrying amount	**₱30,524,169**	₱31,774,511

The Group identified the license to operate a maritime school and related agreements as an intangible asset for purposes of estimating the fair value of the net assets acquired. Accordingly, intangible assets with indefinite useful life amounting to ₱27.6 million representing the fair value of the license and agreements was recognized as at June 30, 2020 and March 31, 2020 (see Note 38).

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

This account consists of:

	June 30, 2020	March 31, 2020
Accounts payable	**₱346,302,281**	₱349,761,233
Accrued expenses:		
Contracted services	**35,895,421**	30,689,676
Interest	**26,063,296**	8,957,748
School-related expenses	**20,416,313**	19,986,323
Utilities	**19,722,025**	10,827,197
Rent	**17,626,933**	6,771,834
Salaries, wages and benefits	**15,554,042**	13,928,469
Advertising and promotion	**2,269,007**	2,837,774
Others	**4,168,473**	1,601,074
Current portion of advanced rent (see Note 19)	**24,179,810**	16,210,383
Current portion of payable to STI Diamond (see Note 19)	**22,639,257**	15,914,962
Statutory payables	**20,062,954**	21,053,413
Dividends payable	**13,758,185**	13,758,185
Student organization fund	**8,599,132**	8,597,907
Current portion of refundable deposits (see Note 19)	**8,469,032**	7,018,392
Network events fund	**6,850,237**	7,483,407
Others	**6,418,222**	4,291,105
	₱598,994,620	₱539,689,082

The terms and conditions of the liabilities are as follows:

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

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

c. Advanced rent pertains to amount received by the Group which will be earned and applied within the next financial year.

d. Statutory payables primarily include taxes and other payables to government agencies which are normally settled within 30 days.

e. Dividends payable pertains to dividend declared which are unclaimed as at report date.

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

g. Terms and conditions of payables to related parties are disclosed in Note 30 to the consolidated financial statements.

17. **Interest-bearing Loans and Borrowings**

This account consists of:

	June 30, 2020	March 31, 2020
Corporate Notes Facility:		
Current portion	**₱240,000,000**	₱240,000,000
Non-current portion	**120,000,000**	120,000,000
Term Loans:		
Non-current portion*	**794,693,192**	794,262,208
	₱1,154,693,192	₱1,154,262,208

Net of unamortized debt issuance costs of ₱5.3 million and ₱5.7 million as at June 30, 2020 and March 31, 2020, respectively.

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Banking Corporation (China Bank) granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

In 2015, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The Parent Company has made payments totaling to nil and ₱240.0 million on June 30, 2020 and March 31, 2020, respectively.

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

Fiscal Year	Amount
2021	₱240,000,000
2022	120,000,000
	₱360,000,000

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

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

Breakdown of the Group's Credit Facility Agreement are as follows:

	June 30, 2020	March 31, 2020
Balance at beginning of period	**₱360,000,000**	₱600,000,000
Repayments	–	240,000,000
Balance at end of period	**360,000,000**	360,000,000
Less current portion	**240,000,000**	240,000,000
Noncurrent portion	**₱120,000,000**	₱120,000,000

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

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:

   (1) Debt-to-equity ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) Debt service cover ratio of a minimum of 1.05x.

As at June 30, 2020 and March 31, 2020, STI ESG complied with the above covenants (see Note 18).

Related events after the reporting period are discussed in Note 39.

<u>Term Loan Agreement</u>
On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP Bloomberg Valuation Services (BVAL) rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns shall be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31%.

The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's consolidated financial statements:

1. Debt-to-equity ratio of not more than 1.5x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

2. Debt Service Cover Ratio of a minimum of 1.05x, which is the ratio of EBITDA to Debt Service.

As at June 30, 2020 and March 31, 2020, STI ESG is compliant with the required ratios.

Breakdown of the Group's Term Loan are as follows:

	June 30, 2020	March 31, 2020
Balance at beginning of period	**₱800,000,000**	₱–
Proceeds	–	800,000,000
Balance at end of period	**800,000,000**	800,000,000
Deferred finance cost	**(5,306,808)**	(5,737,792)
Balance classified as noncurrent	**₱794,693,192**	₱794,262,208

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

Fiscal Year	Amount
2022	₱80,000,000
2023	160,000,000
2024	160,000,000
2025	160,000,000
2026	160,000,000
2027	80,000,000
	₱800,000,000

Related events after the reporting period are discussed in Note 39.

Short-term Loans
STI ESG availed of loans from Bank of the Philippine Islands aggregating to ₱468.0 million during the year ended March 31, 2020. These loans are subject to interest rates ranging from 4.75% to 5.75%. The short-term loans were unsecured and were fully settled as at March 31, 2020. The proceeds from these loans were used for working capital requirements.

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

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

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

Interest incurred on the loans amounted to ₱17.1 million for the three-month period ended June 30, 2020, and ₱56.7 million and ₱35.4 million for the years ended March 31, 2020, and 2019, respectively.

18. Bonds Payable

This account consists of:

	June 30, 2020	March 31, 2020
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**33,902,228**	35,581,838
	₱2,966,097,772	₱2,964,418,162

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

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

A summary of the terms of the Parent Company's issued bonds is as follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at June 30, 2020**	Carrying Value as at March 31, 2020	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,157,043,093**	₱2,155,683,709	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**809,054,679**	808,734,453	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,966,097,772**	₱2,964,418,162	

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

As at June 30, 2020 and March 31, 2020, STI ESG is in compliance with the debt covenants.

The Group's debt-to-equity and debt service cover ratios as at June 30, 2020 and March 31, 2020 are as follows:

	June 30, 2020	March 31, 2020
Total liabilities [(a)]	**₱5,225,836,891**	₱5,184,846,516
Total equity	**5,888,520,185**	6,112,499,312
Debt-to-equity	**0.89:1.00**	0.85:1.00

[(a)] *Excluding unearned tuition and other school fees*

	June 30, 2020	March 31, 2020
EBITDA (Note 3) [(b)]	**₱789,899,217**	₱748,788,166
Total interest-bearing liabilities [(c)]	**488,916,326**	491,929,714
Debt service cover	**1.62:1.00**	1.52:1.00

[(b)] *EBITDA for the last twelve months*
[(c)] *Total principal and interests due in the next twelve months*

Related events after the reporting period are discussed in Note 39.

Bond Issuance Cost
In 2017, the Parent Company incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱33.9 million and ₱35.6 million as at June 30, 2020 and March 31, 2020, respectively. Amortization of bond issuance costs amounting to ₱1.7 million, ₱6.4 million and ₱11.8 million for the three-month ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱47.0 million, ₱183.7 million and ₱150.7 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively.

19. **Other Noncurrent Liabilities**

	June 30, 2020	March 31, 2020
Advance rent - net of current portion (see Note 16)	**₱21,688,321**	₱30,866,051
Payable to STI Diamond - net of current portion (see Note 16)	**16,640,773**	22,421,181
Refundable deposit - net of current portion (see Note 16)	**12,255,852**	15,382,548
Deferred lease liability	**2,531,321**	2,869,794
	₱53,116,267	₱71,539,574

Advance rent pertains to amount received by the Group which will be earned and applied to future rentals for periods more than one year after the reporting date.

Payable to STI Diamond represents STI Novaliches' obligations to STI Diamond that are beyond one year from the report date resulting from the assignment, transfer and conveyance of all rights, title and interest in assets and liabilities of STI Diamond to STI Novaliches in 2016. The total carrying value of the unpaid purchase price amounted to ₱39.3 million and ₱38.3 million as at June 30, 2020 and March 31, 2020, respectively. The current portion of the payable amounted to ₱22.6 million and ₱15.9 million is recorded under the "Accounts payable and other current liabilities" account as at June 30, 2020 and March 31, 2020, respectively (see Note 16).

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

20. **Equity**

Capital Stock

The details of the issued and outstanding number of common shares and amount as at June 30, 2020 and March 31, 2020 are as follows:

	No. of Shares	Amount (at par)
Authorized - ₱1 par value	5,000,000,000	₱5,000,000,000
Issued and outstanding:		
Balance at beginning and end of year	3,087,829,443	3,087,829,443
Less: Treasury stocks	(5,952,273)	(5,952,273)
Issued and outstanding at end of year	3,081,877,170	₱3,081,877,170

Treasury stock

Treasury stock acquired as at June 30, 2020 and March 31, 2020 amounted to ₱10.8 million.

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale (Note 9)

As at June 30, 2020 and March 31, 2020, the cumulative balance of other comprehensive income and other equity reserves associated with noncurrent asset held for sale consists of:

Share in associates':	
Unrealized fair value adjustment on equity instruments designated at FVOCI	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

Retained Earnings

a. On September 20, 2019, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2019. Such dividends were paid on November 5, 2019.

b. On September 27, 2018, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2018. Such dividends were paid on October 10, 2018.

c. STI ESG's retained earnings available for dividend declaration computed on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,778.3 million and ₱1,967.3 million as at June 30, 2020 and March 31, 2020, respectively.

Policy on Dividends Declaration

On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25% to 40% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business-which is education and other recurring income.

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

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

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

21. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Tuition and other school fees	**₱82,174,375**	₱1,707,247,204	₱1,801,197,426
Educational services	**21,182,148**	140,705,289	166,922,124
Royalty fees	**1,963,548**	12,950,012	15,717,540
Sale of educational materials and supplies	**76,549**	135,885,345	149,644,539
Other revenues	**6,339,507**	70,237,766	57,762,040
Total consolidated revenues	**₱111,736,127**	₱2,067,025,616	₱2,191,243,669

Timing of revenue recognition

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Services transferred over time	**₱111,659,578**	₱1,931,140,271	₱2,041,599,130
Goods and services transferred at a point in time	**76,549**	135,885,345	149,644,539
Total consolidated revenue	**₱111,736,127**	₱2,067,025,616	₱2,191,243,669

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as *Unearned tuition and other school fees* in the consolidated statements of financial position. Significant changes in the contract liability include the shift in the classes of tertiary students from June to July in SY2019-2020 and implementation of the second batch of tertiary students in SY2018-2019 that extended collection of tuition and other school fees after March 31, 2020 and 2019, respectively.

Set out below is the amount of revenue recognized from:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)
Amounts included in contract liabilities at the beginning of the year	**₱118,169,708**	₱59,890,787

There is no revenue recognized from performance obligations satisfied in previous years for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019.

Performance Obligations

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

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

As at June 30, 2020 and March 31, 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	June 30, 2020	March 31, 2020
Within one year	**₱113,521,168**	₱195,013,267
More than one year	**–**	–

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

22. Interest Income and Interest Expense

Sources of interest income are as follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Cash and cash equivalents (see Note 5)	**₱629,632**	₱3,730,967	₱15,871,714
Past due accounts receivable (see Note 6)	**326,858**	675,765	271,068
Others	**–**	–	4,858
	₱956,490	₱4,406,732	₱16,147,640

Sources of interest expense are as follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Bonds payable (see Note 18)	**₱46,550,147**	₱183,737,468	₱150,687,700
Interest-bearing loans and borrowings (see Note 17)	**17,522,763**	56,672,029	35,426,479
Lease liabilities (see Note 28)	**6,483,346**	28,633,210	–
Obligations under finance lease (see Note 28)	**–**	–	1,082,828
Others	**1,810,983**	4,550,580	2,323,394
	₱72,367,239	₱273,593,287	₱189,520,401

23. Cost of Educational Services

This account consists of:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Depreciation and amortization	**₱71,329,323**	₱297,950,364	₱185,432,820
Faculty salaries and benefits	**31,471,978**	258,822,292	253,972,183
Rental	**5,917,068**	29,592,050	90,426,271
Student activities and programs	**5,783,178**	87,499,338	128,236,784
Software maintenance	**2,478,827**	12,660,669	9,348,599
Courseware development costs	**1,017,868**	10,249,143	2,232,736
School materials and supplies	**948,715**	15,826,063	14,876,265
Others	**161,390**	2,692,761	3,321,632
	₱119,108,347	₱715,292,680	₱687,847,290

24. Cost of Educational Materials and Supplies Sold

This account consists of:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Educational materials and supplies	**₱33,251**	₱92,237,140	₱98,852,774
Promotional materials	**22,246**	10,984,396	14,070,716
Others	**–**	1,819,721	945,646
	₱55,497	₱105,041,257	₱113,869,136

25. General and Administrative Expenses

This account consists of:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Depreciation and amortization	**₱55,543,934**	₱204,765,800	₱160,002,501
Salaries, wages and benefits	**54,358,184**	263,348,666	260,198,618
Professional fees	**17,243,411**	76,285,627	76,102,158
Outside services	**13,445,748**	93,433,367	81,453,441
Light and water	**11,881,292**	106,447,474	103,538,167
Taxes and licenses	**7,011,092**	37,168,582	36,056,790
Transportation	**3,513,839**	25,514,302	26,593,163
Insurance	**3,189,077**	14,802,020	11,600,851
Meetings and conferences	**2,897,120**	14,017,525	17,418,023
Rental	**2,604,485**	15,031,152	51,849,731
Entertainment, amusement and recreation	**2,592,238**	13,369,134	16,330,615
Provision for:			
ECL (see Note 6)	**2,010,918**	52,123,035	61,564,267
Inventory obsolescence	**–**	4,805,445	43,403
Impairment of goodwill (see Note 15)	**–**	–	17,035,240
Communication	**1,711,869**	7,188,843	7,886,417
Office supplies	**1,255,917**	9,289,815	12,720,985
Repairs and maintenance	**926,852**	19,887,679	20,477,328
Software maintenance	**717,733**	2,840,650	2,706,021
Association dues	**86,658**	311,329	597,381
Advertising and promotions	**–**	51,921,332	63,692,095
Others	**1,483,290**	15,380,173	16,969,848
	₱182,473,657	₱1,027,931,950	₱1,044,837,043

26. Personnel Cost

This account consists of:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Salaries and wages	**₱74,297,341**	₱455,372,917	₱455,370,034
Pension expense (see Note 27)	**2,802,731**	12,714,262	6,323,218
Other employee benefits	**8,730,090**	54,083,779	52,477,549
	₱85,830,162	₱522,170,958	₱514,170,801

27. **Pension Plans**

Defined Benefit Plans

The Group (except De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension asset/liability recognized in the consolidated statements of financial position as at June 30, 2020, March 31, 2020 and March 31, 2019:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱2,289,756**	₱10,630,684	₱9,600,156
Net interest cost (income)	**512,975**	2,083,578	(3,406,208)
	₱2,802,731	₱12,714,262	₱6,193,948

	June 30, 2020	March 31, 2020	March 31, 2019
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱157,334,855**	₱153,336,657	₱150,224,551
Fair value of plan assets	**(90,835,851)**	(97,192,423)	(116,883,094)
	₱66,499,004	₱56,144,234	₱33,341,457

The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	June 30, 2020	March 31, 2020	March 31, 2019
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱153,336,657**	₱150,224,551	₱114,079,602
Current service cost	**2,289,756**	10,630,684	9,600,156
Interest cost	**1,708,442**	8,959,741	7,610,995
Benefits paid	–	(158,292)	(2,641,809)
Actuarial loss (gain) on pension obligation from change in:			
Deviations of experience from assumptions	–	(6,032,213)	10,811,993
Financial assumptions	–	(14,876,098)	10,763,614
Demographic assumptions	–	4,667,527	–
Effect of disposal of net asset (see Note 9)	–	(79,243)	–
Balance at end of year	**₱157,334,855**	₱153,336,657	₱150,224,551
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱97,192,423**	₱116,883,094	₱162,893,138
Actual returns (losses) on plan assets	**(6,356,572)**	6,876,163	11,017,203
Actuarial loss on plan assets	–	(26,566,834)	(59,677,632)
Contributions	–	158,292	5,292,194
Benefits paid	–	(158,292)	(2,641,809)
Balance at end of year	**₱90,835,851**	₱97,192,423	₱116,883,094

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

	June 30, 2020	March 31, 2020	March 31, 2019
Discount rate	**4.92%**	4.92%	5.87%
Future salary increases	**3.00%**	3.00%	5.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	June 30, 2020	March 31, 2020
Cash and cash equivalents	**6%**	–
Short-term fixed income	**65%**	67%
Investments in:		
Equity securities	**23%**	33%
Debt securities	**6%**	–
	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines and United Coconut Planters Bank.

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	June 30, 2020	March 31, 2020
Cash and cash equivalents	**₱5,869,338**	₱180,656
Short-term fixed income	**58,210,552**	65,272,765
Investments in:		
Equity securities	**21,547,147**	31,739,002
Debt securities	**5,208,814**	–
	₱90,835,851	₱97,192,423

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.30 and ₱0.40 per share as at June 30, 2020 and March 31, 2020, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱14.0 million and ₱7.0 million as at June 30, 2020 and March 31, 2020, respectively

The plan may expose the Group to a concentration of equity market risk since the STI ESG's plan assets are primarily composed of investments in listed equity securities.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2021 is ₱7.6 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment consists of 65% of short-term fixed income, 23% of equity instruments and minimal cash and cash equivalents and debt securities.

The average duration of the defined benefit obligation as at June 30, 2020 is 13 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	Amount
Less than one year	₱40,595,143
More than one year to five years	56,991,519
More than five years to 10 years	58,351,014
More than 10 years to 15 years	99,644,518
More than 15 years to 20 years	78,359,622
More than 20 years	108,441,132

Defined Contribution Plans

De Los Santos-STI College and STI QA have funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and is a participating employer in CEAP Retirement Plan. The De Los Santos Plan has a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution is optional.

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. The future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12-month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at June 30, 2020, March 31, 2020, and March 31, 2019, the Group is in compliance with the requirements of RA No. 7641.

As at June 30, 2020 and March 31, 2020, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱3.1 million. These excess contributions are classified as a prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 8).

Philippine Interpretations Committee Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as a defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is performed every year-end. Based on the latest actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan, however, the amount is not significant.

Pension expense recognized by De Los Santos-STI College and STI QA amounted to ₱10.0 thousand, ₱0.1 million and ₱0.1 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively.

Total pension expense recognized in profit or loss follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Defined benefit plans	**₱2,792,368**	₱12,643,862	₱6,193,948
Defined contribution plans	**10,363**	70,400	129,270
	₱2,802,731	₱12,714,262	₱6,323,218

28. **Leases**

As Lessor

The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. All leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of some of the Group's properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱30.0 million, ₱118.4 million and ₱107.8 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Notes 11 and 30).

Future minimum rental receivable for the remaining lease terms follows:

	June 30, 2020	March 31, 2020
Within one year	**₱109,239,651**	₱108,450,346
After one year but not more than five years	**185,170,583**	154,009,364
	₱294,410,234	₱262,459,710

As Lessee

The Group leases land and building spaces where the corporate office and schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate.

The total rental expense charged to operations amounted to ₱8.5 million, ₱44.6 million and ₱142.3 million for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019, respectively (see Notes 23 and 25).

Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 15).

The following are the amounts recognized in consolidated statement of comprehensive income:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Depreciation expense of ROU assets included in property and equipment (see Note 10)	**₱16,805,041**	₱65,272,026
Interest expense on lease liabilities (see Note 22)	**6,483,346**	28,633,210
Expenses relating to short-term leases (see Notes 23 and 25)	**8,514,236**	43,761,281
Variable lease payments (see Notes 23 and 25)	**7,317**	861,921
Total amount recognized in the consolidated statement of comprehensive income	**₱31,809,940**	₱138,528,438

The rollforward analysis of lease liabilities follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Beginning balance	**₱395,908,486**	₱391,816,395
Additions	**–**	58,461,692
Interest expense	**6,483,346**	28,633,210
Payments	**(18,598,185)**	(83,002,811)
Ending balance	**383,793,647**	395,908,486
Less current portion	**59,783,396**	66,111,807
Noncurrent portion	**₱324,010,251**	₱329,796,679

Shown below is the maturity analysis of the undiscounted lease payments:

	June 30, 2020	March 31, 2020
Within one year	**₱72,985,410**	₱80,507,482
After one year but not more than five years	**208,067,565**	208,726,972
More than five years	**189,533,583**	276,381,169
	₱470,586,558	₱565,615,623

Finance Lease *(prior to adoption of PFRS 16)*

The Group acquired various transportation equipment under various finance lease arrangements. These are included as part of transportation equipment under the "Property and equipment" account in the consolidated statements of financial position.

Future minimum lease payments under the lease agreements, together with the present value of the minimum lease payments follow:

	2019
Within one year	₱7,451,034
After one year but not more than five years	12,845,387
Total minimum lease payments	20,296,421
Less amount representing interest	2,444,375
Present value of lease payments	17,852,046
Less current portion of obligations under finance lease	6,208,432
Noncurrent portion of obligations under finance lease	₱11,643,614

Interest expense incurred from obligations under finance lease amounted to nil for the three-month period ended June 30, 2020 and year ended March 31, 2020 and ₱1.1 million for the year ended March 31, 2019, (see Note 22).

29. Income Tax

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporation - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.00%) on its taxable income.

The components of recognized net deferred tax assets and deferred tax liabilities are as follows:

	June 30, 2020	March 31, 2020
Deferred tax assets:		
Lease liabilities	**₱37,012,486**	₱38,060,131
Allowance for ECL (see Note 6)	**14,513,568**	14,312,476
Unearned tuition and other school fees	**7,342,928**	6,672,419
Pension liabilities (see Note 27)	**6,636,054**	5,595,173
Advance rent	**4,586,813**	4,707,643
Excess of cost over net realizable value of inventories	**1,646,016**	1,646,017
NOLCO	**14,461,268**	–
	86,199,133	70,993,859
Deferred tax liabilities:		
Right-of-use assets	**(₱30,533,983)**	(₱32,117,533)
Intangible assets	**(2,762,187)**	(2,762,187)
Unamortized debt issue costs	**(1,501,367)**	(1,554,555)
Excess of rental under operating lease computed on a straight-line basis	**(1,358,370)**	(1,178,603)
	(36,155,907)	(37,612,878)
Net deferred tax assets	**₱50,043,226**	₱33,380,981

Certain deferred tax assets of the Group were not recognized as at June 30, 2020 and March 31, 2020 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	June 30, 2020	March 31, 2020
NOLCO	**₱78,467,814**	₱78,467,814
Allowance for advances to associate (see Note 12)	**37,868,986**	37,868,986
Pension liability (see Note 27)	**201,600**	192,506
Net deferred tax assets	**₱116,538,400**	₱116,529,306

As at June 30, 2020 and March 31, 2020, the Group also did not recognize any deferred tax assets on the provision for impairment losses on investment in associate because management does not expect to generate enough capital gains against which these capital losses can be offset.

The details of the Group's NOLCO are as follows:

Period	Availment Period	Amount	Addition	Applied	Expired	Amount
2020	2021-2025	₱–	₱144,612,679	₱–	₱–	144,612,679
2020	2021-2023	34,294,125	–	–	–	34,294,125
2019	2020-2022	34,979,451	–	–	–	34,979,451
2018	2019-2021	9,194,238	–	–	–	9,194,238
		₱78,467,814	₱144,612,679	₱–	₱–	₱223,080,493

The reconciliation of the provision for (benefit from) income tax on income (loss) before income tax computed at the effect of the applicable statutory income tax rate to the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	June 30, 2020	March 31, 2020	March 31, 2019
Provision for (benefit from) income tax at statutory income tax rate	**(₱23,275,398)**	(₱21,808,823)	₱29,202,044
Income tax effects of:			
Unrecognized DTA	**7,133,493**	7,110,516	13,337,231
Nondeductible expenses	**481,365**	6,964,274	6,204,466
Royalty fees subjected to final tax	**(196,355)**	(1,295,001)	(1,571,754)
Equity in net (earnings) loss of associates and joint ventures	**178,312**	(530,751)	(471,672)
Interest income already subjected to final tax	**(62,963)**	(373,097)	(1,587,171)
Dividend income	–	(176,951)	(754,955)
Nondeductible expense pertaining to provision for impairment of noncurrent asset held for sale and goodwill	–	29,747,066	1,703,524
Accounts written-off	–	(7,171,250)	(4,471,845)
Others	**(165,495)**	862,002	(4,163,221)
Provision for (benefit from) income tax	**(₱15,907,041)**	₱13,327,985	₱37,426,647

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

30. Related Party Transactions

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

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

	Amount of Transactions During the period			Outstanding Receivable (Payable)			
Related Party	**June 30, 2020 (Three Months - see Note 2)**	March 31, 2020 (One year)	March 31, 2019 (One year)	**June 30, 2020**	March 31, 2020	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱–**	₱–	₱–	**₱37,868,986**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW							
Rental income and other charges	**150,123**	585,110	232,379	**7,706,842**	7,600,032	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**435,000**	–	–	**435,000**	–	30 days upon receipt of billings; noninterest -bearing	Unsecured; no impairment
STI Holdings							
Advisory fees	**3,600,000**	14,400,000	14,400,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**–**	770,363	73,123	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**–**	182,437,383	182,437,382	–	–	Due and demandable ; noninterest-bearing	Unsecured; no impairment
Dividend income	**–**	10,008,658	10,008,658	–	–	Due and demandable ; noninterest-bearing	Unsecured; no impairment
STI Alabang							
Educational services and sale of educational materials and supplies	**1,510,445**	12,283,237	14,563,510	**7,251,613**	7,158,501	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina							
Educational services and sale of educational materials and supplies	**1,333,914**	12,116,812	14,797,696	**147,455**	12,200	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends received	–	1,171,260	2,037,549	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Rental income and other charges	**3,280,752**	9,648,898	16,240,688	**–**	1,979,097	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	–	3,612,950	3,927,285	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	–	–	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.							
Utilities and other charges	–	–	101,703	**37,112**	22,228	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

	Amount of Transactions During the period			Outstanding Receivable (Payable)			
Related Party	**June 30, 2020 (Three Months - see Note 2)**	March 31, 2020 (One year)	March 31, 2019 (One year)	**June 30, 2020**	March 31, 2020	**Terms**	**Conditions**
Insurance	**₱32,102**	₱6,207,615	₱4,465,161	**(₱213,103)**	(₱178,215)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues, utilities and other charges	**2,854,461**	10,342,494	10,939,214	**(2,861,758)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Insurance	–	171,387	170,098	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured;
Rental income and related charges	**4,867,252**	9,238,997	–	**5,494,842**	2,454,352	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU							
Educational services and sale of educational materials and supplies	**108,219**	13,637,929	14,922,983	**4,043,379**	3,935,160	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**817,061**	4,500,376	4,700,539	**1,940,245**	1,123,185	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY							
Reimbursement for various expenses and other charges	–	573,074	7,767,365	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees							
Advances for various expenses	**1,472,008**	12,557,884	13,791,819	**22,849,022**	24,131,003	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental income and other charges	–	45,087	4,094,599	**1,671,187**	1,686,071	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱84,549,838	₱85,971,616		

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

Related party receivables and payables are generally settled in cash.

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

	June 30, 2020	March 31, 2020
Advances to associates and joint ventures (see Note 12)	**₱37,868,986**	₱37,868,986
Advances to officers and employees (see Note 6)	**22,849,022**	24,131,003
Rent, utilities and related receivables	**15,344,983**	14,864,964
Educational services and sale of educational materials and supplies	**13,382,692**	11,105,862
Accounts payable	**(4,895,845)**	(1,999,199)
	₱84,549,838	₱85,971,616

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the period			Outstanding Receivable (Payable)			
Related Party	**June 30, 2020 (Three Months - see Note 2)**	March 31,2020 (One year)	March 31,2019 (One year)	**June 30, 2020**	March 31, 2020	**Terms**	**Conditions**
Subsidiaries							
STI Caloocan							
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱5,911,498**	₱86,307,679	₱101,007,832	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**677,455**	3,423,929	42,207,135	**(241,389,644)**	(244,470,858)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
Rental income and other related charges	**12,572,400**	50,289,600	50,289,600	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches							
Educational services, sale of educational materials and supplies, management fees, and other charges	**2,352,167**	28,807,978	56,302,202	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**2,172,512**	6,614,932	8,340,336	**(145,730,413)**	(151,067,438)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
Rental income and other related charges	**7,680,000**	30,720,000	30,720,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao							
Educational services, sale of educational materials and supplies, management fees, and other charges	**18,425**	917,580	950,348	**13,015,744**	12,997,611	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**282,331**	1,953,440	887,867	**2,845,968**	2,578,637	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI QA							
Educational services, sale of educational materials and supplies, management fees, and other charges	**389,075**	7,023,318	9,620,184	**598,781**	209,186	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	70	**14,251,618**	14,251,618	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Batangas							
Educational services, sale of educational materials and supplies, management fees and other charges	**4,176,448**	23,004,071	36,859,134	**–**	1,010,749	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**376,369**	10,874,621	10,774,059	**10,038,129**	13,813,003	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**3,742,200**	14,968,800	14,968,800	**33,530,112**	33,530,112	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo							
Educational services, sale of educational materials and supplies,	**217,772**	2,147,587	3,054,565	**7,760,191**	7,566,256	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**56,839**	2,930,171	114,561	**9,025,727**	9,523,888	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the period: June 30, 2020 (Three Months - see Note 2)	March 31,2020 (One year)	March 31,2019 (One year)	Outstanding Receivable (Payable): June 30, 2020	March 31, 2020	Terms	Conditions
STI Pagadian							
Educational services, sale of educational materials and supplies,	**₱179,001**	₱2,218,247	₱1,527,787	**₱5,336,457**	₱5,326,164	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**252,230**	3,446,117	2,260,105	**8,906,780**	9,244,550	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Subscription of common stock	**–**	–	–	**(15,000,000)**	(15,000,000)	Due and demandable, noninterest-bearing	Unsecured
STI Tanauan							
Educational services, sale of educational materials and supplies,	**391,384**	7,492,746	8,758,427	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**113,585**	522,423	8,112,311	**(14,548,739)**	(15,012,877)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
STI Lipa							
Educational services, sale of educational materials and supplies,	**3,157,379**	22,495,896	10,817,829	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**311,199**	919,217	13,905,677	**4,115,382**	4,821,605	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,016,900**	44,067,600	–	**42,680,208**	38,567,232	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria							
Educational services, sale of educational materials and supplies,	**1,157,571**	13,323,856	17,728,653	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**165,653**	10,380,338	10,059,610	**58,671,099**	60,722,408	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy							
Reimbursement for various expenses	**–**	8,363,843	–	**8,363,843**	8,363,843	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute of Mandaluyong Inc.							
Reimbursement for various expenses	**458,306**	3,633,188	–	**11,712**	198,484	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,166,928**	5,148,260	–	**6,315,188**	5,148,260	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute, Inc.							
Reimbursement for various expenses	**4,010,188**	55,999,726	–	**53,032,577**	49,022,388	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,618,361**	7,061,069	–	**8,679,429**	7,061,069	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Short-term employee benefits	**₱9,589,064**	₱43,869,440	₱49,571,260
Post-employment benefits	**585,651**	2,432,229	1,302,699
	₱10,174,715	₱46,301,669	₱50,873,959

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

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of EPS:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)	March 31, 2019 (One Year)
Net income (loss) attributable to equity holders of the Parent Company	**(₱214,665,165)**	(₱226,277,507)	₱254,872,593
Weighted average number of common shares outstanding	**3,087,829,443**	3,087,829,443	3,087,829,443
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of the Parent Company	**(₱0.07)**	(₱0.07)	₱0.08

The basic and diluted EPS are the same for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019 as there are no dilutive potential common shares.

32. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI Group to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies. As at September 24, 2020, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

33. Contingencies and Commitments

Contingencies

a. *Tax Assessment Case.* The Parent Company filed a petition for review with the Court of Tax Appeals (CTA) on October 12, 2009. This is to contest the Final Decision on Disputed Assessment issued by the BIR assessing the Parent Company for deficiencies on income tax and expanded withholding tax for the year ended March 31, 2003 amounting to ₱124.3 million. On April 17, 2013, the CTA issued a Decision which granted the Parent Company's petition for review and ordered the cancellation of the BIR's assessment since its right to issue an assessment for the alleged deficiency taxes had already prescribed. The Commissioner of Internal Revenue's ("CIR") filed a Motion for Reconsideration which was later denied by the CTA. On August 22, 2013, the CIR filed its Petition for Review with the CTA En Banc. On March 24, 2015, the CTA En Banc affirmed the decision dated April 17, 2013 and ordered the cancellation of the BIR assessment for the fiscal year ended March 31, 2003. On April 21, 2015, the CIR filed a Motion for Reconsideration with the CTA En Banc, which was denied by the CTA En Banc on September 2, 2015. On October 30, 2015, the CIR filed a Petition for Review with the Supreme Court. STI ESG filed its Comment on the Petition and, subsequently, the CIR filed its reply to STI ESG's Comment.

   On October 4, 2017, STI ESG received the decision from the Supreme Court dated July 26, 2017. In its decision, the Supreme Court denied the petition for review filed by the CIR and affirmed the Decision dated March 24, 2015 and Resolution dated September 2, 2015 of the Court of Tax Appeals En Banc in CTA EB No. 1050. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

   On December 14, 2017 the Supreme Court denied with finality the Motion for Reconsideration filed by the CIR and affirmed the Decision dated July 26, 2017.

   The Supreme Court also ordered the immediate issuance of the Entry of Judgment.

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

b. *Labor Cases.*

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

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

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

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

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

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

In addition, the former employee waived the reinstatement aspect of the March 31, 2016 decision of labor arbiter, and sought the payment of separation pay.

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

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

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

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

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

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

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

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

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

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

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

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

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

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of Corporation was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from the Corporation's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

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

After the parties filed their respective Rejoinder and Sur-Rejoinder, the new labor arbiter granted STI ESG's motion to submit the pending issues on the computation of the former employee's judgment award for resolution.

As at September 24, 2020, the new labor arbiter has not issued any resolution on the aforesaid computation of the former employee's judgment award.

ii. A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo, which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the Labor Arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. A Petition for Certiorari questioning the decision of the NLRC was filed before the Court of Appeals.

On May 12, 2017, STI ESG received a copy of a Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement filed by Complainant-Appellant seeking the issuance of a writ of execution for the implementation of the Resolution dated June 30, 2016 issued by the Honorable Eight Division, National Labor Relations Commission, Cagayan de Oro City. On May 22, 2017, STI ESG filed its Opposition to the Motion for Execution with Prayer for Payment of Separation Pay in Lieu of Reinstatement.

Subsequently, a hearing on the motion for execution was set on June 5, 2017. In the said hearing, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. When we asked for how much is she willing to settle the matter amicably, she insisted that she be paid the total amount of her backwages and separation pay. When asked if STI ESG has any counter-offer on the payment of backwages and separation pay, STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the same. At that point, the hearing officer showed STI ESG a computation of the backwages which amounted to ₱0.5 million. STI ESG then manifested that it will bring the matter to management. On the part of complainant, she manifested that she will file her reply to our opposition. The hearing officer then said that upon submission of said reply, the motion for execution is deemed submitted for resolution.

Also, in the motion for execution, it was also alleged that the Court of Appeals already denied the Petition for Certiorari of STI ESG. However, STI ESG did not receive any copy of said resolution by the Court of Appeals. Upon inquiry with the Court of Appeals, it appeared that the copy of the resolution dismissing the petition for certiorari was returned to sender due to "RTS-UNKNOWN ADDRESS". Apparently, the indicated address of counsel of record simply states Ortigas Ave., Extension, Cainta, Rizal. STI ESG then filed a manifestation with the Court of Appeals manifesting that it has yet to receive a copy of their minute resolution and clarifying that the complete address where a copy of the said resolution may be sent is "3rd Flr. STI Academic Center, Ortigas Avenue Extension, Cainta, Rizal 1900".

On June 2, 2017, STI ESG received a copy of the Minute Resolution dated January 12, 2017 dismissing its Petition for Certiorari based on the following grounds: a) failure to attach a copy of the Resolution dated June 30, 2017 of the NLRC; b) failure to attach the Secretary Certificate authorizing Mario Malferrari, Jr. as representative for STI ESG to file the petition for certiorari; c) failure to verify the petition; and d) failure to attach affidavit of service.

On June 21, 2017, STI ESG filed its Motion for Reconsideration.

Meanwhile, on July 12, 2017, STI ESG received an Order from the Office of the Labor Arbiter granting the Motion for Execution filed by Complainant. On July 21, 2017, STI ESG received a copy of the Writ of Execution issued by Office of the Labor Arbiter directing the payment of ₱0.5 million to Complainant and her immediate reinstatement. In compliance with the Writ of Execution, Complainant was paid the amount of ₱0.5 million and was reinstated to her former position.

On November 7, 2017, STI ESG received a copy of the Resolution of the Court of Appeals dated September 25, 2017 on its motion for reconsideration. The Court of Appeals resolved to grant the motion for reconsideration and reinstated STI ESG's petition for certiorari. Complainant was then directed to file her comment to the petition within ten (10) days from receipt of the said resolution and STI ESG was given five (5) days to file its reply to Complainant's comment.

On January 31, 2018, STI ESG received a copy of a Minute Resolution dated January 15, 2018 issued by the Court of Appeals which resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum within fifteen (15) days from receipt of said minute resolution. Thereafter, the petition for certiorari is deemed submitted for decision.

On February 15, 2018, STI ESG filed through registered mail its Memorandum with the 22nd Division, Court of Appeals, CDO. On April 25, 2018, STI ESG received a copy of Complainant's Memorandum. In a resolution of the Court of Appeals dated April 19, 2018, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

On July 11, 2018, STI ESG received a copy of the Decision of the 21st Division, Court of Appeals, CDO, setting aside the resolution of the NLRC declaring complainant to have been illegally dismissed and awarding the payment of backwages. In the same decision, the Court of Appeals dismissed the charge of illegal dismissal for lack of merit. However, STI College CDO was directed to pay complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed the complainant with the Court of Appeals (Special Former Twenty-First [21st] Division). On October 31, 2018, STI ESG received the resolution of the said court directing STI ESG to file its Comment to the Motion for Reconsideration filed by complainant within ten (10) days from notice. On November 12, 2018, STI ESG filed its Comment to the Motion for Reconsideration of complainant. With the filing of the Comment, the Motion for Reconsideration is deemed submitted for resolution.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018. With this development, STI ESG will now initiate proceedings to recover the amount of ₱0.5 million, more or less given to the complainant based on the overturned decision of the NLRC.

As at September 24, 2020, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

iii. Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The labor arbiter rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Parent Company as guilty of illegal dismissal; and ordering the Parent Company to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus backwages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

Upon appeal to the NLRC, the case filed by one of the faculty members was dropped, while the rest of the Decision was affirmed. Accordingly, a Motion for Reconsideration of the NLRC Decision was filed wherein it prayed for the dismissal of the complaints of Brazil and Garcera as well, invoking well-settled cases as jurisprudential authorities to persuade the NLRC to dismiss the cases against the Parent Company.

As it developed, STI ESG prevailed at the NLRC, and the complaint was dismissed. The former faculty members assailed said Decision of the NLRC at the Court of Appeals which denied the Petition.

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, have paid to complainants the salaries and benefits ought to be received by regular faculty members, which they did not deserve considering their failure to meet the qualifications set out in the Manual of Regulations for Private Schools (MORPS) and Manual of Regulations for Private Higher Education (MORPHE). To punish STI ESG for such act of giving Petitioners more than what they deserve would run contrary to the basic tenets of equity and justice. In fact, STI sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

The former faculty members filed a motion for reconsideration of the said decision of the Court of Appeals. STI ESG filed its Comment on the motion for reconsideration emphasizing the following points: (1) that the instant motion for reconsideration is pro-forma and should be denied outright; and (2) that the petitioners failed to raise any substantial argument to warrant a modification of the Court's decision considering that (a) the Court of Appeals did not err in finding that the NLRC did not commit grave abuse of discretion in dismissing petitioner's complaint for illegal constructive dismissal; and (b) the Court of Appeals did not err in upholding the NLRC's finding that petitioners were mere part-time teaching personnel of STI. In a Resolution dated June 30, 2017, the Court of Appeals denied the Motion for Reconsideration filed by the former faculty members.

On September 6, 2017, STI ESG received a copy of the Petition for Review on Certiorari of the Decision of the Court of Appeals dismissing the complaint for illegal dismissal of the former faculty members with the Supreme Court. STI ESG filed its Comment to the petition on November 10, 2017.

In a decision dated November 21, 2018, the First Division of the Supreme Court denied the petition filed by petitioners and affirmed the November 9, 2016 Decision as well as the June 30, 2017 Resolution of the Court of Appeals.

As at September 24, 2020, STI ESG has yet to receive a motion for reconsideration by the petitioners of the decision dated November 21, 2018.

iv. The case stemmed from a Complaint for illegal dismissal filed by former employees of STI Davao. They were formerly the Chief Executive Officer (CEO) and Chief Operating Officer (COO), respectively, of STI Davao, until they were separated from service effective June 23, 2009.

On September 03, 2009, STI Davao filed a Motion to Dismiss before the Labor Arbiter and prayed for the dismissal of the Complaint for illegal dismissal on the ground that the Labor Arbiter and the NLRC have no jurisdiction over the case. STI Davao argued that Complainants are not mere employees, but are rather corporate officers, of STI Davao. As such, the controversy involving their removal involves an intra-corporate dispute which falls within the jurisdiction of the regular courts.

On December 16, 2009, the Labor Arbiter issued an Order which granted the Motion to Dismiss filed by STI Davao. The Labor Arbiter ruled that Complainants are corporate officers, and are not mere employees, of STI Davao.

Not satisfied with the ruling of the Labor Arbiter, Complainants filed an appeal before the NLRC. On September 30, 2010, the NLRC issued a Resolution affirming the Labor Arbiter's Order dated December 16, 2009 finding that Complainants are corporate officers whose removal from office is not within the ambit of the jurisdiction of the NLRC. While they subsequently filed a Motion for Reconsideration, such motion was denied by the NLRC.

Complainants then elevated the case to the Court of Appeals via a Petition for Certiorari. On February 14, 2014, the Court of Appeals rendered a Decision annulling the assailed Resolutions of the NLRC and found that Complainants are not corporate officers, but are rather mere employees, of STI Davao. The case was thus ordered to be remanded to the Labor Arbiter for reception of evidence. While STI Davao filed a Motion for Reconsideration, such motion was denied by the Court of Appeals.

STI Davao eventually elevated the case to the Supreme Court via a Petition for Review on Certiorari. Unfortunately, through a Resolution dated August 19, 2015, the Supreme Court denied the Petition. STI Davao's Motion for Reconsideration was likewise denied by the Supreme Court.

On August 23, 2017, STI Davao received a Notice of Hearing from the Office of Labor Arbiter for a preliminary conference set on September 18, 2017. STI Davao attended the said hearing. During the hearing, Complainants proposed for the amicable settlement of their claims the payment of their separation pay, backwages, monetary benefits, as well as damages with attorney's fees. STI Davao requested that Complainants provide the exact amount of what they are asking for the amicable settlement of their claims. Another hearing was made on October 26, 2017 for the continuation of the preliminary conference.

In the October 26, 2017 hearing, Complainants provided STI Davao with a computation of what they are willing to accept for the amicable settlement of the case with total amount of ₱33.2 million.

In the December 5, 2017 hearing, considering the substantial amount being demanded by Complainants for the amicable settlement of their claims, no amicable settlement was reached by the parties, hence, they were directed to file their respective position papers within ten days from the receipt of the order from the Office of the Labor Arbiter. The last day of the ten-day period to file STI Davao's position paper was on February 5, 2018. However, a Motion for Extension of Time to File Position Paper was filed by STI Davao on February 5, 2018.

On February 19, 2018, STI ESG filed its position paper by registered mail. In the Position Paper, the following important points were raised: (1) the complainants' termination from employment is clearly legal having been grounded on just and valid causes since (a) the adoption of the Parent Company's Basic Operations Manual and Code of Conduct providing, among others, disciplinary rules and regulations on willful disobedience of the lawful orders, instructions, policies and procedure of the Parent Company, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of the Parent Company's Basic Operations Manual and Code of Conduct providing guidelines and standards for employees to effectively go about their roles and prohibiting willful disobedience as well as failure to perform assigned tasks, constitute sufficient bases for termination of employment, (c) complainants' acts or omissions in willful disregard of the Parent Company's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of the Parent Company's operating procedures and systems amounted to serious misconduct, and (e) the Parent Company's evidence sufficiently established facts and incidents upon which the loss of confidence in the complainants may fairly be made to rest considering that (i) complainants held a position of trust and confidence, and (ii) complainants' termination was based on willful breach of trust and founded on clearly established facts; (2) the School observed the requirements of due process before effecting complainants' dismissal from employment; (3) complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees; and (4) complainants have no cause of action for illegal suspension and against individual respondent of STI ESG.

On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG filed its Reply to the Position Paper of complainants. In said reply, STI ESG emphasized the following important points: (1) the Parent Company's prerogative to terminate the complainants' employment on just and valid causes does not run afoul with the enshrined right to security of tenure; (2) complainants' termination from employment was warranted by just and valid grounds as (a) the just and valid causes were proven with substantial evidence, and (b) the penalty of dismissal is warranted under the circumstances; (3) there is no necessity to dwell on the issue of whether the respondents observed and complied with the requirements of due process before effecting complainants' dismissal from employment; and (4) complainants are not entitled to their claim for reinstatement with payment of full backwages, and other monetary claims such as damages and attorney's fees.

In a decision dated June 28, 2018, the labor arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the NLRC. On August 28, 2018, STI ESG filed its Answer to Appeal with the Eighth Division of the NLRC in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence. In support of STI ESG's counter-arguments to the complainants' arguments, STI ESG stressed on the following important points: (a) the Appeal is just a 90% verbatim reproduction of the facts, arguments and discussion in their Position Paper; and (b) there was no such grave error shown in the case at bar considering that there is more than sufficient basis for the School to lose the trust and confidence it bestowed upon the complainants (i) as one of the complainants demonstrated, through repeated infractions, that complainant is not fit to continue undertaking the serious task and heavy responsibility of a CEO, and this holds true for the other complainant, being the COO of STI Davao, (ii) the willful act of disregarding the Operating Procedures and Systems equates to abuse of authority and, therefore, is sufficient basis for STI to lose its trust and confidence on the complainants, and (iii) the task of ensuring the integrity of the RFA by warranting the completeness and accuracy of the information and required supporting documents thereto, definitely falls within the complainants' scope of responsibilities.

In a Decision dated February 13, 2019, the Eighth Division of the NLRC in Cagayan De Oro City dismissed the Appeal filed by the complainants and hereby affirmed the earlier Decision of Labor Arbiter dated June 28, 2018. A motion for reconsideration dated March 4, 2019 was filed by the complainants. On March 25, 2019, STI ESG filed its Opposition to the Motion for Reconsideration filed by the complainants. In a Resolution dated March 26, 2019, the Eighth Division of the NLRC in Cagayan De Oro City denied the Motion for Reconsideration filed by the complainants.

On June 10, 2019, STI ESG received a copy of the Petition for Certiorari filed by complainants with the Court of Appeals in Cagayan De Oro City. On July 4, 2019, STI ESG received a copy of the Resolution dated June 25, 2019 of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants for failure to comply with the requirements for filing said petition.

A motion for reconsideration dated July 18, 2019 on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari was filed by complainants. As at September 24, 2020, STI ESG filed its Comment to the motion for reconsideration of the complainants.

Without having received the resolution of the Court of Appeals on the motion for reconsideration filed by complainant, as at August 03, 2020, STI ESG received a copy of Complainant's Petition for Review on Certiorari filed before the Supreme Court. As at September 24, 2020, STI ESG has yet to receive any action by the Court of Appeals on the motion for reconsideration filed by complainants. The Supreme Court likewise has yet to render its initial action on the Petition.

c. *Specific Performance Case.* STI College Cebu, Inc. (STI Cebu) and STI ESG's Finance Officer were named defendants in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

   On March 15, 2016, STI ESG, as the surviving corporation in the merger between STI ESG and STI Cebu, filed a Motion to Dismiss.

   After the filing of their respective pleadings to the said Motion(s) to Dismiss, the Defendants received on February 28, 2017 the Resolution of the Trial Court wherein it denied the Defendants' Motion(s) to Dismiss.

   On March 6, 2017, the Defendants filed their Joint Motion for Reconsideration Ad Cautelam in relation to the Resolution.

   On March 14, 2017, the Defendants received the Plaintiffs' Comment/Opposition to Joint Motion Reconsideration Ad Cautelam and/or Motion to Declare Defendants in Default dated March 11, 2017 (Comment with Motion). In the Comment with Motion, Plaintiffs alleged that the Defendants should have filed their Answer instead of the Joint Motion for Reconsideration Ad Cautelam after the denial of their Motions to Dismiss. Considering that the Defendants did not file their Answer, Plaintiffs moved to declare the Defendants in default.

   After due proceedings and filing of their respective responsive pleadings to the aforesaid (a) Joint Motion and (b) Motion to Declare in Default, the Trial Court issued the Resolution dated August 16, 2017, which denied the said Motions.

   After seeking an extension to file the Answer to the Plaintiffs' Amended Complaint, the Defendants filed the Consolidated Answer to the Amended Complaint on August 30, 2017. In the Consolidated Answer, Defendants asserted that there is no perfected contract to sell or of sale between STI ESG and the Plaintiffs considering that (a) there is no Board approval on the sale of the Subject Property; (b) lack of definite terms and conditions thereof; and (c) the Finance Officer of STI ESG has no authority to bind STI ESG on the alleged contract to sell or sale of the Subject Property.

   While Plaintiffs opposed the (a) motion for extension and (b) subsequent filing of the Consolidated Answer, the Trial Court affirmed the admission of the Consolidated Answer and set the case for pre-trial.

   While both parties were referred to court-annexed mediation and judicial dispute resolution as required under the relevant rules, the parties failed to reach an amicable settlement of the case.

   As required by the rules, the case was re-raffled to a new presiding judge who will handle the trial and disposition of the case.

   On August 3, 2018, STI ESG received a Notice from the new Presiding Judge setting the case for pre-trial on August 14, 2018.

   After the unsuccessful judicial dispute resolution, the case was re-raffled from Branch 6 to Branch 42 of the Regional Trial Court of Manila

On August 14, 2018, Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

After the filing of opposition thereto, STI ESG received the Summons dated September 26, 2018, directing it to file its Answer to the Plaintiff's Second Amended Complaint.

On October 17, 2018, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.

On November 8, 2018, the Defendants received the Order dated October 26, 2018 of the Trial Court. In the Order, the Trial Court set the pre-trial conference on November 14, 2018 and required the parties to file not later than five (5) days before pre-trial their respective Judicial Affidavit(s) of their witnesses.

On November 9, 2018, the Defendants filed their Amended Pre-Trial Brief and Judicial Affidavit(s) of their witnesses.

On November 14, 2018, the parties attended and participated in the scheduled pre-trial conference Based on the plaintiffs' pre-trial brief and manifestation during said hearing, the Plaintiffs intended to include in their list of witnesses two senior officers of STI ESG. While there were no interrogatories sent to said adverse witnesses as required by the Rules of Court, the Defendants reserve their right to file the appropriate pleading on said matter.

The Trial Court then gave the Plaintiffs six (6) hearing dates to present their witnesses. Within the said period, the Plaintiffs presented four (4) witnesses. Based on their respective testimonies, the said witnesses testified the discussions and/or communications between the Plaintiffs and STI ESG's Finance Officer regarding the sale of the subject property.

During their respective cross-examination, the said witnesses failed to provide any document and/or evidence showing (a) the authority of the Finance Officer to bind STI ESG on said negotiations and (b) approval of the BOD of STI ESG on the terms and conditions discussed during said negotiations.

After the Plaintiffs presented their fourth (4^{th}) witness, the Plaintiffs orally moved for the issuance of Subpoena to two Senior Officers of STI ESG.

In relation to said subpoena and to comply with the relevant provisions of the Rules of Court, the Plaintiffs served written interrogatories to the said Senior Officers.

After STI ESG objected on the same, the Trial Court ordered the Senior Officers to file their respective Answer(s) to the written interrogatories.

After the filing and admission of their Answer(s) to the written interrogatories of the Plaintiffs, the case was set for continuation of the Plaintiffs' presentation of evidence June 19, 2019.

Despite being allowed by the Trial Court to propound additional oral interrogatories to the Senior Officers, the Plaintiffs waived the same before the scheduled hearing.

Consequently, the Trial Court required the Plaintiffs to file their Formal Offer of Evidence in order to terminate the presentation of their evidence.

On August 6, 2019, the Defendants received the Formal Offer of Evidence of the Plaintiffs.

After the Defendants filed its Objections to the Formal Offer of Evidence, the Trial Court issued its Order dated September 27, 2019. In the Order, the Trial Court denied the admission of, among others, the SMS messages relating to the communications between certain officers of STI ESG and Plaintiffs, and a certification issued by the Finance Officer on the receipt of an earnest money from the Plaintiffs marked as Exhibit "G-2".

On October 21, 2019, the parties appeared before the Trial Court to set the schedule for the presentation of the testimonies of the witnesses of STI ESG. Upon agreement of the parties, the same is set for hearing on November 12, 19, 29 and December 3, 2019.

On October 23, 2019, STI ESG received the Plaintiffs' Motion for Partial Reconsideration of the Order dated September 27, 2019. In the said Motion, the Plaintiffs sought for the admission of the evidence excluded by the Trial Court except Exhibit "G-2".

After filing the Comment to the Plaintiffs' Motion for Partial Reconsideration on November 8, 2019, the Trial Court issued its Omnibus Order dated November 11, 2019. In the Omnibus Order, the Trial Court admitted the exhibits enumerated in the Motion for Partial Reconsideration except the SMS messages. However, the Trial Court also admitted Exhibit "G-2" despite (a) the Defendant's valid objections and (b) the same was not included in the exhibits sought to be admitted in the Motion for Partial Reconsideration.

On November 12, 2019, the Defendants presented their first witness, Defendant Finance Officer, to testify, among others, that (a) he acted as liaison of the STI Cebu and STI ESG on the negotiations for the sale of the subject property and (b) the Boards of Directors of STI Cebu and STI ESG did not approve the proposal/offer to purchase of the Plaintiffs.

After cross-examination, the Defendants terminated the presentation of said witness' testimony.

On November 29, 2019, the Defendants presented their external counsel's accountant who testified on their counterclaim against the Plaintiffs for legal cost/fees incurred for the case.

On January 17, 2020, the Defendants terminated the presentation of their evidence.

After due proceedings on the Defendants' Formal Offer of Evidence, the Trial Court issued the Order dated February 13, 2020, which admitted all the documentary evidence of the Defendants.

After both parties completed the presentation of evidence and filed their respective Memoranda, the Defendants received the Decision of the Trial Court on June 22, 2020.

In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its BOD, (a) gave its consent to the sale or (b) authorized its Finance Officer to sell the Property in favor of the Plaintiffs.

However, the Trial Court determined that STI ESG's Finance Officer is liable to pay the Plaintiffs the total amount of Two Hundred Thousand Pesos (₱0.2 million) representing temperate and exemplary damages ("Damages"). The Trial Court determined that the actions of STI ESG's Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

Lastly, the Trial Court ordered STI ESG to return the amount of Three Hundred Thousand Pesos (₱0.3 million) it received from the Plaintiffs as "earnest money" with interest rate of six percent (6%) per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

Both parties filed their respective Partial Motion for Reconsideration insofar as the (a) dismissal of the Complaint and (b) award of Damages.

On August 25, 2020, the Trial Court issued its *Order,* which modified the Decision only insofar as requiring STI ESG's Finance Officer to pay an additional ₱50.0 thousand as attorney's fees in favor of the Plaintiffs. The rest of the findings in the Decision is affirmed.

On September 16, 2020, the Plaintiffs filed a Notice of Appeal.

Consequently, the parties will comply with the appeal procedures required under the Rules of Court.

d. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

   On January 23, 2017, STI ESG filed its Motion to Dismiss Ad Cautelam. In the said Motion, STI ESG asserted that the dismissal of the case was warranted on the following grounds; (a) lack of jurisdiction over STI ESG due to improper service of Summons to a Human Relations Officer (HR Officer), and (b) failure to state a cause of action because GATE has no right for the renewal of the Licensing Agreement when (i) the same already expired and (ii) it clearly provides that it may be renewed by mutual agreement of the parties. The Motion to Dismiss Ad Cautelam was set for hearing on February 3, 2017.

   On February 3, 2017, STI ESG received GATE's Comment /Opposition. In the said Comment/Opposition, GATE alleged that (a) the HR Officer was allegedly authorized by its in-house counsel to receive the Summons, and (b) the decision of STI ESG not to renew the Licensing Agreement was not based on its mutual agreement provision but the violations of GATE. Consequently, such decision of STI ESG to cancel the Licensing Agreement was allegedly in bad faith.

   Upon the filing of all the pleadings in relation to the Motion to Dismiss Ad Cautelam of STI ESG, the Trial Court issued its Resolution dated May 16, 2017, which denied the said Motion. The Trial Court also required STI ESG to file its Answer to the Complaint within the non-extendible fifteen (15) days from receipt of said Resolution on May 25, 2017 or until June 9, 2017.

   On June 9, 2017, STI ESG filed its Answer to the Complaint. In the Answer, STI ESG reiterated its position that GATE has no cause of action against it because its decision not to renew the Licensing Agreement is in accordance with contractual stipulations therein that its renewal is upon mutual agreement of both parties. Considering the effectivity period of the Licensing Agreement expired on March 31, 2016 without being renewed by both parties, GATE cannot claim any damages for STI ESG's lawful exercise of its rights under the Licensing Agreement.

Both parties have been required to attend and participate in the court-annexed mediation, and subsequently, the judicial dispute resolution with the Trial Court. After the aforesaid proceedings, the parties failed to reach an amicable settlement and terminated the judicial dispute resolution on October 27, 2017. As mandated by the relevant rules, the case was raffled to a new presiding judge.

The new presiding judge issued an Order setting the case for pre-trial hearing on May 11, 2018.

The pre-trial proper was re-scheduled by the Trial Court in order for the parties to pre-mark their documentary evidence before the branch clerk of court on May 23, 2018.

On May 23, 2018, both parties attended and caused the pre-marking of their respective documentary exhibits.

Meanwhile, the pre-trial was set by the Trial Court and upon agreement of the parties on August 31, 2018.

On August 31, 2018, the pre-trial conference commenced and terminated on the same day. The Trial Court then scheduled the presentation of the testimony of the Plaintiffs' witnesses on October 9 and 30, 2018.

On October 9 and 30, 2018, the Plaintiff presented its two witnesses.

Thereafter, the Plaintiff terminated their presentation of evidence and filed their Formal Offer of Evidence.

On December 11, 2018, STI ESG filed the Comment and Objections to the said Formal Offer of Evidence.

On February 6, 2019, the Trial Court issued the Order dated January 10, 2019. In the Order, the Trial Court denied the admission of two (2) letters issued by both parties as part of the evidence of the Plaintiff.

After the Plaintiffs filed the Motion for Reconsideration, the Trial Court admitted the aforesaid two (2) letters, and set the presentation of evidence by STI ESG.

STI ESG presented three (3) witnesses in relation to its defense that the decision not to renew the Licensing Agreement was (a) in accordance with the contractual stipulations therein, and (b) devoid of any bad faith. Moreover, STI ESG presented evidence to show the attorney's fees it incurred in the instant case.

After the presentation of the last witness, STI ESG formally offered its evidence by filing its Formal Offer of Evidence on May 22, 2019.

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court issued its Order dated July 18, 2019. In the Order, the Trial Court denied the admission of only one (1) exhibit, which was the letter of Plaintiff' counsel to STI ESG insisting that the cancellation of the Licensing Agreement was erroneous and in bad faith.

In the same Order, the Trial Court required the parties to file their respective Memoranda. After the filing of said Memoranda, the case was submitted for decision by the Trial Court.

On February 4, 2020, STI ESG received the Decision dated January 16, 2020. In the Decision, the Trial Court dismissed the instant case because the Plaintiffs failed to establish that STI ESG acted in abuse of rights when it refused to renew the Licensing Agreement with the Plaintiffs. The Trial Court confirmed that said Agreement clearly provided that the same can only be renewed by mutual agreement of the parties.

The Trial Court also ordered the payment by the Plaintiffs of STI ESG's counterclaim in the amount of ₱0.3 million as attorney's fees plus cost of suit. Despite filing a Motion for Reconsideration, the Trial Court affirmed its dismissal of the Plaintiff's claim and the award of litigation cost in favor of STI ESG in an Order dated July 6, 2020.

On August 3, 2020, STI ESG received the Notice of Appeal filed by the Plaintiff.

e. *Criminal Case.* A complaint for qualified theft was filed by the Parent Company against its former school accounting supervisor and acting school accountant (former supervisor/accountant). In the complaint, the Parent Company alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.

   The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite the Parent Company providing additional addresses of the former supervisor/accountant where the summons could be served.

   After the former supervisor/accountant failed to appear on two preliminary investigations, the complaint was submitted for resolution.

   On September 8, 2016, STI ESG filed an Ex-Parte Motion for Early Resolution to resolve the case pointing out that more than sixteen (16) months have elapsed since the matter was submitted for resolution.

   As at September 24, 2020, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

f. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. (MOBEELITY) to deploy its digital classroom pilot, also known as e-Learning Management System (eLMS) and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

   MOBEELITY undertook to provide STI ESG with access to the EDU 2.0 LMS (now known as NEO) and iMEET virtual classroom. MOBEELITY committed to provide STI ESG with online and on-site technical support for the implementation of the EDU 2.0 LMS and iMEET virtual classroom. Furthermore, MOBEELITY committed to provide STI ESG with all updates and modifications to EDU 2.0 LMS and iMEET virtual classroom free of charge. Out of these two platforms, STI ESG was only able to avail of and utilize the EDU 2.0 LMS under the agreement.

   MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY 2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

Pursuant to the arbitration clause of the Memorandum dated September 8, 2014 (Memorandum) executed by STI ESG and MOBEELITY, STI ESG initiated the instant ad hoc arbitration to settle a dispute involving the reimbursement of ₱3.3 million by MOBEELITY due to a breach of its obligations under the Memorandum.

After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.9 million.

STI ESG, through counsel, will be filing the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law.

g. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Parent Company's consolidated financial position and results of operations.

h. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees.

As at September 24, 2020, the cases are pending before the labor arbiter.

Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the consolidated financial statements.

Commitments

a. Financial Commitments

The Parent Company has domestic bills purchase lines from various local banks amounting to ₱65.0 million as at June 30, 2020, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments

As at June 30, 2020, STI ESG has contractual commitments and obligations for the construction of STI Legazpi with an aggregate project cost of ₱251.8 million of which ₱170.5 million and ₱135.2 million have been paid as at June 30, 2020 and March 31, 2020, respectively.

As at March 31, 2019, the STI ESG has contractual commitments and obligations for the construction of school buildings for STI Lipa, STI Sta. Mesa, STI Pasay-EDSA and STI San Jose del Monte with an aggregate amount of ₱1,956.6 million of which ₱1,868.8 million and ₱1,850.6 million have been paid as at June 30, 2020 and March 31, 2020, respectively.

c. Others

(i) On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be funded through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company would be 60%, 25% and 15% for STI ESG, TTC and Injap, respectively.

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100 to ₱75.0 million divided into 750,000 shares with a par value of ₱100. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

On January 24, 2018, STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter.

(i) On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

(ii) On October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI Polytechnic Institute Inc. (collectively referred to as "STI") and Raft Shore People, Inc. (RAFT), entered into a Cooperation Agreement (the "Agreement") to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. In summary, the parties agree as follows:

a. Establish a culinary school offering modular culinary courses which shall prepare the students to work on board cruise vessels and to jointly oversee the preparation and implementation of modular culinary and catering courses.

b. To jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW).

c. To engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50% payable upon signing of the agreement while the remaining 50% will be payable within calendar year 2020. Additionally, and as compensation for jointly overseeing and providing academic governance, selection and management of faculty, as well as curriculum and courseware preparation and implementation for the courses agreed upon, STI shall pay RAFT the sum of US$10,000 per month beginning January 2020. The parties also agreed that a variable compensation of 5% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1% variable compensation for every 1,000 enrollees while RAFT shall receive 5% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

34. **Financial Risk Management Objectives and Policies**

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide the flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint ventures with credit terms of 30 days.

As at June 30, 2020 and March 31, 2020, the Group's current assets amounted to ₱1,672.3 million and ₱1,861.0 million respectively, while current liabilities amounted to ₱1,014.9 million and ₱1,043.7 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank and the STI ESG bondholders. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. Related developments due to the outbreak and the economic effects of COVID-19 are discussed in Note 39.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities based on undiscounted contractual payments.

	June 30, 2020				
	On demand	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	**₱584,179,314**	**₱–**	**₱–**	**₱–**	**₱584,179,314**
Receivables*	**212,838,575**	**12,605,800**	**20,912,113**	**220,777,110**	**467,133,598**
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	**31,612,543**	**31,612,543**
Equity investments designated at FVOCI	–	–	–	**67,261,243**	**67,261,243**
	₱797,017,889	**₱12,605,800**	**₱20,912,113**	**₱319,650,896**	**₱1,150,186,698**
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	**₱–**	**₱–**	**₱–**	**₱3,000,000,000**	**₱3,000,000,000**
Interest	–	–	**178,905,220**	**693,555,420**	**872,460,640**
Interest-bearing loans and borrowings					
Principal	–	–	**240,000,000**	**920,000,000**	**1,160,000,000**
Interest	–	–	**24,823,329**	**41,747,486**	**66,570,815**
Accounts payable and other current liabilities**	**533,832,678**	**7,157,518**	**713,109**	**37,228,361**	**578,931,666**
Lease liabilities	–	**16,842,787**	**56,142,623**	**397,601,148**	**470,586,558**
Other noncurrent liabilities***	–	–	–	**28,896,625**	**28,896,625**
	₱533,832,678	**₱24,000,305**	**₱500,584,281**	**₱5,119,029,040**	**₱6,177,446,304**

	March 31, 2020				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	₱617,682,038	₱–	₱–	₱–	₱617,682,038
Receivables*	170,078,732	181,103,982	117,673,877	143,668,550	612,525,141
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	32,194,153	32,194,153
Equity investments designated at FVOCI	–	–	–	67,599,307	67,599,307
	₱787,760,770	₱181,103,982	₱117,673,877	₱243,462,010	₱1,330,000,639
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest	–	–	178,905,220	693,555,420	872,460,640
Interest-bearing loans and borrowings					
Principal	–	–	240,000,000	920,000,000	1,160,000,000
Interest	–	–	81,704,050	235,849,160	317,553,210
Accounts payable and other current liabilities**	468,555,889	6,716,532	43,363,248	–	518,635,669
Lease liabilities	–	17,877,211	62,630,271	485,108,141	565,615,623
Other noncurrent liabilities***	–	–	–	37,803,729	37,803,729
	₱468,555,889	₱24,593,743	₱606,602,789	₱5,372,316,450	₱6,472,068,871

**Excluding advances to officers and employees amounting to ₱22.8 million and ₱24,1 million as at June 30, 2020 and March 31, 2020, respectively.*
***Excluding government and other statutory liabilities amounting to ₱20.1 million and ₱21.1 million as at June 30, 2020 and March 31, 2020, respectively.*
****Excluding advance rent and deferred lease liability amounting to ₱24.2 million and ₱33.7 million as at June 30, 2020 and March 31, 2020, respectively.*

The Group's current ratios are as follows:

	June 30, 2020	March 31, 2020
Current assets	**₱1,672,306,712**	₱1,861,035,618
Current liabilities	**1,014,941,573**	1,043,698,926
Current ratios	**1.65:1.00**	1.78:1.00

<u>Credit Risk</u>
Credit risk is the risk that the Group will incur a loss arising from students, franchisees or other counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity investments designated at FVOCI, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2020 and March 31, 2020, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	June 30, 2020		March 31, 2020	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱582,532,730**	**₱561,532,730**	₱616,858,746	₱595,858,746
Receivables*	**467,133,598**	**467,133,598**	612,525,141	612,525,141
Rental deposits**	**31,612,543**	**31,612,543**	32,194,153	32,194,153
Equity investment designated at FVOCI	**67,261,243**	**67,261,243**	67,599,307	67,599,307
	₱1,148,540,114	**₱1,127,540**	₱1,329,177,347	₱1,308,177,347

**Excluding advances to officers and employees amounting to ₱22.8 million and ₱24.1 million as at June 30, 2020 and March 31, 2020, respectively.*
***Included as part of "Goodwill, intangible and other noncurrent assets" account.*
[(1)] Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.
[(2)] Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on STI ESG's credit rating system as at June 30, 2020 and March 31, 2020:

	June 30, 2020			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱655,824,349**	**₱302,070,583**	**₱–**	**₱957,894,932**
Class B	**–**	**276,164,214**	**–**	**276,164,214**
Class C	**–**	**58,315,368**	**2,947,861**	**61,263,229**
Gross carrying amount	**655,824,349**	**636,550,165**	**2,947,861**	**1,295,322,375**
ECL	**–**	**142,187,816**	**2,947,861**	**145,135,677**
Carrying amount	**₱655,824,349**	**₱494,362,349**	**₱–**	**₱1,150,186,698**

	March 31, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱827,659,992	₱324,019,393	₱–	₱1,151,679,385
Class B	–	260,006,501	–	260,006,501
Class C	–	58,563,550	2,875,962	61,439,512
Gross carrying amount	827,659,992	642,589,444	2,875,962	1,473,125,398
ECL	–	140,248,797	2,875,962	143,124,759
Carrying amount	₱827,659,992	₱502,340,647	₱–	₱1,330,000,639

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as “Class A” based on the good credit standing or rating of the counterparty. *Receivables* classified as “Class A” are those with a high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.
- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	Within the Semester	After the Semester but within the School Year	After the School Year	ECL	Total
June 30, 2020	**₱207,772,923**	**₱34,071,171**	**₱1,254,091**	**₱58,315,366**	**(₱142,187,816)**	**₱159,225,735**
March 31, 2020	₱234,767,**076**	₱34,448,801	₱1,231,961	₱58,563,550	(₱140,248,795)	₱188,762,593

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group’s interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group’s interest-bearing loans and bonds. While the Group’s long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

The Group’s exposure to interest rate risk also includes its cash and cash equivalents balance. Interest rates for the Group’s cash deposits are at prevailing interest rates. Due to the magnitude of the deposits, a significant change in interest rate may also affect the consolidated statements of comprehensive income.

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statement of comprehensive income and consolidated statement of changes in equity for the three-month period ended June 30, 2020 and years ended March 31, 2020 and March 31, 2019:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**June 30, 2020 (Three months)**	March 31, 2020 (One year)	March 31, 2019 (One year)
+100 bps	**(₱10,432,222)**	(₱41,000,000)	(₱36,000,000)
-100 bps	**10,432,222**	41,000,000	36,000,000

Capital Risk Management Policy

The Group’s objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender bank and STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

The Group considers its equity contributed by stockholders as capital.

	June 30, 2020	March 31, 2020
Capital stock	**₱3,087,829,443**	₱3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Retained earnings (see Note 20)	**2,357,529,814**	2,572,194,979
	₱5,832,275,736	₱6,046,940,901

The Group's debt-to-equity ratios are as follows:

	June 30, 2020	March 31, 2020
Total liabilities*	**₱5,225,836,891**	₱5,184,846,516
Total equity	**5,888,520,185**	6,112,499,312
Debt-to-equity ratio	**0.89:1.00**	0.85:1.00

**Excluding unearned tuition and other school fees*

The Group's asset-to-equity ratios are as follows:

	June 30, 2020	March 31, 2020
Total assets	**₱11,227,878,244**	₱11,492,359,095
Total equity	**5,888,520,185**	6,112,499,312
Asset-to-equity ratio	**1.91:1.00**	1.88:1.00

No changes were made in the objectives, policies or processes during the three-month period ended June 30, 2020 and year ended March 31, 2020.

35. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at June 30, 2020 and March 31, 2020. There are no material unrecognized financial assets and liabilities as at June 30, 2020 and March 31, 2020.

	June 30, 2020				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost:					
Rental and utility deposits	**₱31,612,543**	**₱31,002,988**	**₱–**	**₱–**	**₱31,002,988**
Equity instruments designated at FVOCI	**67,261,243**	**67,229,387**	**3,746,944**	**53,135,500**	**10,346,943**
	₱98,873,786	**₱98,232,375**	**₱3,746,944**	**₱53,135,500**	**₱41,349,931**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Lease liabilities	**₱395,908,486**	**₱395,908,486**	**₱–**	**₱–**	**₱395,908,486**
Refundable deposits	**20,724,884**	**21,498,616**	–	–	**21,498,616**
	₱416,633,370	**₱417,407,102**	**₱–**	**₱–**	**₱417,407,102**

	March 31, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost:					
Rental and utility deposits	₱32,194,153	₱31,550,028	₱–	₱–	₱31,550,028
Equity instruments designated at FVOCI	67,599,307	67,599,307	3,746,944	63,852,363	–
	₱99,793,460	₱99,149,335	₱3,746,944	₱63,852,363	₱31,550,028
Financial Liabilities					
Other financial liabilities at amortized cost:					
Lease liabilities	₱395,908,486	₱395,908,486	₱–	₱–	₱395,908,486
Refundable deposits	22,400,940	22,479,301	–	–	22,479,301
	₱418,309,426	₱418,387,787	₱–	₱–	₱418,387,787

Fair Value of Financial Instruments
The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at financial reporting date.

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Equity instruments designated at FVOCI. The fair values of publicly-traded Equity instruments designated at FVOCI, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

Interest-bearing Loans and Borrowings. The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

Lease Liabilities. Estimated fair value is based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Obligation under Finance Lease. The fair values of obligations under finance lease are computed based on the discounted present value of lease payments with discount rate ranging from 5.59% to 6.18% as at March 31, 2019.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In June 30, 2020 and March 31, 2020, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Changes in Liabilities Arising from Financing Activities

			Noncash Movements						
	March 31, 2020	**Cash flows**	**Effect of Adoption of PFRS 16**	**Interest Expense** (see Note 22)	**Capitalized borrowing costs** (see Note 10)	**Dividends Declared** (see Note 20)	**Reclassified as Current**	**New Leases** (see Note 28)	**June 30, 2020**
Current interest-bearing loans and borrowings	**₱240,000,000**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱240,000,000**
Bonds payable	**2,964,418,162**	**–**	**–**	**1,679,610**	**–**	**–**	**–**	**–**	**2,966,097,772**
Noncurrent interest-bearing loans and borrowings	**914,262,208**	**–**	**–**	**417,215**	**13,769**	**–**	**–**	**–**	**914,693,192**
Lease liabilities	**395,908,486**	**(18,598,185)**	**–**	**6,483,346**	**–**	**–**	**–**	**–**	**383,793,647**
Dividends payable	**13,758,185**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,758,185**
Interest payable	**8,957,748**	**(46,681,520)**	**–**	**63,787,068**	**–**	**–**	**–**	**–**	**26,063,296**
Total liabilities from financing activities	**₱4,537,304,789**	**(₱65,279,705)**	**₱–**	**₱72,367,239**	**₱13,769**	**₱–**	**₱–**	**₱–**	**₱4,544,406,092**

			Noncash Movements						
	March 31, 2019	Cash flows	Effect of Adoption of PFRS 16	Interest Expense (see Note 22)	Capitalized borrowing costs (see Note 10)	Dividends Declared (see Note 20)	Reclassified as Current	New Leases	March 31, 2020
Current interest-bearing loans and borrowings	₱240,000,000	(₱240,000,000)	₱–	₱–	₱–	₱–	₱240,000,000	₱–	₱240,000,000
Current obligations under finance leases	6,208,432	–	(6,208,432)	–	–	–	–	–	–
Bonds payable	2,957,954,254	–	–	6,463,908	–	–	–	–	2,964,418,162
Noncurrent interest-bearing loans and borrowings	360,000,000	794,000,000	–	(1,866,285)	2,128,493	–	(240,000,000)	–	914,262,208
Noncurrent obligations under finance leases	11,643,614	–	(11,643,614)	–	–	–	–	–	–
Lease liabilities	–	(83,002,811)	391,816,395	28,633,210	–	–	–	58,461,692	395,908,486
Dividends payable	12,431,266	(183,585,711)	–	–	–	184,912,630	–	–	13,758,185
Interest payable	11,435,922	(247,308,163)	1,180,635	240,362,454	3,286,900	–	–	–	8,957,748
Total liabilities from financing activities	₱3,599,673,488	₱40,103,315	₱375,144,984	₱273,593,287	₱5,415,393	₱184,912,630	₱–	₱58,461,692	₱4,537,304,789

37. Notes to the Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Noncash additions to ROU assets presented under "Property and equipment" amounting to nil and ₱59.7 million for the three-month period ended June 30, 2020 and year ended March 31, 2020, respectively.

b. Unpaid progress billing for construction-in-progress amounting to ₱0.08 million, ₱13.9 million and ₱250.5 million as at June 30, 2020, March 31, 2020 and March 31, 2019, respectively.

c. Acquisitions of property and equipment under finance lease presented as part of "Property and equipment" account in the consolidated statements of financial position amounting to nil for the three-month period ended June 30, 2020 and year ended March 31, 2020 and ₱3.1 million for the year ended March 31, 2019.

d. Uncollected dividends from De Los Santos Medical Center amounting to nil as at June 30, 2020 and March 31, 2020 and ₱0.8 million as at March 31, 2019 (see Note 2).

38. Business Combination

NAMEI. On February 15, 2019, STI ESG and the shareholders of NAMEI entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses incurred under the agreement. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI is a subsidiary of STI ESG effective April 1, 2019.

The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report of the fair value of these assets and liabilities at the time of acquisition resulting in goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represents the fair value of the license and agreements. Deferred tax liability amounting to ₱2.8 million is calculated based on the estimated fair value of the license to operate a maritime school, its related agreements and a 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values.

The following are the identifiable assets and liabilities as at the date of acquisition:

NAMEI Polytechnic Institute, Inc.

Assets	
Cash and cash equivalents	₱52,938
Receivables	8,173,081
Inventories	158,769
Prepaid expenses	51,000
Intangible assets (see Note 15)	27,621,874
Property and equipment-net (see Note 10)	12,630,327
	48,687,989
Liabilities	
Accounts payable and other current liabilities	9,330,730
Deferred tax liabilities	2,762,187
Non-controlling interest	1,090,678
Total identifiable net assets at fair value	35,504,394
Purchase consideration transferred	56,735,628
Goodwill	₱21,231,234

NAMEI Polytechnic Institute of Mandaluyong, Inc.

Assets	
Cash and cash equivalents	₱1,390,786
Receivables	1,479,628
Inventories	19,563
Prepaid expenses	220,529
Property and equipment-net (see Note 10)	3,511,803
	6,622,309
Liabilities	
Accounts payable and other current liabilities	3,357,937
Total identifiable net assets at fair value	3,264,372
Purchase consideration transferred	3,264,372
Goodwill	₱–

Analysis of cash flow on acquisition is as follows:

Cash paid	₱70,040,228
Cash acquired from the subsidiary	1,443,724
Net cash outflow on acquisition	₱68,596,504

39. **Events after Reporting Period**

a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed ECQ throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. On May 11, 2020, Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) Resolution No. 35 was issued, placing high-risk local government units (LGUs) (i.e., entire Metro Manila, Laguna, and Cebu City) under modified enhanced community quarantine (MECQ) from May 16, 2020 until May 31, 2020. On May 29, 2020 under IATF Resolution No. 41 series of 2020, all Highly Urbanized Cities (HUCs) of the NCR and the Municipality of Pateros were placed under GCQ until June 15, 2020, subsequently extended until June 30, 2020 under IATF Resolution No. 46-A dated June 15, 2020. On June 29 and again on July 14, 2020, the GCQ in the NCR and some areas was extended further to July 15 and July 31, 2020 under IATF Resolution Nos. 50-A and 55-A, respectively.

   On August 3, 2020, the Office of the President supported an urgent appeal by medical workers to reimpose stricter quarantine measures in the NCR and selected provinces and declared these areas under MECQ from August 4 to 18. The quarantine status of these areas was subsequently downgraded to GCQ from August 19 until August 31, 2020.

   IATF Resolution No. 67 dated August 31, 2020 placed all HUCs of the NCR and the municipality of Pateros under GCQ. The rest of the country was placed under modified general community quarantine ("MGCQ") except for Iligan City where MECQ was imposed. These quarantine classifications are effective September 1 to September 30, 2020, without prejudice to the declaration of localized ECQ in critical areas.

   These measures have caused disruptions to businesses and economic activities, and their impact on businesses continue to evolve. The Group has considered the impact of these disruptions to its financial position, performance and cash flows as at and for the three-month period ended June 30, 2020 and year ended March 31, 2020. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

b. For SY 2019-2020, the school calendar for tertiary students is from July 2019 to April 2020. Classes of tertiary students were suspended since the implementation of the ECQ in March 2020. Online classes of those who opted online and offline studies resumed beginning the 3rd week of May 2020 and were completed as at July 30, 2020. For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education (ONE) STI Learning Model. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the IATF, DepEd for Senior High School, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed.

   Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruptions, government regulations and other COVID-19 consequences.

c. On June 23, 2020, STI ESG requested China Bank for waivers on certain covenants in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

   Further, China Bank approved the temporary waiver of the DSCR requirement covering period ending September 30, 2020 and March 31, 2021.

d. On July 3, 2020, STI ESG and China Bank executed the amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility shall be available to the Borrower on any Business day for the period beginning on the date of this Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with this Agreement. Any amount undrawn at the end of the Availability Period shall be automatically cancelled and may not be reinstated. On July 3, 2020 and July 30, 2020, STI ESG made drawdowns aggregating to ₱400.0 million from this Term Loan Facility. As of July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million.

e. On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the holders of the Bonds (the "Record Bondholders") to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of Land Bank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the Debt Service Coverage Ratio up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

  (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows:
  "directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:
  "incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (c) Section 7.02(f) of the Trust Agreement is hereby amended to read as follows:

  "assign, transfer or otherwise convey any right to receive any of its income or revenues unless in the ordinary course of business, or unless otherwise required by applicable law, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to Debt Service Coverage Ratio Waiver

  Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

(k) maintain and observe the following financial ratios:

(i) a Debt Service Coverage Ratio of not less than 1.05:1, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

f. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the ‘study now, pay later’ program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a Refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest free.

This ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank.

g. In various dates in September 2020, STI ESG wrote CHED, TESDA and DepEd of its decision to suspend the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY 2020-2021 and to cease the operations of STI Pagadian effective SY 2020-2021. Similarly, the respective franchisees also informed CHED, TESDA and DepEd of the cessation of operations of some of STI ESG’s franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021.

h. On September 24, 2020, STI ESG’s BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

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Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

We have audited the accompanying consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group) as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019, on which we have rendered the attached report dated September 24, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Group has 48 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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. 8125320, January 7, 2020, Makati City

September 24, 2020

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019, included in this Form 17-Q, and have issued our report thereon dated September 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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
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September 24, 2020

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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group) as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and for the years ended March 31, 2020 and 2019, included in this Form 17-Q, and have issued our report thereon dated September 24, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte
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. 8125320, January 7, 2020, Makati City

September 24, 2020

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
Annex J | Schedule A - Financial Assets
JUNE 30, 2020

STI EDUCATION SERVICES GROUP, INC
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period period	Income received and accrued
The Group has no financial assets at Fair Value Through Profit or Loss as at June 30, 2020				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Annex J | Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related parties

JUNE 30, 2020

STI EDUCATION SERVICES GROUP, INC

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension

Cainta, Rizal

Name and Designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period
The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above P1,000,000 or 1% of total assets, whichever is less, as at June 30, 2020.								

STI EDUCATION SERVICES GROUP, INC
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
STI Batangas	₱48,353,864	₱8,295,017	(₱13,080,640)	-	-	₱43,568,241	**₱43,568,241**
STI Iloilo	17,090,144	274,611	(578,837)	-	7,760,191	9,025,727	**16,785,918**
STI Lipa	43,388,837	14,485,478	(11,078,725)	-	-	46,795,590	**46,795,590**
STI Pagadian	14,570,714	431,231	(758,708)	-	5,336,457	8,906,780	**14,243,237**
STI Quezon Avenue	14,460,804	389,075	520	-	598,781	14,251,618	**14,850,399**
STI Sta Maria	60,722,408	1,323,224	(3,374,533)	-	-	58,671,099	**58,671,099**
STI Tuguegarao	15,576,248	300,756	(15,292)	-	13,015,744	2,845,968	**15,861,712**
STI Namei HS	5,346,744	1,625,234	(645,375)	-	-	6,326,603	**6,326,603**
STI Namei College	56,083,457	5,628,549	0	-	-	61,712,006	**61,712,006**
STI Training Academy	8,363,843	-	0	-	-	8,363,843	**8,363,843**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Annex J | Schedule D - Long Term Debt

JUNE 30, 2020

STI EDUCATION SERVICES GROUP, INC

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
China Banking Corporation - Corporate notes facility Maturity Date / Interest Rate July 31, 2021 / 4.75%	₱3,000,000,000	₱240,000,000	₱120,000,000
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively*	5,000,000,000	-	2,966,097,772
China Banking Corporation - Term loan: Maturity Date / Interest Rate September 19, 2026 / 5.81% to 6.31% **	1,200,000,000	-	794,693,192

**presented net of bond issue costs with carrying value of ₱33.9 million in the Statements of Financial Position*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Annex J | Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies

JUNE 30, 2020

STI EDUCATION SERVICES GROUP, INC

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension

Cainta, Rizal

Name of related party	Balance at beginning of period	Balance at end of period
The Group has no long-term loans from related parties as at June 30, 2020		

Annex J | Schedule F - Guarantees of Securities of Other Issuers

June 30, 2020

STI EDUCATION SERVICES GROUP, INC

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension

Cainta, Rizal

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
The Group does not have guarantees of securities of other issuing entities as at June 30, 2020				

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
Annex 68-J | Schedule G - Capital Stock
JUNE 30, 2020

STI EDUCATION SERVICES GROUP, INC
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	5,000,000,000	3,081,877,170	-	3,081,877,155	15	-

Related Parties

STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,382,275	0.43%
GONZALES, FRANSCISCO B. JR. (DECEASED)	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL M.S.	241,279	0.01%
ZARASPE, ANACLETA C.	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
GARCIA, NOEL B.	83,190	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%
LAO, ERIENE C.	63,384	0.00%
PAULINO, MA. LUZ LOURDES M.	55,061	0.00%
ANSALDO, LYDIA V.	53,876	0.00%
CANTOS, LOLITA	53,185	0.00%
LIMJOCO, ALEX	47,603	0.00%
ZAPANTA, PRISCILLA D.	37,500	0.00%
HERBOSA, ARTURO ALFONSO J.	36,219	0.00%
NANO, ANA BELEN N.	35,288	0.00%
YU, ANNIE	30,434	0.00%
BRAVO, MELINDA C.	16,517	0.00%
DE LEON, AURORA F.	7,923	0.00%
GOPALAN, MA. LOURDES	6,155	0.00%
CAPAROS, VILMA	6,155	0.00%
PASCUA, ARNOLD F.	3,648	0.00%
BALAN, ARIEL KELLY D.	3,169	0.00%
PANTALEON, SERAFIN M.	2,117	0.00%
BASA, VIRGILIO T.	1,857	0.00%
GAMBOA, HERMAN T.	1,429	0.00%
DE LEON, MA. LOIDA	1,367	0.00%
DE LEON, ROSANO	1,367	0.00%
VILLASEÑOR, CELSO A.	1,330	0.00%
TOLENTINO, RUFINO (DECEASED)	738	0.00%
MONSOD, CHRISTIAN S.	714	0.00%
ZETA, BENJAMIN D.	688	0.00%
BALAGOT, WILFRED P.	466	0.00%
BARTOLOME, ARSENIO M., III	410	0.00%
MACHICA, RAMON G.	399	0.00%
ANGELES, BERNARD DAN F.	106	0.00%
SUAREZ, ROLANDO A.	106	0.00%
DAYCO, ROLANDO P.	30	0.00%
ABAYA, RAMON C.	1	0.00%
ALFONSO, FELIPE B. (Trustee of E.H. Tanco)	1	0.00%
CU ERNEST LAWRENCE (Trustee)	1	0.00%
VILLA, JESUS S. (Trustee for AADC)	1	0.00%
TOTAL	**3,081,877,155**	

Directors, officers and employees

BORJA, RAINERIO M. (Trustee)	2
JACOB, MONICO V. (Trustee)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL M.	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
BAUTISTA, PAOLO MARTIN	1
FERNANDEZ, PETER K.	1
VERGARA, ROBERT G.	1
	15

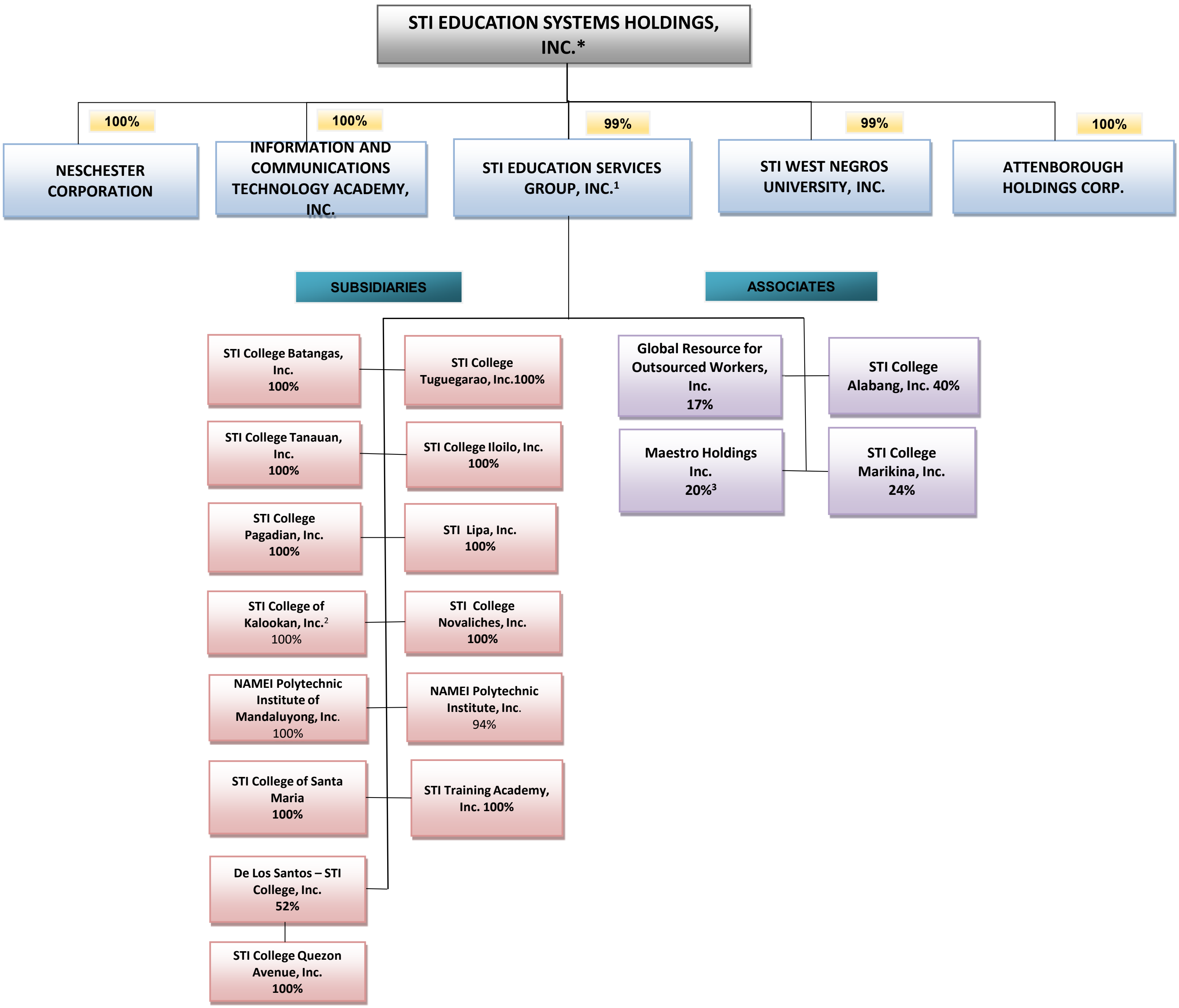
STI EDUCATION SERVICES GROUP, INC
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Unappropriated Retained Earnings, beginning		₱1,973,058,582
Adjustments:		
Deferred tax assets, beginning		(30,155,058)
Unappropriated Retained Earnings, as adjusted, beginning		1,942,903,524
Net income during the period closed to Retained Earnings		(138,195,136)
Less: Non-actual/unrealized income, net of tax		
Movement of recognized deferred tax assets for the year		(15,590,739)
Net income actually realized during the year		(153,785,875)
Add (Less):		
Dividend declarations during the period	₱0	
Treasury shares	(10,833,137)	(10,833,137)
Retained earnings available for dividend declaration, end		1,778,284,512
Reversal of appropriations		-
Total RE, end available for dividend - Parent		**₱1,778,284,512**

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

Schedule I. Map of Relationships Between and among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, and Associates

JUNE 30, 2020



[1] *STI Education Systems Holdings, Inc. is an associate of STI Education Services Group, Inc. (STI ESG). STI ESG owns 5% equity interest in STI Holdings as at March 31, 2019*

[2] *A subsidiary through a management contract.*

[3] *Investment is classified as noncurrent asset held for sale effective June 30, 2017.*

Financial Highlights and Key Performance Indicators
Schedule J - Financial Soundness Indicators
June 30, 2020

STI EDUCATION SERVICES GROUP, INC
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension
Cainta, Rizal

Ratio	Formula	Three Months June 30, 2020	One Year March 31, 2020
Current ratio (1)	Current Asset / Current Liabilities	1.65	1.78
Quick ratio (2)	Current assets less inventories, prepayments & noncurrent asset held for sale / Current liabilities	1.06	1.20
Solvency ratios Debt to equity ratio (3)	Total liabilities less unearned tuition & other school fees / Total equity	0.89	0.85
Asset to equity ratio (4)	Total assets / Total equity	1.91	1.88
Interest coverage ratio (7)	Net income (loss) excluding interest expense and provision for income tax / Interest expense	(2.22)	0.20
Return on equity (6)	Net income (loss) attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	-14.0%	-3.6%
Return on assets(7)	Net income (loss) / Average total assets	-8.0%	-2.1%
Net profit margin (8)	Net income (loss) after provision for income tax / Total revenues	-194.0%	-11.0%
Other ratios EBITDA margin (9)	EBITDA / Total revenues	-50.0%	36.0%
Debt service coverage ratio (10)	EBITDA for the last twelve months / Total principal and interest due for the next twelve months	1.62	1.52

(1) *Current ratio is measured as current assets divided by current liabilities.*

(2) *Acid test ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

(3) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

(4) *Asset to equity ratio is measured as total assets divided by total equity.*

(5) *Interest coverage ratio is measured as net income (loss) before income tax and interest expense divided by interest expense.*

(6) *Return on equity is measured as annualized net income (loss) attributable to equity holders of the Parent Company divided by average equity attributable to equity holders of the parent company.*

(7) *Return on assets is measured as annualized net income (loss) divided by average total assets.*

(8) *Net profit (loss) margin is measured as net income after income tax divided by total revenues.*

(9) *EBITDA margin is measured as EBITDA divided by total revenues.*
EBITDA or earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures, provision for impairment of noncurrent

asset held for sale and nonrecurring gains(losses) such as gain on disposal of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months.*

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF JUNE 30, 2020

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱489,982,620	₱215,317,382	₱13,607,932	₱24,572,345	₱236,484,961

TYPE OF ACCOUNTS RECEIVABLE	NATURE/DESCRIPTION	NATURE/DESCRIPTION
Current Receivables	Tuition fees and other current receivables	Monthly

ANNEX "B"

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983, and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, and tertiary as well as post-graduate courses, post-secondary, and lower tertiary non-degree programs. The Group also develops, adopts, and/or acquires, entirely or in part, such curricula or academic services as may be necessary for the pursuance of its main activities, relating but not limited to information technology services, education, hotel, and restaurant management, engineering, and business studies. STI ESG is also offering Senior High School (SHS). Starting SY 2020-2021, STI ESG was given government permits to offer Bachelor of Science in Retail Technology and Consumer Science Program and government recognition to offer Associate in Retail Technology Program.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy, Inc. ("STI Training Academy") with STI ESG owning 100% of the subscribed and issued capital stock. STI Training Academy was established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority ("TESDA"); and to provide other professional courses and training, such as tanker courses and their allied and security courses including stewarding and culinary courses.

As at June 30, 2020, STI ESG's network of schools totals to 76 schools with 38 owned schools and 38 franchised schools comprising of 69 colleges and 7 education centers.

As at report date, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY2020-2021 and cessation of the operations of STI Pagadian effective SY2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY2020-2021. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrolment turnout and/or the high cost of rental of facilities. This brings down the STI ESG's network of schools to 64 schools with 33 owned schools and 31 franchised schools comprising of 60 colleges and 4 education centers.

The students enrolled in the aforementioned schools were given the option to transfer to other STI schools. The suspension and cessation of operations of the STI schools mentioned above will not have a material financial impact on STI ESG.

In recent years, STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. A number of franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 19 wholly-owned campuses with newly constructed/renovated buildings, while 11 franchised schools constructed/renovated their own buildings and upgraded their facilities.

STI ESG's total student capacity, net of the aforementioned school closures, aggregates to 149,188 students, with 101,758 pertaining to owned schools and 47,430 for franchised schools.

STUDENT POPULATION

The enrollment figures at the start of the School Year (SY) are as follows:

	SY 2019-2020	SY 2018-2019	Increase (Decrease)	
			Enrollees	Percentage
STI Network				
Owned schools	44,811	44,298	513	1%
Franchised schools	29,987	32,543	(2,556)	(8%)
Total Enrollees	**74,798**	**76,841**	**(2,043)**	**(3%)**

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- Commission on Higher Education (CHED) - students under this group are enrolled in tertiary and post-graduate programs;
- Technical Education and Skills Development Authority (TESDA) - students under this group are enrolled in technical-vocational programs; and
- Department of Education (DepEd) – pertains to primary and secondary education including SHS.

	SY 2019-2020	%	SY 2018-2019	%
CHED	40,737	54%	38,582	50%
TESDA	2,152	3%	1,843	2%
DEPED*	31,909	43%	36,416	48%
TOTAL	**74,798**	100%	**76,841**	100%

**DepEd count includes SHS students and 454 students of NAMEI who are enrolled in basic education in SY 2019-2020.*

For SY 2019-2020, the school calendar of SHS and Tertiary students was from June 2019 to March 2020 and July 2019 to April 2020, respectively. With the imposition of the Enhanced Community Quarantine ("ECQ") throughout the island of Luzon, as part of the government's move to contain the outbreak of novel Coronavirus Disease 2019 (COVID 19), classes in the entire island of Luzon were suspended on March 17, 2020. Subsequently, other areas in the country were likewise placed under quarantine. Classes of SHS students have been completed as at end of March 2020 while for the safety and welfare of the tertiary students, the Group suspended their classes in all STI campuses nationwide.

The tertiary students were given three options to finish the second semester of SY 2019-2020, namely (1) online learning for those who are willing and can go online, may finish all their lessons via the e-Learning Management System (eLMS), (2) offline learning for those who are willing to continue and finish all their lessons but cannot go online in which case handouts in PDF type were provided to the students, and (3) face-to-face for those who cannot go online and opt to wait until STI ESG could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Online classes of those who opted online and offline studies resumed beginning the third week of May 2020 and were completed as at July 30, 2020.

For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education ("ONE") STI Learning Model. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), DepEd for SHS, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed. Classes of both SHS and tertiary started on September 7, 2020.

FINANCIAL REVIEW

The Group adjusted the school calendar of STI schools nationwide to eventually align its academic cycle with the calendars of public colleges as well as other private higher education institutions not only in the Philippines but in the ASEAN region as well. In line with this, STI ESG changed its accounting period from a fiscal year beginning April 1 of each year and ending on March 31 of the following year to July 1 of each year and ending on June 30 of the following year. Both the SEC and the BIR approved the change in the fiscal year.

To transition the change in the fiscal year, the BIR has required the submission of short-period income tax returns and audited financial statements for the period April 1, 2020 to June 30, 2020. In line with the submission to the SEC of the 17-Q report following the change in the fiscal year, the short-period audited consolidated financial statements have been prepared and presented in compliance with regulatory and statutory requirements. The short-period audited consolidated financial statements summarize the financial condition of the Group as at June 30, 2020 and March 31, 2020 and its operating results for the three-month period beginning April 1, 2020 to June 30, 2020 and for the years ended March 31, 2020 and 2019. The amounts reflected in the June 30, 2020 audited consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and the related notes are for three months and, accordingly, are not comparable with amounts in the March 31, 2020 and 2019 reports which pertain to one whole year.

This discussion summarizes the significant factors affecting the financial condition of the STI Education Services Group, Inc. and its subsidiaries (hereafter collectively referred to as the "Group") as at June 30, 2020 and March 31, 2020 and its results of operations for the three-month periods ended June 30, 2020 and 2019. The following discussion should be read in conjunction with the audited consolidated financial statements, attached as part of "Annex A", as at and for the three-month period ended June 30, 2020 and years ended March 31, 2020 and 2019. The following discussions should likewise be read in conjunction with the statements of comprehensive income, the financial highlights, and key performance indicators of the Group for the three-month periods ended June 30, 2020 and 2019, which are presented as part of the management discussion and analysis.

I. RESULTS OF OPERATIONS

Three-month period ended June 30, 2020 vs. three-month period ended June 30, 2019

For the three-month period ended June 30, 2020, the Group posted gross revenues of ₱111.7 million as compared to the same period last year of ₱227.4 million. This was mainly due to the imposition of the ECQ in the entire island of Luzon from March 17 to May 31 and the General Community Quarantine (GCQ) in most parts of the country, and its extension up to report date. As a result, online classes were gradually implemented starting in May in all the schools in the Group and were completed by end of July 2020. The school opening for SY 2020-2021 in both STI ESG was moved to September 2020. As a result, the Group incurred a decline in the revenues from tuition and other school fees and sale of educational materials.

Operating loss for the three-month period ended June 30, 2020 amounted to ₱189.9 million compared to an operating loss of ₱233.7 million for the same period last year, an improvement of ₱43.8 million due to lower cost and expenses. Net loss likewise decreased to ₱216.8 million for the three-month ended June 30, 2020 as against same period last year's operating loss of ₱239.6 million.

Earnings before interest, taxes, depreciation, and amortization (EBITDA)computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net income(loss) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses) such as gain on disposal of net assets improved by ₱41.1 million, from negative ₱97.1 million last year to negative ₱56.0 million. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use (ROU) assets and lease liabilities, respectively.

II. FINANCIAL CONDITION

June 30, 2020 vs. March 31, 2020

The Group posted consolidated total assets amounting to ₱11,227.2 million as at June 30, 2020, vs. ₱11,492.4 million at March 31, 2020, with a decrease of ₱265.2 million, mainly due to payments made to suppliers and interest on bonds, and depreciation of property and equipment.

Cash and cash equivalents decreased by 5% or ₱33.5 million from ₱617.7 million to ₱584.2 million as at March 31, 2020 and June 20, 2020, respectively, mainly due to the payment of interest on bonds.

Receivables decreased by ₱146.7 million, from ₱636.7 million to ₱490.0 million as at March 31, 2020 and June 30, 2020, respectively, substantially due to the collection of receivables from the DepEd for the SHS vouchers.

Prepaid expenses decreased by ₱9.3 million or 18% from ₱55.2 million to ₱45.9 million as at March 31, 2020 and June 30, 2020, respectively due to the decrease in STI ESG's Input VAT, prepaid taxes, and prepaid subscriptions and licenses accounts as at June 30, 2020.

Accounts payable and other current liabilities increased by ₱59.3 million or 11% representing outstanding rent, utilities, and interest payables as at June 30, 2020.

Unearned tuition and other school fees decreased substantially by ₱81.5 million, net of advance payments received for SY 2020-2021, representing tuition and other school fees recognized as revenues during the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₱18.4 million from ₱71.5 million to ₱53.1 million substantially due to reclassification from noncurrent to the current portion of advance rent/rental deposits for lease agreements with a remaining term of one year or less.

Retained earnings decreased by ₱214.7 million from ₱2,572.2 million to ₱2,357.5 million, representing the net loss for the three-month period ended June 30, 2020.

III. TOP 5 KEY PERFORMANCE INDICATORS

The top five key performance indicators (KPIs) of the Group include tests of profitability, liquidity, and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts as and when they fall due, whether such liabilities are current or noncurrent.

		Three-month period ended June 30		
		2020	**2019**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	(50%)	(43%)	EBITDA margin declined in 2020 as compared to the same period in 2019 primarily because of lower revenues due to the imposition of ECQ and GCQ in areas were the schools of the Group are situated.
Gross profit margin	Gross profit divided by total revenues	(7%)	14%	Gross profit margin decreased due to the reason cited above.

		Three-month period ended June 30		
		2020	**2019**	**Remarks**
Return on equity	Net income (loss) attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent company	(15%)	(15%)	Return on equity was flat since the lower revenues as discussed above were partially offset by reduction in expenses.
Debt service cover ratio	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.61	1.45	Debt service cover ratio has been compliant with the minimum set by management, the lending bank and STI ESG Bondholders. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.89	0.68	Debt-to-equity ratio increased due to loan drawdowns made by STI ESG from its Term Loan Facility.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents decreased by 5% or ₱33.5 million, net of cash generated from operations, from ₱617.7 million to ₱584.2 million as at March 31, 2020 and June 20, 2020, respectively due to payments made to contractor and suppliers for the construction of STI Academic Center in Legazpi City, lease obligations, and interest on bonds of STI ESG.

Receivables decreased by ₱146.7 million, from ₱636.7 million to ₱490.0 million as at March 31, 2020 and June 30, 2020, respectively, due to the collection of receivables from the DepEd. Outstanding receivables from DepEd for the SHS qualified voucher recipients is ₱37.0 million as at June 30, 2020, showing a collection of ₱138.1 million from ₱175.1 million, as at March 31, 2020.

Prepaid expenses decreased by ₱9.3 million or 18% from ₱55.2 million to ₱45.9 million as at June 30, 2020, mainly due to a decline in STI ESG's Input VAT, prepaid taxes, and prepaid subscriptions and licenses. The decline in input VAT represents the amount claimed as deduction from the output VAT due for the three-month period ended June 30, 2020 while the decrease in prepaid taxes, subscriptions, and licenses represents prepayments charged to expense for the three-month period ended June 30, 2020.

The noncurrent asset held for sale as at June 30, 2020 amounted to ₱419.1 million, representing the carrying value of STI ESG's 20% ownership in Maestro Holdings. The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare), and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) approved the disposal of this 20% stake in Maestro Holdings. As such, said investment account was reclassified from noncurrent to a current asset. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell. Since then, management had discussions with potential buyers but no final agreements were reached. For the year ended March 31, 2020, STI ESG has recognized a provision for impairment of its investment in Maestro Holdings amounting to ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed-income securities and pre-need reserves of PhilPlans and discounted cash flows from the financial budget covering five years approved by management of PhilLife and PhilCare. No provision for impairment has been recognized for the three-month periods ended June 30, 2020 and 2019. On September 24, 2020, STI ESG's BOD has approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

Accounts payable and other current liabilities increased by ₱59.3 million or 11%, largely due to outstanding rent, utilities, and interest payables as at June 30, 2020.

Unearned tuition and other school fees decreased substantially by ₱81.5 million, net of advance payments received for SY 2020-2021, from ₱195.0 million as at March 31, 2020 to ₱113.5 million as at June 30, 2020 representing tuition and other school fees recognized as revenues during the three-month period ended June 30, 2020.

The current portion and noncurrent portion of lease liability amounted to ₱59.8 million and ₱324.0 million, respectively, as at June 30, 2020 and ₱66.1 million and ₱329.8 million, respectively, as at March 31, 2020. The decrease in current portion represents the amount paid for the three-month period ended June 30, 2020 while the decrease in the noncurrent portion of lease liability represents the amount reclassified to the current portion and is due for payment within one year from the report date. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Income tax payable amounted to ₱2.6 million representing income tax due on the taxable income as at June 30, 2020.

Interest-bearing loans and borrowings, net of the current portion, increased by ₱0.4 million from ₱914.3 million to ₱914.7 million as at March 31, 2020 and June 30, 2020, respectively, representing amortization of the deferred finance cost for the three-month period ended June 30, 2020.

STI ESG listed its 3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) the secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day, of each year commencing on June 23, 2017, until and including the relevant maturity date. The Bonds Payable is carried in the books at ₱ 2,966.1 million and ₱2,964.4 million as at June 30, 2020 and March 31, 2020, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱33.9 million and ₱35.6 million, as at June 30, 2020 and March 31, 2020, respectively.

Pension liabilities increased by ₱10.4 million from ₱56.1 million to ₱66.5 million as at March 31, 2020 and June 30, 2020, respectively, substantially representing additional retirement obligations and cumulative actuarial loss on pension assets recognized by the Group for the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₱18.4 million from ₱71.5 million to ₱53.1 million due to reclassification from noncurrent to the current portion of advance rent/rental deposits aggregating to ₱13.6 million. The amount represents the advances/deposits for lease agreements with remaining terms of one year or less.

Retained earnings decreased by ₱214.7 million from ₱2,572.2 million to ₱2,357.5 million, representing net loss recognized for the three-month period ended June 30, 2020.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

STI ESG posted gross revenues amounting to ₱111.7 million for the three-month period ended June 30, 2020 compared to ₱227.4 million of the same period last year or a decline of ₱ 115.7 million.

Tuition and other school fees amounted to ₱82.2 million for the year ended June 30, 2020, a decline of ₱16.0 million or 16% from the same period last year due to the imposition of ECQ in certain parts of the country and GCQ in most parts, which started on March 17, 2020 to date. STI ESG started online classes in May, in efforts to complete the SY 2019-2020. The SY2019-2020 was completed by STI ESG on July 30, 2020. The revenue stream of the Group, which has been mainly from tuition and other school fees, have been recognized as income over the corresponding school term to which they pertain. For SY 2020-2021, STI ESG has started its classes on September 7, 2020. Accordingly, revenues related to the current year's enrollment would be recognized beginning September 2020 compared to last year when revenues from tuition and other school fees were recognized beginning June 2019.

Revenues from educational services and royalty fees decreased by ₱18.9 million or 47% and ₱1.4 million or 42%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies went down from ₱71.4 million to ₱76.5 thousand quarter-on-quarter due to the shift in the start of the school calendar and the effect of transition from face-to-face learning to online-learning brought by the COVID-19 pandemic. The cost of educational materials and supplies sold likewise decreased, concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is lower by ₱21.1 million or 15% from ₱140.2 million to ₱119.1 million for the years ended June 30, 2019, and 2020, respectively. Instructors' salaries and benefits decreased by ₱10.3 million for the same reasons discussed above. Rent expense attributed to the direct expense portion decreased by ₱15.0 million due to the adoption of PFRS 16. Depreciation expense increased by ₱12.1 million, from ₱59.2 million to ₱71.3 million, as at June 30, 2019 and 2020, respectively, primarily due to depreciation expense recognized on the ROU assets, which were recognized in relation to the adoption of PFRS 16. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets and recognized ROU assets for these leases previously classified as an operating lease. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. STI ESG's enrolment system is fully depreciated as of the end of May 2019, thus the decline in the amortization of intangible assets by ₱1.6 million. The direct portion of depreciation expense of ROUs amounting to ₱10.6 million was recognized for the three-month period ended June 30, 2020. Other direct expenses likewise decreased by ₱5.0 million substantially because of the shift in the school calendar of the Group.

General and administrative expenses decreased by ₱82.0 million from ₱264.5 million to ₱182.5 million for the three-month periods ended June 30, 2019, and 2020, respectively. Salaries and benefits are lower by ₱12.0 million for the three-month period ended June 30, 2020 compared to same period last year. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only skeletal workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraces work-from-home arrangements to the furthest extent possible. Similarly, the costs of external services, particularly janitorial services, decreased by ₱9.0 million. Meanwhile, light and water expenses registered an improvement aggregating to ₱11.6 million compared to ₱23.5 million of the same period last year. The operating expense portion of Rent expense decreased by ₱7.2 million, due to the adoption of PFRS 16. Depreciation expense increase by ₱6.9 million due to depreciation expense recognized for the recently completed buildings and the depreciation on the ROU assets, which were recognized in relation to the adoption of PFRS 16. The Group recognized a provision for ECL amounting to ₱2.0 million from the three-month period ended June 30, 2020. This is lower by ₱7.1 million compared to ₱9.1 million for the three-month period ended June 30, 2019. The Group recognized estimated credit loss (ECL) based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students pertaining to the receivables pertaining to SY 2019-2020. The largest decline in the operating expenses was due to the lower advertising and promotions expenses. For the three-month period ended June 30, 2019, the Group recognized advertising and promotions expense amounting to ₱33.8 million. The marketing activities and programs for SY 2019-2020 coincided with the three-month period ended June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, most marketing activities happened subsequent to June 30, 2020 report date. The decline in all other operating expenses resulted in the Group's reduction of business expenses.

The Group posted an operating loss of ₱189.9 million for the three-month ended June 30, 2020, compared to the operating loss of ₱233.7 million for the same period last year, an improvement of ₱43.8 million substantially due to lower expenses.

Equity in net losses of associates increased by ₱1.3 million from ₱0.5 million to ₱1.8 million for the three-month ended June 30, 2019 and 2020, respectively, representing a share in the net losses of STI ESG's associates for the three-month period ended June 30, 2020.

Interest expenses increased by ₱15.9 million, from ₱56.5 million to ₱72.4 million representing interest expense on STI ESG's loan drawdown from the seven-year term loan facility with China Bank aggregating to ₱800.0 million with interest rates ranging from 5.81% to 6.31%. The proceeds from these loans were used for payment to contractors and working capital requirements.

Interest income decreased from ₱1.3 million to ₱1.0 million for the three-month ended June 30, 2020, due to the utilization of available cash balance to pay the obligations of STI ESG.

Rental income increased by ₱3.1 million from ₱27.2 million to ₱30.3 million for the three-month ended June 30, 2020, attributed to the renewal of leases on STI ESG's investment properties.

Benefit from income tax amounting to ₱15.9 million was recognized for the three-month period ended June 30, 2020 largely attributed to the net operating loss carry over recognized by STI ESG.

STI ESG reported a net loss of ₱216.8 million for the three-month period ended June 30, 2020, compared to net loss amounting to ₱239.6 million for the same period last year. This is attributed to lower cost and expenses for the three-month period ended June 30, 2020.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to negative ₱0.3 million for the three-month ended June 30, 2020, compared from last year's negative ₱0.2 million. These represent fair value adjustments in the market value of the quoted equity shares held by STI ESG.

STI ESG recognized remeasurement losses amounted to ₱6.8 million and ₱61.5 thousand, net of applicable taxes, for the three-month ended June 30, 2020 and 2019, respectively, due to the decline in the market value of the investment in equity securities of the pension plan assets.

Total comprehensive loss for the three-month ended June 30, 2020 amounted to ₱224.0 million compared to total comprehensive loss of ₱239.8 million for the three-month ended June 30, 2019, driven primarily by the lower revenues due to the imposition of ECQ and GCQ in areas were the schools of the Group are situated. This was partially offset by the reduction in expenses.

EBITDA amounted to negative ₱97.1 million to negative ₱56.0 million for the three-month ended June 30, 2020. EBITDA margin for June 30, 2020, is negative 50%, compared to negative 43% of June 30, 2019.

Core income, computed as the consolidated income after tax derived from the Group's main business of education and other recurring income, amounted to negative ₱215.1 million as at June 30, 2020.

<u>Financial Risk Disclosure</u>

The Group's present activities expose it to liquidity risk, credit risk, interest rate risk, and capital risk.

<u>Liquidity risk</u> –

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio (DSCR) is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its DSCR to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the DSCR not lower than 1.05:1.00. Related events due to the outbreak and the economic effects of COVID 19 are discussed in Note 39 of the Notes to the Audited Consolidated Financial Statements as at and for the year ending March 31, 2020 attached as part of "Annex A".

As at June 30, 2020 and June 30, 2019, the Group's debt service cover ratio is 1.62:1.00 and 1:45:1.00, respectively.

<u>Credit risk</u> – Credit risk is the risk that the Group will incur a loss arising from students, franchisees, or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for each counterparty and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

<u>Interest rate risk</u> - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

<u>Capital Risk</u>- The Group's objectives when managing capital is to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and adjusts it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

The Group monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition, and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender bank, and STI ESG's bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at June 30, 2020 and June 30, 2019, the Group's debt-to-equity ratio is 0.89:1.00 and 0.68:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

a. There are no changes in accounting estimates used in the preparation of the audited consolidated financial statements for the current and prior financial periods.

b. Except as provided in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A," the Group has no other financial and capital commitments.

c. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of STI ESG.

d. There are no known trends, demands, commitments, events or uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 33 of the Notes to Consolidated Financial Statements attached as part of "Annex A."

e. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

f. The various loan agreements entered into by STI ESG, and the issuance of fixed-rate bonds provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective loan agreements. See Notes 17, 18, and 34 of the Notes to Audited Consolidated Financial Statements of the Company attached as part of "Annex A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

g. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues/sales/income from continuing operations except for the contingencies and commitments enumerated in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A"

h. There are no significant elements of income or loss that did not arise from the Group's continuing operations.

i. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, traditionally starts in the month of June and ends in the month of March, except when STI ESG accepted a second batch of college freshmen enrollees for SY2018-2019 which began in August 2018 and ended in May 2019. For SY 2019-2020, STI ESG started the school calendar of tertiary students in mid-July 2019 with the school year ending in April 2020 while classes for the basic education and SHS still start in June with the school year ending in March 2020. With the imposition of ECQ and GCQ in certain areas around the country, as discussed in Note 39 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A", the schools in the Group started online classes to complete the SY 2019-2020. This school year has been completed by the end of July 2020. For SY 2020-2021, STI ESG has started classes in September 2020 with classes in all schools ending by June of the following year.

The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, as it has been in its old fiscal year and even with its new fiscal year, as discussed in Note 1 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A", the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

j. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 18 of the Audited Consolidated Financial Statements).

k. On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

   The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017, and cash payments by the Joint Venture Parties.

   The equity sharing in the Joint Venture Company will be 60%, 25%, and 15% for STI ESG, TTC, and Injap, respectively.

   On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares have a par value of ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017, based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

On January 24, 2018, STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495.0 per share for a total of ₱17.3 million.

On February 26, 2018, STI Tanauan applied with the SEC to increase its authorized capital stock from ₱1.0 million to ₱75.0 million.

On March 2, 2018, the SEC approved the increase and issued the Certificate of Approval on the Increase of Capital Stock.

On March 3, 2018, STI Tanauan issued to STI ESG stock dividends of 150,000 shares and 35,000 shares as subscribed by the latter (see Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Annex A").

l. On December 17, 2018, the CHED, UniFAST, and STI ESG signed a memorandum of agreement to avail of the TES and SLP for its students under the UAQTEA and its IRR. Republic Act No. 10931 or the UAQTEA and its IRR provide, among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is 40,000. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60,000. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively.

m. On February 15, 2019, STI ESG and the shareholders of NAMEI Polytechnic Institute, Inc. and NAMEI Polytechnic Institute of Mandaluyong, Inc. (collectively referred to as "NAMEI"), entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with a par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million, which was held in escrow with a law firm. This amount was treated as part of the purchase price at the closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as a deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses to be incurred under the agreement. In relation to this, STI ESG recognized ₱70.0 million as a deposit for the purchase of shares of NAMEI. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI, transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI became a subsidiary of STI ESG effective April 1, 2019. The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report of the fair value of these assets and liabilities at the time of acquisition resulting in goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset, for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represents the fair value of the license and agreements. Deferred tax liability (DTL) amounting to ₱2.8 million is calculated based on the estimated fair value of the license to operate a maritime school, its related agreements and a 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values.

n. On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. This availability period was subsequently extended up to July 31, 2020 upon execution of an amendment dated July 3, 2020. The proceeds of this loan have been used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. As at September 24, 2020, STI ESG has fully drawn the amount provided in the credit facility.

o. On June 23, 2020, STI ESG requested China Bank for waivers on certain covenants in connection with its availment of the Land Bank of the Philippines (LandBank) **AC**cess to **A**cademic **D**evelopment to **E**mpower the **M**asses towards **E**ndless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

   Further, China Bank approved the temporary waiver of the DSCR requirement covering the period ending September 30, 2020 and March 31, 2021.

p. On July 3, 2020, STI ESG and China Bank executed the amendment to the Term Loan Agreement dated May 7, 2019, to amend the availability period of the Term Loan Facility. The Term Loan Facility shall be available to the Borrower on any Business day for the period beginning on the date of this Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with this Agreement. Any amount undrawn at the end of the Availability Period shall be automatically canceled and may not be reinstated. On July 3, 2020 and July 30, 2020, STI ESG made drawdowns aggregating to ₱400.0 million from this Term Loan Facility. As at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million.

q. On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the holders of the Bonds (the "Record Bondholders") to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of Land Bank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02 (f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the Debt Service Coverage Ratio up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as at August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

  (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows:

  "directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:

"incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

(c) Section 7.02(f) of the Trust Agreement is hereby amended to read as follows:

"assign, transfer or otherwise convey any right to receive any of its income or revenues unless in the ordinary course of business, or unless otherwise required by applicable law, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to Debt Service Coverage Ratio Waiver

Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

(k) maintain and observe the following financial ratios:

(i) a Debt Service Coverage Ratio of not less than 1.05:1, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

r. On July 24, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a Refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed 3 years. The promissory notes to be issued by the parents/benefactors/students are interest free.

This ₱250-million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with Landbank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank.

s. For SY 2019-2020, school calendar for tertiary students is from July 2019 to April 2020. Classes of tertiary students was suspended since the implementation of the Enhanced Community Quarantine (ECQ) in March 2020. Online classes of those who opted online and offline studies resumed beginning 3rd week of May 2020 and were completed as at July 30, 2020. For SY 2020-2021, STI ESG is introducing the ONline and ONsite Education (ONE) at STI. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. Onsite refers to school activities to be conducted on-campus. Onsite activities shall follow the latest regulations issued by the IATF, DepEd for SHS, and CHED for College. In the event that onsite activities are prohibited by a government agency, activities or modules shall be delivered 100% online until onsite sessions are allowed.

Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruptions, government regulations and other COVID-19 consequences.

t. On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30	
	2020 (Audited)	2019 (Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱82,174,375**	₱98,145,905
Educational services	**21,182,148**	40,066,908
Royalty fees	**1,963,548**	3,394,691
Others	**6,339,507**	14,451,080
Sale of goods:		
Sale of educational materials and supplies	**76,549**	71,367,185
	111,736,127	227,425,769
COSTS AND EXPENSES		
Cost of educational services (Note 22)	**119,108,347**	140,182,582
Cost of educational materials and supplies sold (Note 23)	**55,497**	56,460,490
General and administrative expenses (Note 24)	**182,473,657**	264,486,530
	301,637,501	461,129,602
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(189,901,374)**	(233,703,833)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 16, 17, 21 and 27)	**(72,367,239)**	(56,492,264)
Rental income (Note 27)	**30,341,265**	27,197,392
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**(1,738,119)**	(460,292)
Gain on disposal of net assets (Note 8)	**–**	4,365,123
Interest income (Notes 4, 5 and 21)	**956,490**	1,321,254
	(42,852,603)	(24,068,787)
LOSS BEFORE INCOME TAX	**(232,753,977)**	(257,772,620)
BENEFIT FROM INCOME TAX (Note 28)		
Current	**–**	(11,859,963)
Deferred	**(15,907,041)**	(6,301,816)
	(15,907,041)	(18,161,779)
NET LOSS *(Carried forward)*	**(216,846,936)**	(239,610,841)

	Three months ended June 30	
	2020 (Audited)	2019 (Unaudited)
NET LOSS *(Brought Forward)*	**(₱216,846,936)**	(₱239,610,841)
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss in pension liability (Note 27)	**(7,552,038)**	(68,326)
Tax effect on remeasurement loss in pension liability (Note 29)	**755,204**	6,833
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**(338,064)**	(168,160)
Share in associates' remeasurement gain on pension liabilities (Note 12)	**3,168**	–
Share in associates' fair value adjustment on equity instruments designated at FVOCI (Note 12)	**(461)**	2,139
	(7,132,191)	(227,514)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(7,132,191)**	(227,514)
TOTAL COMPREHENSIVE LOSS	**(₱223,979,127)**	(₱239,838,355)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱214,665,165)**	(₱236,409,467)
Non-controlling interests	**(2,181,771)**	(3,201,374)
	(₱216,846,936)	(₱239,610,841)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱221,797,356)**	(₱236,636,981)
Non-controlling interests	**(2,181,771)**	(3,201,374)
	(₱223,979,127)	(₱239,838,355)
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 31)	**(₱0.07)**	(₱0.08)

See accompanying Notes to the Consolidated Financial Statements.

Cost of Educational Services

This account consists of:

	Three months ended June 30	
	2020	2019
	(Audited)	(Unaudited)
Depreciation and amortization	**₱71,329,323**	₱60,838,069
Faculty salaries and benefits	**31,471,978**	42,007,458
Student activities and programs	**5,783,178**	10,131,220
Rental	**5,917,068**	20,955,118
School materials and supplies	**948,715**	2,838,116
Software maintenance	**2,478,827**	2,784,302
Courseware development costs	**1,017,868**	43,090
Others	**161,390**	585,209
	₱119,108,347	₱140,182,582

Cost of Educational Materials and Supplies Sold

This account consists of:

	Three months ended June 30	
	2020	2019
	(Audited)	(Unaudited)
Educational materials and supplies	**₱33,251**	₱54,604,149
Promotional materials	**22,246**	1,692,361
Others	**-**	163,980
	₱55,497	₱56,460,490

General and Administrative Expenses

This account consists of:

	Three months ended June 30	
	2020	2019
	(Audited)	(Unaudited)
Salaries, wages and benefits	**₱54,358,184**	₱66,655,022
Depreciation and amortization	**55,543,934**	48,582,082
Professional fees	**17,243,411**	14,643,660
Outside services	**13,445,748**	22,484,876
Light and water	**11,881,292**	23,524,404
Taxes and licenses	**7,011,092**	10,913,465
Transportation	**3,513,839**	5,528,939
Insurance	**3,189,077**	3,274,163
Meetings and conferences	**2,897,120**	3,497,459
Rental	**2,604,485**	9,762,710
Entertainment, amusement and recreation	**2,592,238**	2,450,811
Provision for expected credit losses	**2,010,918**	9,050,105

Forward

Communication	**1,711,869**	1,890,831
Office supplies	**1,255,917**	1,959,591
Repairs and maintenance	**926,852**	3,112,143
Software maintenance	**717,733**	764,112
Association dues	**86,658**	80,266
Advertising and promotions	**–**	33,783,999
Others	**1,483,290**	2,527,892
	₱182,473,657	₱264,486,530

Financial Highlights and Key Performance Indicators
(in millions except margins, financial ratios and earnings per share)

	June 30, 2020 (Audited)	March 31, 2020 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,227.9	₱11,492.4	(₱264.5)	(2)
Current assets	1,672.3	1,861.0	(188.7)	(10)
Cash and cash equivalents	584.2	617.7	(33.5)	(5)
Equity attributable to equity holders of the parent company	5,885.6	6,107.4	(221.8)	(4)
Total liabilities	5,339.4	5,379.9	(40.5)	(1)
Current liabilities	1,014.9	1,043.7	(28.8)	(3)
Financial Ratios				
Debt to equity ratio [(1)]	0.89	0.85	0.04	5
Current ratio [(2)]	1.65	1.78	(0.13)	(7)
Asset to equity ratio [(3)]	1.91	1.88	0.03	2

	Three months ended June 30 2020 (Audited)	2019 (Unaudited)	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	₱111.7	₱227.4	(₱115.7)	(51)
Direct costs [(4)]	119.2	196.6	(77.4)	(39)
Gross profit (loss)	(7.5)	30.8	(38.3)	(124)
Operating expenses	182.5	264.5	(82.0)	(31)
Operating profit (loss)	(190.0)	(233.7)	43.7	(19)
Other income (expenses)	(42.9)	(24.1)	(18.8)	78

Income (loss) before income tax	(232.9)	(257.8)	24.9	(10)
Net income (loss)	(216.8)	(239.6)	22.8	(10)
EBITDA (5)	(56.0)	(97.1)	41.1	(42)
Core Income (6)	(215.1)	(238.7)	23.6	(10)
Net income (loss) attributable to equity holders of the parent company	(214.7)	(236.4)	21.7	(9)
Earnings (loss) per share (7)	(0.070)	(0.077)	-	-

Consolidated Condensed Statements of Cash Flows

Net cash from (used in) operating activities	₱67.6	₱271.5	(₱203.9)	(75)
Net cash used in investing activities	(35.9)	(55.7)	19.8	(36)
Net cash used in financing activities	(65.3)	(47.5)	(17.8)	37

Financial Soundness Indicators

	Three months ended June 30		Increase (Decrease)	
	2020 (Audited)	2019 (Unaudited)	Amount	%
Liquidity Ratios				
Current ratio (2)	1.65	1.32	0.33	25
Quick ratio (8)	1.06	0.76	0.30	39
Cash ratio (9)	0.58	0.34	0.24	71
Solvency ratios				
Debt to equity ratio (1)	0.89	0.68	0.21	31
Asset to equity ratio (3)	1.91	1.81	0.10	6
Debt service coverage ratio (10)	1.62	1.45	0.17	12
Interest coverage ratio (11)	(2.22)	(3.56)	1.34	(38)
Profitability ratios				
EBITDA margin (12)	-50%	-43%	(7.0)	16
Gross profit margin (13)	-7%	14%	(21.0)	(150)
Operating profit margin (14)	-170%	-103%	(67.0)	65
Net profit margin (15)	-194%	-105%	(102.0)	97
Return on equity annualized(16)	-14%	-15%	1.0	(7)
Return on assets(17)	-8%	-8%	-	-

[1] *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

[2] *Current ratio is measured as current assets divided by current liabilities.*

[3] *Asset to equity ratio is measured as total assets divided by total equity.*

[4] *Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.*

[5] *EBITDA is net income (loss) excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains/losses such as gain on sale of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.*

[6] *Core income is computed as consolidated net income (loss) after tax derived from the Group's main business – education and other recurring income.*

[7] *Earnings per share is measured as net income (loss) attributable to equity holders of the Parent company divided by the weighted average number of outstanding common shares*

[8] *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

[9] *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

[10] *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months.*

[11] *Interest coverage ratio is measured as net income (loss) before income tax and interest expense divided by interest expense.*

[12] *EBITDA margin is measured as EBITDA divided by total revenues.*

[13] *Gross profit (loss) margin is measured as gross profit (loss) divided by total revenues.*

[14] *Operating profit (loss) margin is measured as operating profit (loss) divided by total revenues.*

[15] *Net profit (loss) margin is measured as net income (loss) after income tax divided by total revenues.*

[16] *Return on equity is measured as net income (loss) attributable to equity holders of the parent Company [annualized] divided by average equity attributable to equity holders of the parent company.*

[17] *Return on assets is measured as net income (loss) divided by average total assets.*