SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

   Jun 30, 2020

2. SEC Identification Number

   1746

3. BIR Tax Identification No.

   000-126-853-000

4. Exact name of issuer as specified in its charter

   STI Education Systems Holdings, 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

   7th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City
   Postal Code
   1226

8. Issuer's telephone number, including area code

   632 8844-9553

9. Former name or former address, and former fiscal year, if changed since last report

   7th Floor iACADEMY Building, 6764 Ayala Avenue, Makati City/March 31

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	9,904,806,924

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   Philippine Stock Exchange

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days

☑ Yes ☐ No

STI EDUCATION SYSTEMS HOLDINGS

STI Education Systems Holdings, Inc.

STI

PSE Disclosure Form 17-2 - Quarterly Report

References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Jun 30, 2020
Currency (indicate units, if applicable)	Philippine Pesos

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2020	Mar 31, 2020
Current Assets	2,022,063,770	2,244,465,346
Total Assets	14,830,315,630	15,159,174,612
Current Liabilities	1,429,863,682	1,518,596,180
Total Liabilities	6,732,364,561	6,832,699,463
Retained Earnings/(Deficit)	4,006,680,084	4,227,039,845
Stockholders' Equity	8,097,951,069	8,326,475,149
Stockholders' Equity - Parent	8,015,358,713	8,242,704,197
Book Value per Share	0.82	0.84

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	196,887,727	343,039,396	196,887,727	343,039,396
Gross Expense	399,253,280	574,599,671	399,253,280	574,599,671

Non-Operating Income	50,366,688	40,020,344	50,366,688	40,020,344
Non-Operating Expense	85,804,212	73,439,016	85,804,212	73,439,016
Income/(Loss) Before Tax	-237,803,077	-264,978,947	-237,803,077	-264,978,947
Income Tax Expense	-16,360,328	-18,608,243	-16,360,328	-18,608,243
Net Income/(Loss) After Tax	-221,442,749	-246,370,704	-221,442,749	-246,370,704
Net Income Attributable to Parent Equity Holder	-220,359,761	-240,001,441	-220,359,761	-240,001,441
Earnings/(Loss) Per Share (Basic)	-0.02	-0.02	-0.02	-0.02
Earnings/(Loss) Per Share (Diluted)	-0.02	-0.02	-0.02	-0.02

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.01	0.01
Earnings/(Loss) Per Share (Diluted)	-0.01	0.01

Other Relevant Information

The change of the fiscal year of STI Holdings (the “Company”) from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year was approved by the Securities and Exchange Commission (“SEC”) on January 29, 2020 and by the Bureau of Internal Revenue (BIR) on July 13, 2020. In instances like this, the BIR requires the entity changing its fiscal year to submit short-period Audited Financial Statements, together with the Income Tax Return corresponding to the same period, as transition to the start of the new fiscal year. In the case of STI Holdings, the short period covers April 1, 2020 to June 30, 2020 since the new fiscal year starts on July 1, 2020. STI Holdings opted to submit the Consolidated Audited Financial Statements to the SEC since the same are available. These Audited Consolidated Financial Statements will also provide more information to the stakeholders.

Filed on behalf by:

Name	Elizabeth Guerrero
Designation	Member & Alternate Corporate Information Officer

COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

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

06	30	SEC FORM 17-Q For the Quarter ended 30 June 2020	Third Friday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

N A

Secondary License Type, If Applicable

CFD	AOI - Art. III; By-Laws - Art. II, Art. VI, Sec. 6 and Art. VII
Dept. Requiring this Doc.	Amended Articles Number/Section

Total Amount of Borrowings

1266	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 June 2020**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	____________________
7.	Address of Philippine Office	**7/F STI Holdings Center** **6764 Ayala Avenue** **Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 8844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	**JTH DAVIES HOLDINGS, INC.** 7th Floor **iACADEMY Building, March 31** 6764 Ayala Avenue, Makati City 1226

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

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

---

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

9,904,806,924 – LISTED SHARES

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

Yes [x]   No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

Registrant **STI EDUCATION SYSTEMS HOLDINGS, INC.**

Signature and Title **YOLANDA M. BAUTISTA**
Treasurer and CFO

Date: October 01, 2020

Signature and Title **MONICO V. JACOB**
President and CEO

Date : October 01, 2020

Annex A

C O V E R   S H E E T

SEC Registration Number

0	0	0	0	0	0	0	1	7	4	6

STI EDUCATION SYSTEMS HOLDINGS INC. AND SUBSIDIARIES

(Company's Full Name)

7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City

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

ARSENIO C. CABRERA JR.

Contact Person

(632) 8844 9553

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

Third Friday of November

Month *Day*
Annual Meeting

N/A

Secondary License Type, If Applicable

CFD

Dept. Requiring this Doc.

AOI - Art. III; By-Laws - Art. II, Art. VI, Sec. 6 and Art. VII

Amended Article Number/Section

Total Amount of Borrowings

1266

Total No. of Stockholders

N/A	**N/A**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, 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.

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUTISTA
Treasurer and Chief Financial Officer

Signed this ___th day of 01 OCT 2020 2020

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

SUBSCRIBED AND SWORN to me this 01 OCT 2020 day of ________, 2020 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS Numbers as follows:

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

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Page No. 8
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,
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

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

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

BOA/PRC Reg. No. 0001,
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 Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

Opinion

We have audited the consolidated financial statements of STI Education Systems Holdings, 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 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 three-month period ended June 30, 2020 and 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.

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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 ₱6.3 million.

The disclosures on the allowance for credit losses are included in Notes 5 and 7 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 5 and 10 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 ₱245.4 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 5 and 16 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.

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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.

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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 SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 (Note 2)	March 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱836,213,825**	₱886,667,588
Receivables (Note 7)	**554,969,383**	722,245,635
Inventories (Note 8)	**140,403,037**	140,093,475
Prepaid expenses and other current assets (Notes 9, 28 and 29)	**71,361,631**	76,342,754
	1,602,947,876	1,825,349,452
Noncurrent asset held for sale (Notes 10 and 13)	**419,115,894**	419,115,894
Total Current Assets	**2,022,063,770**	2,244,465,346
Noncurrent Assets		
Property and equipment (Notes 11 and 29)	**10,113,637,364**	10,226,182,267
Investment properties (Note 12)	**1,910,745,064**	1,921,768,000
Investments in and advances to associates and joint ventures (Notes 13 and 14)	**43,336,665**	44,697,932
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15)	**67,978,508**	68,325,702
Deferred tax assets - net (Note 30)	**77,451,251**	60,386,308
Goodwill, intangible and other noncurrent assets (Note 16 and 29)	**595,103,008**	593,349,057
Total Noncurrent Assets	**12,808,251,860**	12,914,709,266
TOTAL ASSETS	**₱14,830,315,630**	₱15,159,174,612
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 1 and 17)	**₱814,393,735**	₱733,946,282
Current portion of interest-bearing loans and borrowings (Note 18)	**358,566,076**	358,550,269
Unearned tuition and other school fees (Note 22)	**157,778,412**	325,739,460
Current portion of lease liabilities (Notes 2 and 29)	**90,805,276**	91,748,409
Income tax payable	**8,320,183**	8,611,760
Total Current Liabilities	**1,429,863,682**	1,518,596,180
Noncurrent Liabilities		
Bonds payable (Note 19)	**2,966,097,772**	2,964,418,162
Interest-bearing loans and borrowings - net of current portion (Note 18)	**1,432,045,165**	1,431,473,032
Lease liabilities - net of current portion (Note 29)	**461,785,015**	471,055,551
Pension liabilities - net (Note 28)	**115,402,841**	103,412,283
Deferred tax liabilities - net (Notes 30)	**233,671,096**	233,868,870
Other noncurrent liabilities (Note 20)	**93,498,990**	109,875,385
Total Noncurrent Liabilities	**5,302,500,879**	5,314,103,283
Total Liabilities (Carried Forward)	**6,732,364,561**	6,832,699,463

(Forward)

	June 30, 2020 (Note 2)	March 31, 2020
Total Liabilities (Brought Forward)	**₱6,732,364,561**	₱6,832,699,463
Equity Attributable to Equity Holders of the Parent Company (Note 21)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**3,803,874**	10,446,933
Fair value change in equity instruments at FVOCI (Note 15)	**10,998,066**	11,340,730
Other equity reserve (Note 3)	**(1,670,477,910)**	(1,670,477,910)
Other comprehensive income associated with noncurrent asset held for sale (Notes 10 and 13)	**90,645,302**	90,645,302
Share in associates':		
Cumulative actuarial gain (Note 13)	**321,569**	321,569
Fair value change in equity instruments designated at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**4,006,680,084**	4,227,039,845
Total Equity Attributable to Equity Holders of the Parent Company	**8,015,358,713**	8,242,704,197
Equity Attributable to Non-controlling Interests	**82,592,356**	83,770,952
Total Equity	**8,097,951,069**	8,326,475,149
TOTAL LIABILITIES AND EQUITY	**₱14,830,315,630**	₱15,159,174,612

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND 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 22)			
Sale of services:			
Tuition and other school fees	**₱165,626,597**	₱2,303,456,918	₱2,346,326,130
Educational services	**21,182,148**	140,705,289	166,922,124
Royalty fees	**1,963,548**	12,950,012	15,717,540
Others	**7,117,304**	67,756,284	62,991,152
Sale of educational materials and supplies	**998,130**	149,755,626	160,629,516
	196,887,727	2,674,624,129	2,752,586,462
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**166,238,586**	948,455,383	927,061,275
Cost of educational materials and supplies sold (Note 25)	**464,529**	113,103,596	120,584,389
General and administrative expenses (Note 26)	**232,550,165**	1,299,023,487	1,308,511,642
	399,253,280	2,360,582,466	2,356,157,306
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(202,365,553)**	314,041,663	396,429,156
OTHER INCOME (EXPENSES)			
Interest expense (Note 23)	**(84,442,945)**	(340,079,069)	(228,817,821)
Rental income (Notes 12, 29 and 31)	**48,410,966**	180,402,409	126,584,078
Interest income (Note 23)	**1,949,082**	13,014,317	21,114,324
Equity in net earnings (losses) of associates and joint ventures (Note 13)	**(1,361,267)**	733,464	3,190,368
Dividend and other income (Note 15)	**6,640**	1,773,661	7,556,194
Provision for impairment of noncurrent asset held for sale (Note 10)	**–**	(297,470,664)	–
Gain on:			
Disposal of net assets (Note 10)	**–**	4,365,123	–
Sale of property and equipment	**–**	–	1,021,000
	(35,437,524)	(437,260,759)	(69,351,857)
INCOME (LOSS) BEFORE INCOME TAX	**(237,803,077)**	(123,219,096)	327,077,299
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**154,151**	29,597,064	43,570,914
Deferred	**(16,514,479)**	(5,273,224)	(613,870)
	(16,360,328)	24,323,840	42,957,044
NET INCOME (LOSS) *(Carried Forward)*	**(221,442,749)**	(147,542,936)	284,120,255

	June 30, 2020 (Three Months - Note 2)	March 31, 2020 (One Year)	March 31, 2019 (One Year)
NET INCOME (LOSS) *(Brought Forward)*	**(₱221,442,749)**	(₱147,542,936)	₱284,120,255
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement loss on pension liability (Note 28)	**(7,482,375)**	(11,820,517)	(85,151,601)
Fair value change in equity instruments at FVOCI (Note 15)	**(347,194)**	7,822,494	(230,380)
Share in associates' remeasurement gain on pension liability (Note 13)	**–**	–	105,778
Income tax effect	**748,238**	1,192,304	8,377,962
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(7,081,331)**	(2,805,719)	(76,898,241)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱228,524,080)**	(₱150,348,655)	₱207,222,014
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱220,359,761)**	(₱135,956,820)	₱280,983,764
Non-controlling interests	**(1,082,988)**	(11,586,116)	3,136,491
	(₱221,442,749)	(₱147,542,936)	₱284,120,255
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**(₱227,345,484)**	(₱138,742,954)	₱205,045,242
Non-controlling interests	**(1,178,596)**	(11,605,701)	2,176,772
	(₱228,524,080)	(₱150,348,655)	₱207,222,014
Basic/Diluted Earnings (Losses) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 32)	**(₱0.022)**	(₱0.014)	₱0.028

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND THE YEARS ENDED MARCH 31, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent Company (Note 21)												
	Capital Stock	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary**	**Cumulative Actuarial Gain**	**Fair Value Change in Equity Instruments at FVOCI** (Note 15)	**Other Equity Reserve**	**Other Comprehensive Income Associated with Noncurrent Asset Held for Sale**	**Share in Associates' Cumulative Actuarial Gain (Loss)** (Note 13)	**Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI** (Note 13)	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at April 1, 2020	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱10,446,933**	**₱11,340,730**	**(₱1,670,477,910)**	**₱90,645,302**	**₱321,569**	**(₱114)**	**₱4,227,039,845**	**₱8,242,704,197**	**₱83,770,952**	**₱8,326,475,149**
Net loss	–	–	–	–	–	–	–	–	–	**(220,359,761)**	**(220,359,761)**	**(1,082,988)**	**(221,442,749)**
Otther comprehensive loss	–	–	–	**(6,643,059)**	**(342,664)**	–	–	–	–	–	**(6,985,723)**	**(95,608)**	**(7,081,331)**
Total comprehensive loss	–	–	–	**(6,643,059)**	**(342,664)**	–	–	–	–	**(220,359,761)**	**(227,345,484)**	**(1,178,596)**	**(228,524,080)**
Balance at June 30, 2020	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱3,803,874**	**₱10,998,066**	**(₱1,670,477,910)**	**₱90,645,302**	**₱321,569**	**(₱114)**	**₱4,006,680,084**	**₱8,015,358,713**	**₱82,592,356**	**₱8,097,951,069**

	Equity Attributable to Equity Holders of the Parent Company (Note 21)												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair Value Change in Equity Instruments at FVOCI (Note 15)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 13)	Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI (Note 13)	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2019	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱20,950,751	₱3,623,046	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱4,551,084,145	₱8,569,534,631	₱96,761,222	₱8,666,295,853
Net loss	–	–	–	–	–	–	–	–	–	(135,956,820)	(135,956,820)	(11,586,116)	(147,542,936)
Other comprehensive income (loss)	–	–	–	(10,503,818)	7,717,684	–	–	–	–	–	(2,786,134)	(19,585)	(2,805,719)
Total comprehensive income (loss)	–	–	–	(10,503,818)	7,717,684	–	–	–	–	(135,956,820)	(138,742,954)	(11,605,701)	(150,348,655)
Effect of business combination	–	–	–	–	–	–	–	–	–	–	–	1,090,678	1,090,678
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	–	(188,087,480)	(188,087,480)	–	(188,087,480)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(2,475,247)	(2,475,247)
Balance at March 31, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱10,446,933	₱11,340,730	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱4,227,039,845	₱8,242,704,197	₱83,770,952	₱8,326,475,149

	Equity Attributable to Equity Holders of the Parent Company (Note 21)												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair Value Change in Equity Instruments at FVOCI (Note 15)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 13)	Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI (Note 13)	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at April 1, 2018	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱96,727,608	₱41,024,337	(₱1,667,792,370)	₱90,645,302	₱215,592	(₱114)	₱4,482,257,457	₱8,616,465,654	₱97,059,697	₱8,713,525,351
Net income	–	–	–	–	–	–	–	–	–	280,983,764	280,983,764	3,136,491	284,120,255
Other comprehensive income (loss)	–	–	–	(75,776,857)	(267,642)	–	–	105,977	–	–	(75,938,522)	(959,719)	(76,898,241)
Total comprehensive income (loss)	–	–	–	(75,776,857)	(267,642)	–	–	105,977	–	280,983,764	205,045,242	2,176,772	207,222,014
Effect of merger of subsidiaries (Note 3)	–	–	–	–	–	(2,685,540)	–	–	–	–	(2,685,540)	–	(2,685,540)
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	–	(188,121,784)	(188,121,784)	–	(188,121,784)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(2,475,247)	(2,475,247)
Realized fair value adjustment on equity instruments at FVOCI (Note 15)	–	–	–	–	(37,133,649)	–	–	–	–	37,133,649	–	–	–
Balance at March 31, 2019	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱20,950,751	₱3,623,046	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱4,612,253,086	₱8,630,703,572	₱96,761,222	₱8,727,464,794

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND 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	**(₱237,803,077)**	(₱123,219,096)	₱327,077,299
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12 and 16)	**159,379,244**	641,827,096	468,539,399
Interest expense (Note 23)	**84,442,945**	340,079,069	228,817,821
Net change in pension assets and liabilities (Note 28)	**4,600,580**	15,619,292	3,295,069
Interest income (Notes 23)	**(1,949,082)**	(13,014,317)	(21,114,324)
Equity in net (earnings) losses of associates and joint ventures (Note 13)	**1,361,267**	(733,464)	(3,190,368)
Dividend income (Note 15)	**(6,640)**	(1,773,661)	(7,556,194)
Provision for impairment on:			
Noncurrent asset held for sale (Note 10)	**–**	297,470,664	–
Goodwill (Note 16)	**–**	–	17,035,240
Gain on:			
Disposal of net assets (Note 10)	**–**	(4,365,123)	–
Sale of property and equipment	**–**	–	(1,021,000)
Operating income before working capital changes	**10,025,237**	1,151,890,460	1,011,882,942
Decrease (increase) in:			
Receivables	**85,143,849**	(209,353,955)	(171,774,390)
Inventories	**(309,562)**	17,663,302	(18,692,314)
Prepaid expenses and other current assets	**6,270,506**	10,570,176	31,630,095
Increase (decrease) in:			
Accounts payable and other current liabilities	**53,759,048**	(186,218,330)	(159,567,688)
Unearned tuition and other school fees	**(85,828,643)**	139,190,203	82,511,704
Other noncurrent liabilities	**(16,546,058)**	1,403,124	633,317
Net cash generated from operations	**52,514,377**	925,144,980	776,623,666
Income and other taxes paid	**(1,719,348)**	(20,740,775)	(48,203,560)
Interest received	**1,925,267**	12,922,932	21,026,655
Net cash from operating activities	**52,720,296**	917,327,137	749,446,761
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 3, 11 and 37)	**(33,528,846)**	(429,164,513)	(1,675,879,289)
Equity instruments designated at FVOCI (Note 15)	**–**	(10,000,000)	–
Subsidiary, net of cash acquired (Note 3)	**–**	1,443,724	–
Decrease (increase) in:			
Intangible and other noncurrent assets	**(3,305,141)**	(54,475,213)	48,705,455
Investments in and advances to associates and joint ventures	**–**	–	(88,064,875)
Dividends received	**6,640**	2,584,938	9,350,238
Proceeds from:			
Disposal of net assets (Note 10)	**–**	3,500,000	–
Sale of property and equipment	**–**	–	1,167,000
Sale of equity instruments at FVOCI (Note 15)	**–**	–	57,536,500
Net cash used in investing activities	**(36,827,347)**	(486,111,064)	(1,647,184,971)

(Forward)

	June 30, 2020 (Three Months Note 2)	March 31, 2020 (One Year)	March 31, 2019 (One Year)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	**(₱46,547,477)**	(₱299,730,885)	(₱254,307,928)
Lease liabilities (Note 29)	**(19,794,799)**	(107,361,024)	–
Dividends	**(4,436)**	(186,722,864)	(190,367,531)
Long-term loans (Note 18)	**–**	(519,600,000)	(197,400,000)
Short-term loans (Note 18)	**–**	(468,000,000)	–
Dividends to non-controlling interests (Note 21)	**–**	(2,475,247)	(2,475,247)
Obligations under finance lease (Note 29)	**–**	–	(7,877,299)
Net proceeds from:			
Availment of long-term loans (Note 18)	**–**	794,000,000	470,000,000
Availment of short-term loans (Note 18)	**–**	468,000,000	–
Net cash used in financing activities	**(66,346,712)**	(321,890,020)	(182,428,005)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(50,453,763)**	109,326,053	(1,080,166,215)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**886,667,588**	777,341,535	1,857,507,750
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	**₱836,213,825**	₱886,667,588	₱777,341,535

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

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

STI Holdings' registered office address, which is also its principal place of business is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City 1226.

On September 20, 2019 and December 6, 2019, the Parent Company's Board of Directors ("BOD") and stockholders, respectively, approved the amendments in its Articles of Incorporation and By-Laws, as follows: (1) change in the address of the Parent Company to reflect the change in the name of the building to STI Holdings Center and to state the full address; (2) change of the fiscal year of the Parent Company from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and, (3) change in the date of its Annual Stockholders' meeting from every last Friday of September to every third Friday of November of each year. The SEC approved the amendments on January 29, 2020. The Philipine Bureau of Internal Revenue ("BIR") approved the change of the fiscal year on July 13, 2020.

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

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings' ownership of STI ESG is at 98.7% as at June 30, 2020 and March 31, 2020.

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

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

Other features of the licensing agreements are as follows:

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

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 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 started in June and for the tertiary, classes started in July.

Relevant events after the reporting period are discussed in Note 39.

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 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 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 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 of the Nominations Committee to Corporate Governance Committee; (3) change of the fiscal year from starting on April 1 of each year ending on March 31 of the following year to starting on 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 change in fiscal year 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, Inc. 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, including stewarding and culinary courses.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at June 30, 2020 and March 31, 2020, the Parent Company owns 99.9% of STI WNU.

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

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

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

On September 5, 2019, the BOD of STI WNU approved the amendments in its By-Laws, to wit: (1) change of the fiscal year from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and (2) change in the date of its Annual Stockholders' meeting from the last Saturday of July to the fourth Thursday of November. The amendment of the By-Laws of STI WNU was approved by the SEC on March 5, 2020. On June 26, 2020, the BIR approved STI WNU's application for the change in fiscal year.

In previous years, the school calendar of STI WNU started in June of each year. For SY 2019-2020, classes of the School of Basic Education ("SBE") and SHS started in June while classes of tertiary started in July. Relevant events after the reporting period are discussed in Note 39.

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

iACADEMY is a premier school that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering, game development, film and visual effects, real estate management, data science, cloud computing and accountancy. It also offers SHS. It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings since September 30, 2016. Classes are conducted at iACADEMY Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

On September 7, 2017, the Board of Governors ("BOG") of iACADEMY approved the merger of iACADEMY and Neschester Corporation ("Neschester"), with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was filed with the SEC on January 24, 2018 and was approved on April 10, 2018. In addition, on September 7, 2017, the stockholders and BOG of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million to ₱1,000.0 million. The increase in authorized capital stock was likewise approved by the SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at September 24, 2020, the request is pending with the BIR.

On July 11, 2019 the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change in its principal place of business; (2) amendment of its primary purpose to include [a] the offering of elementary, secondary and tertiary formal education and [b] to establish and provide Technical Vocational Education and Training ("TVET"); (3) change in its fiscal year from starting April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and (4) change in the date of its Annual Stockholders' meeting from every first Tuesday of September to every first Thursday of November. The SEC approved the amendments on January 3, 2020. On March 11, 2020, the BIR approved the change in fiscal year beginning July 1, 2020.

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

Relevant events after the reporting period are discussed in Note 39.

e. Neschester

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

On August 2, 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to 670,000 common shares of stock of Neschester at a subscription price of ₱200.0 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of Neschester totaling 550,000 common shares at an aggregate purchase price of ₱173.2 million. As a result, Neschester became a wholly-owned subsidiary of STI Holdings (see Note 3).

The major asset of Neschester is a parcel of land in Yakal, Makati City. This is now the site of iACADEMY's Nexus campus (see Note 11).

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

f. Attenborough Holdings Corp. ("AHC")

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University ("PWU") and Unlad Resources Development Corporation ("Unlad"). Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 34).

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

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 34).

On September 20, 2019, the BOD and stockholders of AHC approved the amendments in its By-Laws, as follows: (1) change in its fiscal year from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and (2) change in the date of its Annual Stockholders' meeting from every last Thursday of July to every last Thursday of November. The SEC and BIR approved the amendments on January 29, 2020 and June 24, 2020, respectively.

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD of STI Holdings 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 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 the Parent Company'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 SY 2018-2019 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 started 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 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, 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, 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").

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 Group 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 Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The subsidiaries of STI Holdings, 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 ESG	Educational Institution	**99**	–	99	–	99	–
STI WNU	Educational Institution	**99**	–	99	–	99	–
iACADEMY	Educational Institution	**100**	–	100	–	100	–
AHC	Holding Company	**100**	–	100	–	100	–
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	–	**99**	–	99	–	99
STI Caloocan[a]	Educational Institution	–	**99**	–	99	–	99
STI College Batangas, Inc. ("STI Batangas")	Educational Institution	–	**99**	–	99	–	99
STI College Iloilo, Inc. ("STI Iloilo")	Educational Institution	–	**99**	–	99	–	99
STI College Tanauan, Inc. ("STI Tanauan")	Educational Institution	–	**99**	–	99	–	99
STI Lipa, Inc. ("STI Lipa")	Educational Institution	–	**99**	–	99	–	99
STI College Pagadian, Inc. ("STI Pagadian")	Educational Institution	–	**99**	–	99	–	99
STI College Novaliches, Inc. ("STI Novaliches")	Educational Institution	–	**99**	–	99	–	99
STI College of Santa Maria, Inc. ("STI Sta. Maria")	Educational Institution	–	**99**	–	99	–	99
STI Training Academy[b]	Educational Institution	–	**99**	–	99	–	–
NAMEI Polytechnic Institute of Mandaluyong, Inc.[c]	Educational Institution	–	**99**	–	99	–	–
NAMEI Polytechnic Institute, Inc.[c]	Educational Institution	–	**93**	–	93	–	–
De Los Santos-STI College[d]	Educational Institution	–	**51**	–	51	–	51
STI College Quezon Avenue, Inc. ("STI QA")[e]	Educational Institution	–	**51**	–	51	–	51
Neschester[f]	Real Estate	–	–	–	–	–	–

[a] A subsidiary of STI ESG through a management contract (See Note 5)
[b] A subsidiary incorporated on 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 of September 24, 2020.
[e] A wholly-owned subsidiary of De Los Santos-STI College
[f] On April 10 2018, the SEC approved the merger of Neschester and iACADEMY, with iACADEMY as the surviving entity (see Note 3).

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

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at 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 the profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new accounting pronouncements starting April 1, 2020. The adoption of these new accounting pronouncements 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 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. 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.

- 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.

- 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.

<u>Standards Issued but Not Yet Effective</u>
Pronouncements issued but not yet effective for the three-month period ended June 30, 2020 are listed below. The Group intends to adopt these pronouncements when they become effective. Adoption of these pronouncements 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 the 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, 2023, 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 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.

Business Combination Involving Entities under Common Control
Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of the consideration received, is also accounted for as an equity transaction. The Group records the difference as excess of consideration over carrying amount of disposed subsidiary and presents as separate component of equity in the consolidated statement of financial position.

Comparatives shall be restated to include balances and transactions of the entities that had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

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 interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred 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 is re-measured 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, is measured at fair value with 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 units ("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 disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as equity instruments at FVOCI at fair value at each reporting date. Also, fair values of investment properties and financial instruments measured at amortized cost are disclosed in Notes 12 and 36 to the consolidated financial statements, respectively.

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

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually. 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 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.

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 ("FVPL").

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 FVPL, 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 FVPL

As at June 30, 2020 and March 31, 2020, the Group has no debt instruments at FVOCI and financial assets at FVPL.

a. *Financial assets at amortized cost (debt instruments).* 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 initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest ("EIR") method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

    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 as at June 30, 2020 and March 31, 2020.

b. *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 profit or loss 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.

    The Group elected to classify irrevocably its listed and non-listed equity investments under this category.

Impairment of financial assets. The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the 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 EIR 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; or
- 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 receivables 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 and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

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

As at June 30, 2020 and March 31, 2020, the Group has no financial liabilities at FVPL. The Group's financial liabilities as at June 30, 2020 and March 31, 2020 are measured at amortized cost.

Subsequent Measurement. 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.

c. 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 (“NRV”). Cost is determined using the weighted average method. The NRV of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV 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 the 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 NRV.

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 construction cost or purchase price and any directly attributable costs of bringing the property 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:

Asset Type	Number of Years
Buildings	20 to 25 years
Office and school equipment	3 to 5 years
Office and school furniture and fixtures	3 to 5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	3 to 5 years or terms of the lease agreement, whichever is shorter
Computer equipment and peripherals	3 years
Library holdings	5 years
Machineries and equipment	10 years

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

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

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

Investment Properties
Investment properties include land and buildings held by the Group for capital appreciation and rental purposes. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost. 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 property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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 all 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.

Asset Acquisition

When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

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 is 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 has been 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") and Global Resource for Outsourced Workers, Inc. ("GROW") which have December 31 as 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 STI ESG, which are all incorporated in the Philippines, and STI ESG's effective interest 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	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 the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

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

For nonfinancial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, 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 for goodwill by assessing the recoverable amount of the CGUs, to which 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 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. This represents contract liabilities under PFRS 15.

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 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 consideration received in excess of par value are recognized as additional paid-in capital.

Cost of Shares Held by a Subsidiary
Cost of shares held by a subsidiary is accounted for similar to treasury shares which are recorded at cost. Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or the cancellation of the Group's own equity instruments.

Retained Earnings and Dividend on Common Stock of the Parent Company
The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year 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 from contracts with customers is recognized when control of the goods or services is 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 its performance obligations under the contract. The Group's unearned tuition and other school fees represent 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 using the output method 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 on an accrual basis 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 is transferred to the customer.

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.

The 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.

Costs and Expenses

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

Pension Costs

The Group has the following pension plans ("Plan") covering substantially all of its regular and permanent employees:

Entity	Type of Plan
STI ESG	Funded, noncontributory defined benefit plan
STI WNU	Funded, noncontributory defined benefit plan
iACADEMY	Unfunded, noncontributory defined benefit plan
Indirect subsidiaries (except De Los Santos - STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in 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 actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income 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. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI QA are members of the Catholic Educational Association of the Philippines Retirement Plan ("CEAP"). CEAP is a funded, noncontributory, defined contribution plan covering De Los Santos-STI College's and STI QA's qualified employees under which De Los Santos-STI College and STI QA pay fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI QA, however, are covered under RA No. 7641, the Philippine Retirement Law, which provides for its qualified employees a defined benefit ("DB") minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI QA account for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution ("DC") plan. For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. De Los Santos - STI College and STI QA determine the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits. Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs.

Leases
The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, 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

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets. The Group recognizes ROU assets under "Property and equipment" and "Investment properties" accounts 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:

Asset Type	Number of Years
Land	25 years
Building	2 to 25 years
Transportation equipment	4 years

ROU assets are subject to impairment. Refer to the accounting policies section on 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 assets 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”), unused tax credits from excess minimum corporate income tax (“MCIT”) over regular corporate income tax (“RCIT”), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits NOLCO and MCIT 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 "Prepaid taxes" under the "Prepaid expenses and other current assets" account or "Accounts payable and other current liabilities" account 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 4 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to 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 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 consolidated financial statements when material.

3. Acquisitions and Business Combinations

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 to be incurred under the agreement. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI was a subsidiary of STI ESG effective April 1, 2019.

The identifiable assets and liabilities recognized in the consolidated financial statements as at June 30, 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 intangible assets for purposes of estimating the fair value of the net assets acquired. Intangible assets amounting to ₱27.6 million represent the fair value of the license and agreements. Deferred tax liability amounting to ₱2.8 million was 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 16)	27,621,874
Property and equipment - net (see Note11)	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 11)	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
Excess of consideration	₱–

Analysis of cash flow on acquisition is as follows:

Cash paid (see Note 16)	₱70,040,228
Cash acquired from the subsidiary	1,443,724
Net cash outflow on acquisition	₱68,596,504

iACADEMY and Neschester. As discussed in Note 1, on April 10, 2018, the SEC approved the merger of iACADEMY and Neschester with iACADEMY as the surviving entity. Consequently, iACADEMY issued 494,896,694 shares to the Parent Company in exchange for the net assets of Neschester and recognized “Other equity reserve” reduction amounting to ₱2.7 million for Neschester’s deferred tax asset on NOLCO which will no longer be utilized as a result of the merger.

4. **Segment Information**

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

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

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

On a consolidated basis, the Group's performance is evaluated based on consolidated net income (loss) for the year and EBITDA, defined as earnings (losses) 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)	**(₱221,442,749)**	(₱147,542,936)	₱284,120,255
Depreciation and amortization* (see Notes 11, 12 and 16)	**138,468,707**	560,364,754	468,539,399
Interest expense*	**74,861,815**	299,255,874	228,817,821
Provision for (benefit from) income tax	**(16,360,328)**	24,323,840	42,957,044
Interest income	**(1,949,082)**	(13,014,317)	(21,114,324)
Equity in net losses (earnings) of associates and joint ventures (see Note 13)	**1,361,267**	(733,464)	(3,190,368)
Provision for impairment of noncurrent asset held for sale	–	297,470,664	–
Gain on disposal of net assets	–	(4,365,123)	–
Consolidated EBITDA	**(₱25,060,370)**	₱1,015,759,292	₱1,000,129,827

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, 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.

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019:

	June 30, 2020 (Three Months - see Note 2)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱145,559,127**	**₱7,241,392**	**₱28,189,143**	**₱13,393,422**	**₱2,504,643**	**₱196,887,727**
Results						
Loss before other income (expenses) and income tax	**(108,776,030)**	**(21,391,314)**	**(39,613,601)**	**(23,883,274)**	**(8,701,334)**	**(202,365,553)**
Interest expense	**(79,417,441)**	**(1,390,713)**	**(1,832,473)**	**(947,908)**	**(854,410)**	**(84,442,945)**
Other income (expenses)	**48,371,249**	**–**	–	**46,357**	**–**	**48,417,606**
Benefit from income tax	**14,287,419**	–	–	**2,072,909**	–	**16,360,328**
Interest income	**1,792,230**	**14,693**	**107,793**	**30,918**	**3,448**	**1,949,082**
Equity in net losses of associates and joint ventures	**(1,361,267)**	**–**	–	–	–	**(1,361,267)**
Net Loss	**(125,103,840)**	**(₱22,767,334)**	**(₱41,338,281)**	**(₱22,680,998)**	**(₱9,552,296)**	**(₱221,442,749)**
EBITDA						**(₱25,060,370)**

	March 31, 2020 (One Year)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,571,846,374	₱151,701,650	₱638,446,135	₱259,830,000	₱52,799,970	₱2,674,624,129
Results						
Income (loss) before other income (expenses) and income tax	113,396,775	(18,570,719)	210,486,682	31,203,444	(22,474,519)	314,041,663
Interest expense	(314,909,754)	(5,866,114)	(7,671,854)	(8,005,274)	(3,626,073)	(340,079,069)
Other income (expenses)	(113,843,994)	467,589	1,551,032	782,929	112,973	(110,929,471)
Provision for income tax	(21,330,063)	–	–	(2,993,777)	–	(24,323,840)
Interest income	11,252,574	52,763	642,305	1,054,827	11,848	13,014,317
Equity in net earnings of associates and joint ventures	733,464	–	–	–	–	733,464
Net Income (Loss)	(₱324,700,998)	(₱23,916,481)	₱205,008,165	₱22,042,149	(₱25,975,771)	(147,542,936)
EBITDA						₱1,015,759,292

	March 31, 2019 (One Year)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,650,592,929	₱114,476,219	₱629,889,898	₱283,519,333	₱74,108,083	₱2,752,586,462
Results						
Income (loss) before other income and income tax	155,381,328	(2,696,212)	211,826,170	45,931,802	(14,013,932)	396,429,156
Equity in net losses of associates and joint ventures	(221,185,668)	–	(121)	(7,632,032)	–	(228,817,821)
Interest expense	129,900,900	128,000	1,192,602	4,132,594	(192,824)	135,161,272
Other income	(38,753,061)	–	–	(4,203,983)	–	(42,957,044)
Provision for income tax	19,590,541	51,912	539,087	909,292	23,492	21,114,324
Interest income	3,190,368	–	–	–	–	3,190,368
Net Income (Loss)	₱48,124,408	(₱2,516,300)	₱213,557,738	₱39,137,673	(₱14,183,264)	₱284,120,255
EBITDA						₱1,000,129,827

The following tables present certain assets and liabilities information regarding geographical segments as at June 30, 2020 and March 31, 2020:

	June 30, 2020					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱11,542,199,801**	**₱835,073,144**	**₱959,895,983**	**₱559,018,437**	**₱148,792,889**	**₱14,044,980,254**
Noncurrent asset held for sale	**419,115,894**	–	–	–	–	**419,115,894**
Investments in and advances to associates and joint ventures	**43,336,665**	–	–	–	–	**43,336,665**
Goodwill	**229,750,336**	–	–	**15,681,232**	–	**245,431,568**
Deferred tax assets - net	**61,091,080**	**906,468**	**1,701,851**	**13,671,718**	**80,132**	**77,451,249**
Total Assets	**₱12,295,493,776**	**₱835,979,612**	**₱961,597,834**	**₱588,371,387**	**₱148,873,021**	**₱14,830,315,630**
Segment liabilities[(b)]	**₱841,876,091**	**₱45,962,613**	**₱88,543,503**	**₱66,215,639**	**₱31,393,474**	**₱1,073,991,320**
Interest-bearing loans and borrowings	**1,751,211,241**	–	–	**39,400,000**	–	**1,790,611,241**
Bonds payable	**2,966,097,772**	–	–	–	–	**2,966,097,772**
Pension liabilities - net	**66,480,596**	**4,699,923**	**10,403,110**	**32,072,340**	**1,746,872**	**115,402,841**
Lease liabilities	**296,077,163**	**82,870,413**	**102,454,338**	**21,752,743**	**49,435,634**	**552,590,291**
Deferred tax liabilities - net	**233,671,096**	–	–	–	–	**233,671,096**
Total Liabilities	**₱6,155,413,959**	**₱133,532,949**	**₱201,400,951**	**₱159,440,722**	**₱82,575,980**	**₱6,732,364,561**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱34,112,929**
Depreciation and amortization[(c)]						**138,468,707**
Noncash expenses other than depreciation and amortization						**10,828,850**

(a) Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, goodwill and net deferred tax assets.
(b) Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, lease liabities and deferred tax liabilities.
(c) Depreciation and amortization excludes those related to ROU assets.

	March 31, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱11,728,813,097	₱862,538,856	₱1,056,229,769	₱580,643,671	₱161,317,517	₱14,389,542,910
Noncurrent asset held for sale	419,115,894	–	–	–	–	419,115,894
Investments in and advances to associates and joint ventures	44,697,932	–	–	–	–	44,697,932
Goodwill	229,750,336	–	–	15,681,232	–	245,431,568
Deferred tax assets - net	46,443,167	781,979	1,477,235	11,601,842	82,085	60,386,308
Total Assets	₱12,468,820,426	₱863,320,835	₱1,057,707,004	₱607,926,745	₱161,399,602	₱15,159,174,612
Segment liabilities[(b)]	₱944,840,183	₱45,187,635	₱97,823,096	₱61,008,111	₱29,313,862	₱1,178,172,887
Interest-bearing loans and borrowings	1,750,623,301	–	–	39,400,000	–	1,790,023,301
Bonds payable	2,964,418,162	–	–	–	–	2,964,418,162
Pension liabilities - net	55,741,443	4,559,234	10,064,894	31,362,742	1,683,970	103,412,283
Obligations under finance lease	298,472,423	84,981,927	104,329,597	23,381,858	51,638,155	562,803,960
Deferred tax liabilities	233,868,870	–	–	–	–	233,868,870
Total Liabilities	₱6,247,964,382	₱134,728,796	₱212,217,587	₱155,152,711	₱82,635,987	₱6,832,699,463
Other Segment Information						
Capital expenditure -						
Property and equipment						₱507,433,001
Depreciation and amortization[(c)]						560,364,754
Noncash expenses other than depreciation and amortization						81,390,573

[(a)] Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint ventures, goodwill and net deferred tax assets.
[(b)] Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.
[(c)] Depreciation and amortization excludes those related to ROU assets

5. **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 related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

In response to the novel Coronavirus Disease 2019 ("COVID-19"), which has caused global economic disruption, the Group 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 judgments and estimates in the June 30, 2020 consolidated financial statements from those applied in the previous financial year, other than for those disclosed under this section.

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. 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 a 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 obligation to pay for the asset and the Group has transferred physical possession of the asset.

Determination of Control Arising from a Management Contract. STI ESG has a management contract with STI Caloocan. Management has concluded that STI ESG, in substance, has the power to direct its relevant activities and has the means to obtain majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control over 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 the concept of 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 FVPL.

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.

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 the Group 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
- Actions to locate a buyer and complete the sale have been initiated
- The shares will be sold at a price approximating its current fair value
- 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 its 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 to ₱716.6 million (see Note 10). 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 collection of receivables and labor. 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 34).

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 entered into several lease agreements for land and building spaces where the corporate office and schools are located, and 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 29).

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 then adjusts 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 the 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 ₱6.3 million, ₱57.4 million and ₱74.9 million for the three-month period ended in June 30, 2020 and for the years ended March 31, 2020 and 2019, respectively. Allowance for ECL on receivables amounted to ₱231.4 million and ₱225.1 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 7.

Valuation of Noncurrent Asset 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 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 the 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 10).

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 economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets 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 (excluding land and construction in-progress) (see Note 11)	**₱6,709,410,352**	₱6,849,642,300
Investment properties (excluding land) (see Note 12)	**597,359,505**	608,382,441
Intangible assets (see Note 16)	**41,963,660**	42,487,584

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

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying value of property and equipment, investment properties, investment in and advances to associates and joint ventures and intangible assets and other noncurrent assets are disclosed in Notes 11, 12, 13 and 16, respectively. No provision for impairment losses on these nonfinancial assets are recognized for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 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 impact 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 date was conducted.

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. 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 ("WACC") 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 cash flows beyond the period covered by the CGUs' recent budgets was 5.00%.

Impairment testing showed that the CGUs' recoverable amounts were greater than their carrying amounts. No provision for impairment losses on goodwill are recognized for the three-month period ended June 30, 2020 and the 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 ₱245.4 million as at June 30, 2020 and March 31, 2020 (see Note 16).

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

Deferred tax assets recognized amounted to ₱128.2 million and ₱113.1 million as at June 30, 2020 and March 31, 2020, respectively (see Note 30). Deductible temporary differences and unused carryforward benefits of NOLCO and MCIT for which no deferred tax assets were recognized by the Group amounted to ₱159.1 million and ₱158.4 million at June 30, 2020 and March 31, 2020, respectively (see Note 30).

Measurement of Lease Liabilies. 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 29 to the consolidated financial statements.

Determining Pension Liabilities. 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 are described in Note 28 and include among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension liabilities amounted to ₱115.4 million and ₱103.4 million as at June 30, 2020 and March 31, 2020, respectively (see Note 28).

6. Cash and Cash Equivalents

	June 30, 2020	March 31, 2020
Cash on hand and in banks	**₱603,264,669**	₱667,955,050
Cash equivalents	**232,949,156**	218,712,538
	₱836,213,825	₱886,667,588

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

Interest earned from cash in banks and cash equivalents for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱1.6 million, ₱12.2 million and ₱20.8 million, respectively (see Note 23).

7. **Receivables**

	June 30, 2020	March 31, 2020
Tuition and other school fees	**₱490,444,586**	₱690,679,086
Educational services (see Note 31)	**88,314,034**	84,193,972
Rent, utilities and other related receivables (see Note 31)	**75,126,065**	36,911,392
Advances to officers and employees (see Note 31)	**29,644,333**	31,228,870
Others	**102,873,763**	104,345,045
	786,402,781	947,358,365
Less allowance for expected credit losses	**231,433,398**	225,112,730
	₱554,969,383	₱722,245,635

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

a. Tuition and other school fees receivables include receivables from students, 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 the years ended March 31, 2020 and 2019, respectively (see Note 23).

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

d. Advances to officers and employees are normally liquidated within one month (see Note 31).

e. For the terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 31.

f. Other receivables account includes ₱75.5 million receivable from a franchisee, 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 (Three Months - see Note 2)		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of period	**₱222,236,767**	**₱2,875,962**	**₱225,112,729**
Provisions (see Note 26)	**6,248,771**	**71,898**	**6,320,669**
Balance at end of period	**₱228,485,538**	**₱2,947,860**	**₱231,433,398**

	March 31, 2020 (One year)		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱245,612,736	₱2,875,962	₱248,488,698
Provisions (see Note 26)	57,109,886	282,509	57,392,395
Disposal of net assets (see Note 10)	(487,033)	–	(487,033)
Write-offs	(79,998,822)	(282,508)	(80,281,330)
Balance at end of year	₱222,236,767	₱2,875,963	₱225,112,730

8. **Inventories**

	June 30, 2020	March 31, 2020
At net realizable values:		
Uniforms	**₱108,075,481**	₱108,476,031
Textbooks and other education-related materials	**10,848,316**	10,492,358
Educational materials	**118,923,797**	118,968,389
Proware materials	**14,006,403**	14,241,798
Marketing materials	**3,029,945**	2,934,500
Promotional materials	**17,036,348**	17,176,298
School materials and supplies	**4,442,892**	3,948,788
	₱140,403,037	₱140,093,475

The cost of inventories carried amounted to ₱156.1 million and ₱155.8 million as at June 30, 2020 and March 31, 2020, respectively. Allowance for inventory obsolescence amounted to ₱15.7 million as at June 30, 2020 and March 31, 2020. Provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to nil, ₱4.8 million and ₱0.04 million, respectively (see Note 26).

Inventories charged to cost of educational materials and supplies sold for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱0.5 million, ₱113.1 million and ₱120.6 million, respectively (see Note 25).

9. Prepaid Expenses and Other Current Assets

	June 30, 2020	March 31, 2020
Prepaid taxes	**₱29,864,468**	₱30,491,056
Input VAT - net	**22,455,943**	27,784,588
Prepaid insurance	**4,677,551**	299,777
Prepaid rent	**3,774,209**	1,296,212
Excess contributions to CEAP (see Note 28)	**3,005,913**	3,069,046
Advances to suppliers	**2,693,569**	1,251,810
Prepaid subscriptions and licenses	**2,185,199**	6,415,580
Software maintenance cost	**1,149,237**	2,182,105
Others	**1,555,542**	3,552,580
	₱71,361,631	₱76,342,754

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.

Net 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 insurance represents fire insurance coverage on building, including equipment and furniture, health coverage of employees and life and accident insurance of the students which were paid in advance and are recognized as expense over the period of coverage, which is normally within next reporting period.

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 term of the lease agreements.

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

Advances to suppliers mainly include down payments for rental of venues for company events.

Prepaid subscriptions and licenses primarily pertain to Adobe Acrobat and Creative Cloud, Sophos Firewall, Toon Boom Harmony and Microsoft license subscriptions. These subscriptions are recognized as expense over the period of coverage.

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

10. 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 its 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.

STI ESG recognized a provision for impairment of ₱297.5 million for the year ended March 31, 2020 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 the 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 5).

Management believes that a reasonably possible change in the assumptions used in the estimation would not materially affect the fair value of the 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 the 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 to 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.

11. Property and Equipment

June 30, 2020 (Three Months - see Note 2)

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 29)	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 period	**₱3,204,910,694**	**₱5,965,240,054**	**₱258,364,605**	**₱86,297,358**	**₱78,679,587**	**₱5,839,904**	**₱89,825,193**	**₱23,437,535**	**₱171,629,273**	**₱134,609,681**	**₱190,209,527**	**₱17,138,856**	**₱10,226,182,267**
Additions	**–**	**2,509,426**	**2,444,566**	**53,218**	**–**	**–**	**973,555**	**445,119**	**27,687,045**	**–**	**–**	**–**	**34,112,929**
Depreciation and amortization (see Notes 24 and 26)	**–**	**(78,481,017)**	**(21,497,607)**	**(7,472,004)**	**(6,762,176)**	**(734,323)**	**(12,047,565)**	**(2,027,616)**	**–**	**(1,946,224)**	**(13,955,220)**	**(1,734,080)**	**(146,657,832)**
Balance at end of period	**₱3,204,910,694**	**₱5,889,268,463**	**₱239,311,564**	**₱78,878,572**	**₱71,917,411**	**₱5,105,581**	**₱78,751,183**	**₱21,855,038**	**₱199,316,318**	**₱132,663,457**	**₱176,254,307**	**₱15,404,776**	**₱10,113,637,364**
At March 31, 2020:													
Cost	**₱3,204,910,694**	**₱7,551,716,878**	**₱884,696,848**	**₱380,958,002**	**₱379,324,004**	**₱24,526,545**	**₱522,384,877**	**₱218,748,312**	**₱199,316,318**	**₱142,394,578**	**₱244,196,456**	**₱61,548,948**	**₱13,814,722,460**
Accumulated depreciation and amortization	**–**	**1,662,448,415**	**645,385,284**	**302,079,430**	**307,406,593**	**19,420,964**	**443,633,694**	**196,893,274**	**–**	**9,731,121**	**67,942,149**	**46,144,172**	**3,701,085,096**
Net book value	**₱3,204,910,694**	**₱5,889,268,463**	**₱239,311,564**	**₱78,878,572**	**₱71,917,411**	**₱5,105,581**	**₱78,751,183**	**₱21,855,038**	**₱199,316,318**	**₱132,663,457**	**₱176,254,307**	**₱15,404,776**	**₱10,113,637,364**

March 31, 2020 (One Year)

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment (see Note 29)	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	₱3,204,910,694	₱5,613,149,194	₱292,631,045	₱94,066,698	₱82,490,785	₱8,633,062	₱97,161,500	₱24,895,999	₱531,290,316	₱142,394,578	₱187,825,340	₱17,935,964	₱10,297,385,175
Additions	–	129,470,381	51,398,728	23,500,064	22,182,644	–	40,468,818	7,139,957	171,107,934	–	56,392,771	5,771,704	507,433,001
Reclassifications	–	529,500,055	–	–	1,268,922	–	–	–	(530,768,977)	–	–	–	–
Disposal	–	–	(243,264)	(136,785)	(207,477)	(114,816)	(480,791)	(22)	–	–	–	–	(1,183,155)
Effect of business combination (see Note 3)	–	–	10,563,539	1,590,200	–	–	1,262,265	2,726,126	–	–	–	–	16,142,130
Depreciation and amortization (see Notes 24 and 26)	–	(306,879,576)	(95,985,443)	(32,722,819)	(27,055,287)	(2,678,342)	(48,586,599)	(11,324,525)	–	(7,784,897)	(54,008,584)	(6,568,812)	(593,594,884)
Balance at end of year	₱3,204,910,694	₱5,965,240,054	₱258,364,605	₱86,297,358	₱78,679,587	₱5,839,904	₱89,825,193	₱23,437,535	₱171,629,273	₱134,609,681	₱190,209,527	₱17,138,856	₱10,226,182,267
At March 31, 2020:													
Cost	₱3,204,910,694	₱7,549,207,453	₱882,252,282	₱380,904,782	₱379,324,004	₱22,254,711	₱522,713,831	₱218,303,194	₱171,629,273	₱142,394,578	₱244,218,111	₱23,707,668	₱13,741,820,581
Accumulated depreciation and amortization	–	1,583,967,399	623,887,677	294,607,424	300,644,417	16,414,807	432,888,638	194,865,659	–	7,784,897	54,008,584	6,568,812	3,515,638,314
Net book value	₱3,204,910,694	₱5,965,240,054	₱258,364,605	₱86,297,358	₱78,679,587	₱5,839,904	₱89,825,193	₱23,437,535	₱171,629,273	₱134,609,681	₱190,209,527	₱17,138,856	₱10,226,182,267

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 project. 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.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱0.01 million and ₱5.4 million for the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively. The average interest capitalization rates were 5.90% and 5.97% for the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively, which were the effective rates of the borrowing.

Collateral. iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and the building now constructed, and all other facilities, machineries, equipment and improvements therein (see Note 18). As at June 30, 2020 and March 31, 2020, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,486.3 million and ₱1,498.5 million, respectively.

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 29).

12. Investment Properties

	June 30, 2020 (Three Months - see Note 2)			
	Land and Land Improvements	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Total**
Cost:				
Balance at beginning and end of period	**₱1,313,385,559**	**₱665,357,550**	**₱133,183,838**	**₱2,111,926,947**
Accumulated depreciation:				
Balance at beginning of period	**–**	**177,058,898**	**13,100,049**	**190,158,947**
Depreciation (see Note 26)	**–**	**7,747,923**	**3,275,013**	**11,022,936**
Balance at end of period	**–**	**184,806,821**	**16,375,062**	**201,181,883**
Net book value	**₱1,313,385,559**	**₱480,550,729**	**₱116,808,776**	**₱1,910,745,064**

	March 31, 2020 (One Year)			
	Land and Land Improvements	Condominium Units and Buildings	Right-of-Use Asset - Building	Total
Cost:				
Balance at beginning and end of year	₱1,313,385,559	₱665,357,550	₱133,183,838	₱2,111,926,947
Accumulated depreciation:				
Balance at beginning of period	–	146,067,212	–	146,067,212
Depreciation (see Note 26)	–	30,991,686	13,100,049	44,091,735
Balance at end of year	–	177,058,898	13,100,049	190,158,947
Net book value	₱1,313,385,559	₱488,298,652	₱120,083,789	₱1,921,768,000

As at June 30, 2020 and March 31, 2020, investment properties primarily include parcels of land and buildings and land improvements located in Quezon City and Davao City currently held by the Parent Company for capital appreciation and are not used in business.

These properties were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 34) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco ("EHT"), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 34). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

<u>Fair Value</u>
The fair values of the Group's 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 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 sale of similar or substitute properties and related market data and establishes a value estimate by a process involving comparison. Listings and offerings may also be considered. Sales price 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 technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value of Quezon City and Davao properties	₱2,117,723,000
Valuation technique	Market approach
Unobservable input	Net price per square meter, location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

Fair value of STI ESG's land	₱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

Condominium Units and Buildings
Level 3 fair values of STI ESG's 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 table shows the valuation technique used in measuring the fair value of STI ESG's buildings, 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

Level 3 fair values of the Parent Company's buildings and improvements have been derived using the cost approach. The cost approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. As at June 30, 2020 and March 31, 2020, the fair value of the Parent Company's buildings and improvements under investment properties amounted to ₱35.6 million.

The highest and best use of the Quezon City and Davao properties is mixed-use residential and commercial land development; and institutional land development, respectively, while the highest and best use of STI ESG's land, condominium units and buildings is commercial utility.

Rental
Rental income earned from investment properties for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱46.5 million, ₱169.5 million and ₱101.5 million, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties for the three-months period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱2.6 million, ₱10.6 million and ₱13.5 million, respectively.

13. Investments in and Advances to Associates and Joint Ventures

	June 30, 2020	March 31, 2020
Investments		
Acquisition costs	**₱46,563,407**	₱46,563,407
Accumulated equity in net earnings:		
Balance at beginning of period	**1,921,044,019**	1,920,524,478
Equity in net earnings (losses)	**(1,361,267)**	733,464
Dividends received	**–**	(213,923)
Balance at end of period	**1,919,682,752**	1,921,044,019
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of period	**(1,922,909,494)**	(1,922,909,494)
	43,336,665	44,697,932
Advances (see Note 31)	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱43,336,665	₱44,697,932

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 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 (see Note 14)	**4,353,580**	5,145,208
	81,205,651	82,566,918
Allowance for impairment loss	**37,868,986**	37,868,986
	₱43,336,665	₱44,697,932

**The share in equity of these associates for the three-month period ended June 30, 2020 is not material.*

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 for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounting to nil, ₱1.0 million and ₱2.0 million, respectively.

Information about the associates are discussed below:

The carrying amount of the Group's investments in STI Alabang, STI Accent, GROW, STI Marikina and Synergia represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates is as 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)
Equity	**₱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 total comprehensive income (loss)	**(₱1,361,267)**	₱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 STI ESG'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 31 to the consolidated financial statements.

14. Interests in Joint Ventures

PHEI

On March 19, 2004, STI ESG, together with the University of Makati ("UMak") and another shareholder, incorporated PHEI in the Philippines. STI ESG and UMak each owns 40.0% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following are certain key terms under the agreement signed in 2003 by STI ESG and UMak:

a. STI ESG 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 the campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and

c. STI ESG 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 regards 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 50.0% 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 a 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.

15. Equity Instruments at Fair Value through Other Comprehensive Income ("FVOCI")

	June 30, 2020	March 31, 2020
Quoted equity shares	**₱4,105,250**	₱4,452,444
Unquoted equity shares	**63,873,258**	63,873,258
	₱67,978,508	₱68,325,702

a. Equity Shares

Quoted Equity Shares

The quoted equity shares above pertain to shares listed in the PSE, as well as trade club shares. These are carried at fair value with cumulative changes in fair values presented as a separate component in equity under the "Fair value change in equity instruments 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.

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 of STI ESG, 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 pesos 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 for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to nil, ₱3.1 million and ₱2.9 million, respectively, while STI ESG recognized dividend income from DLSMC shares for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounting to nil, ₱0.8 million and ₱2.4 million, respectively.

The rollforward analysis of the "Fair value change in equity instruments at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)
Balance at beginning of period	**₱11,488,234**	₱3,665,740
Fair value change	**(347,194)**	7,822,494
Balance at end of period (see Note 21)	**₱11,141,040**	₱11,488,234

b. Pledged Shares

On June 3, 2013, STI ESG executed a deed of pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., now known as MPHHI, a wholly-owned subsidiary of Metro Pacific Investments Corporation ("MPIC"), to cover the indemnity obligations of STI ESG enumerated in its investment agreement entered into in 2013 with MPIC. 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.

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

	June 30, 2020	March 31, 2020
Goodwill	**₱245,431,568**	₱245,431,568
Deposits for asset acquisitions	**185,951,923**	185,951,923
Advances to suppliers	**53,353,624**	50,272,903
Intangible assets	**41,963,660**	42,487,584
Rental and utility deposits (see Note 29)	**39,420,502**	39,978,297
Deferred input VAT	**23,637,543**	23,657,593
Others	**5,344,188**	5,569,189
	₱595,103,008	₱593,349,057

Goodwill

As at June 30, 2020 and March 31, 2020, the Group's goodwill acquired through business combinations have been allocated to the following entities 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 20)	21,803,322
NAMEI (see Note 3)	21,231,234
STI Bacolod	15,681,232
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
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
	₱245,431,568

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 of 10.19% to 46.93% on all CGUs for SY 2020-2021 and forecasted revenue increase on most CGUs ranging from 2.16% to 54.07% in the next five years. No provision for impairment on goodwill was recognized for the three-month period ended June 30, 2020 and the year ended March 31, 2020. Provision for impairment on goodwill amounting to ₱17.0 million was recognized for the year ended March 31, 2019 (see Note 26).

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 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 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 primarily 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. 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 primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 11). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Intangible Assets
Intangible assets represent 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 period	**₱42,487,584**	₱10,002,084
Additions (see Note 3)	**1,174,552**	36,625,977
Amortization (see Note 26)	**(1,698,476)**	(4,140,477)
Balance at end of period	**₱41,963,660**	₱42,487,584
Cost	**₱103,067,794**	₱101,893,242
Accumulated amortization	**61,104,134**	59,405,658
Net carrying amount	**₱41,963,660**	₱42,487,584

The Group identified the license to operate a maritime school and related agreements as intangible assets for purposes of estimating the fair value of NAMEI's net assets acquired by STI ESG. 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 3).

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

Deferred Input VAT
This account represents input VAT which is expected to be recovered beyond one year.

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

	June 30, 2020	March 31, 2020
Accounts payable (see Note 31)	**₱446,245,111**	₱439,545,019
Nontrade payable	**67,000,000**	67,000,000
Dividends payable (see Note 21)	**25,930,201**	25,934,637
Accrued expenses:		
Contracted services	**47,667,932**	39,918,221
Interest	**35,221,629**	9,330,735
Utilities	**23,145,303**	13,011,828
School-related expenses	**20,416,313**	19,992,977
Salaries, wages and benefits	**18,819,785**	17,322,309
Rent	**17,626,933**	6,816,834
Advertising and promotion	**2,463,007**	2,934,774
Others	**7,653,398**	3,710,459
Current portion of advanced rent (see Note 20)	**24,179,810**	16,210,383
Current portion of payable to STI Diamond (see Note 20)	**22,639,257**	15,914,962
Statutory payables	**22,614,682**	24,354,943
Student organization fund	**8,599,132**	8,597,907
Current portion of refundable deposits	**8,469,032**	7,018,392
Network events fund	**5,044,587**	5,677,757
Others	**10,657,623**	10,654,145
	₱814,393,735	₱733,946,282

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

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

b. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU.

c. Dividends payable pertains to dividends declared which are unclaimed as of report date.

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

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

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

g. For terms and conditions of payables to related parties, refer to Note 31.

18. **Interest-bearing Loans and Borrowings**

	June 30, 2020	March 31, 2020
Term loan facilities	**₱1,391,211,241**	₱1,390,623,301
Corporate notes facility	**399,400,000**	399,400,000
	1,790,611,241	1,790,023,301
Less current portion	**358,566,076**	358,550,269
	₱1,432,045,165	₱1,431,473,032

**Net of unamortized capitalized loan transaction cost of ₱8.8 million and ₱9.4 million as at June 30, 2020 and March 31, 2020, respectively.*

Term Loan Facilities
iACADEMY. On September 28, 2017, iACADEMY, as Borrower, and Neschester, as Third Party Mortgagor, entered into an Omnibus Loan and Security Agreement ("Omnibus Agreement") with China Bank granting iACADEMY a Term Loan Facility amounting to ₱800.0 million to refinance the ₱200.0 million short-term loan and partially finance the cost of construction of iACADEMY's Yakal campus. The long-term loan is secured by a real estate mortgage on the Yakal land and the building constructed thereon, and all other facilities, machineries equipment and improvements therein (see Note 11). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date). The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

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

On September 28, 2018, the total drawdown amounting to ₱700.0 million was repriced at an interest rate of 6.8444%. The loan facility has a term of 10 years, with a 3-year grace period on the principal repayment. The principal is payable semi-annually starting September 29, 2020, while the interest is payable semi-annually in arrears every March 29 and September 29 of each year. The interest rate shall be repriced one business day prior to each of the later interest payment date of the two relevant interest periods. Interest rate is determined based on the 1-year PHP Bloomberg Valuation Service ("BVAL") reference rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than the sum of the BSP Overnight Lending Facility Rate and one-half percent (0.50%) per annum.

On September 13, 2019, China Bank approved iACADEMY's request to partially prepay the term loan. iACADEMY paid ₱200.0 million on September 30, 2019. With the prepayment, China Bank approved the future repayment of the loan principal under the Omnibus Agreement as follows:

Fiscal Year	Amount
2021	₱80,000,000
2022	80,000,000
2023	80,000,000
2024	80,000,000
2025	80,000,000
2026	80,000,000
2027	80,000,000
2028	40,000,000
	₱600,000,000

On September 27, 2019, the total loan balance of ₱600.0 million was repriced at an interest rate of 5.3030%.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs are capitalized and amortized using the EIR method. These are presented as a contra-liability account in the consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱3.5 million and ₱3.6 million as at June 30, 2020 and March 31, 2020, respectively. Amortization of transaction costs recognized as interest expense for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱0.2 million, ₱2.6 million and ₱1.5 million, respectively.

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

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

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

As at June 30, 2020 and March 31, 2020, iACADEMY has complied with the above covenants.

Relevant events after the reporting period are discussed in Note 39.

STI ESG. 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 BVAL rate plus an interest spread of 1.50% 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 1.50% 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 1.50% 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 1.50x, 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 STI ESG'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

Relevant events after the reporting period are discussed in Note 39.

Corporate Notes Facility

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

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

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. STI ESG has made payments totaling to ₱240.0 million and ₱134.4 million in 2020 and 2019, respectively.

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

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG's Credit Facility, which has a term of seven (7) years with floating interest based on the 1-year PDST-F plus a margin of two percent (2.00%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum and is subject to annual repricing every January 31. This loan is secured by a Comprehensive Surety issued by the Parent Company.

STI WNU has made payments on the Corporate Notes Facility totaling to ₱79.6 million and ₱63.0 million for the years ended March 31, 2020 and 2019, respectively. The payments include prepayments amounting to ₱20.0 million made on July 31, 2019 and ₱20.0 million made on January 31, 2020. Such prepayments were applied to amortizations due on January 31, 2020 and July 31, 2020, respectively. The loan will be fully settled on January 31, 2021.

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

	STI ESG	STI WNU
2021	₱240,000,000	₱39,400,000
2022	120,000,000	–
	₱360,000,000	₱39,400,000

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and debt service cover ratios ("DSCR"). STI ESG 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 follows:

	June 30, 2020	March 31, 2020
Balance at beginning of period	**₱399,400,000**	₱719,000,000
Repayments	–	319,600,000
Balance at end of period	**399,400,000**	399,400,000
Less current portion	**279,400,000**	279,400,000
Noncurrent portion	**₱120,000,000**	₱120,000,000

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

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

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

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

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

As at June 30, 2020 and March 31, 2020, STI ESG and STI WNU have complied with the above covenants.

Relevant events after the reporting period are discussed in Note 39.

Short-term Loans
STI ESG availed of loans from the 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 for both STI ESG and STI WNU loans.

On January 31, 2017, STI ESG and STI WNU elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.50% 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 and STI WNU is the BVAL reference rate for one-year tenor.

Interest expense on the loans for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱25.9 million, ₱110.0 million and ₱74.6 million, respectively (see Note 23).

19. **Bonds Payable**

	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, STI ESG issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which 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 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by the Philippine Rating Services Corporation ("PhilRatings") in 2017. Proceeds of the issuance were used to finance the campus expansion projects, refinancing of the short-term loans incurred for the acquisition of land, and for other general corporate requirements of STI ESG.

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

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at June 30, 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. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements. As at June 30, 2020 and March 31, 2020, STI ESG is in compliance with the debt covenants.

STI ESG'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[(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 interest due in the next twelve months*

Relevant events after the reporting period are discussed in Note 39.

Bond Issuance Costs
In 2017, STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the 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 period ended June 30, 2020 and 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 (see Note 23).

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 for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱46.6 million, ₱183.7 million and ₱150.7 million, respectively (see Notes 11 and 23).

20. **Other Noncurrent Liabilities**

	June 30, 2020	March 31, 2020
Advance rent (see Note 29)	**₱43,552,022**	₱52,626,366
Refundable deposits - net of current portion (see Note 29)	**28,562,994**	31,795,936
Payable to STI Diamond - net of current portion	**16,640,773**	22,421,181
Deferred lease liabilities (see Note 29)	**2,531,321**	2,869,794
Deferred output VAT	**2,211,880**	162,108
	₱93,498,990	₱109,875,385

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.

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.

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 amounting 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 17).

21. **Equity**

Capital Stock

Details as at June 30, 2020 and March 31, 2020 are as follows:

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

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

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

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

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

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

As at June 30, 2020 and March 31, 2020, the Parent Company has a total number of shareholders on record of 1,266.

Cost of Shares Held by a Subsidiary

This account represents STI Holdings shares owned by STI ESG as at June 30, 2020 and March 31, 2020 which are treated as treasury shares in the consolidated statements of financial position.

Details of the account as at June 30, 2020 and March 31, 2020 are as follows:

Number of shares	500,433,895
Cost	₱498,142,921

Dividends received by STI ESG related to these shares amounting to ₱10.0 million each year were offset against the dividends declared in 2020 and 2019 as shown in the consolidated statements of changes in equity.

Other Comprehensive Income

	June 30, 2020		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (see Note 28)	**₱3,803,874**	**(₱360,105)**	**₱3,443,769**
Fair value changes in equity instruments at FVOCI (see Note 15)	**10,998,066**	**142,974**	**11,141,040**
Share in associates' cumulative actuarial gain (loss) (see Note 13)	**321,569**	**(199)**	**321,370**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	**(114)**	**(2)**	**(116)**
	₱15,123,395	**(₱217,332)**	**₱14,906,063**

	March 31, 2020		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (see Note 28)	₱10,446,933	₱479,211	₱10,926,144
Fair value changes in equity instruments at FVOCI (see Note 15)	11,340,730	147,504	11,488,234
Share in associates' cumulative actuarial gain (loss) (see Note 13)	321,569	(199)	321,370
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱22,109,118	₱626,514	₱22,735,632

	March 31, 2019		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (see Note 28)	₱20,950,751	₱479,211	₱21,429,962
Fair value changes in equity instruments at FVOCI (see Note 15)	3,623,046	42,694	3,665,740
Share in associates' cumulative actuarial gain (loss) (see Note 13)	321,569	(199)	321,370
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱24,895,252	₱521,704	₱25,416,956

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

As at June 30, 2020 and March 31, 2020, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale consists of:

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

Retained Earnings

a) On December 6, 2019, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Parent Company's BOD in favor of all stockholders of record as at December 20, 2019, payable on January 15, 2020.

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

   As at March 31, 2020 and 2019, long-outstanding unclaimed dividends amounting to ₱11.0 million pertaining to dividend declarations from 1998 to 2018 are recognized as "Dividends payable" under "Accounts payable and other current liabilities" account (see Note 17).

b) Consolidated retained earnings include undeclared retained earnings of subsidiaries and share in net earnings of associates amounting to ₱2,633.6 million and ₱2,780.6 million as at June 30, 2020 and March 31, 2020, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,430.5 million and ₱1,431.0 million as at June 30, 2020 and March 31, 2020, respectively.

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

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

Core income is defined as consolidated net income after income tax derived from STI Holdings'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 Parent Company can operate on a standalone basis.

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

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

Other Equity Reserve and Non-controlling Interests

a. Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱2.5 million and ₱2.5 million in 2020 and 2019, respectively.

b. In April 2018, the Parent Company recognized other equity reserve amounting to ₱2.7 million as a result of the merger of iACADEMY and Neschester (see Note 3).

22. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Tuition and other school fees	**₱165,626,597**	₱2,303,456,918	₱2,346,326,130
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	**998,130**	149,755,626	160,629,516
Other revenues	**7,117,304**	67,756,284	62,991,152
Total consolidated revenue	**₱196,887,727**	₱2,674,624,129	₱2,752,586,462

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	**₱195,889,597**	₱2,524,868,503	₱2,591,956,946
Goods and services transferred at a point in time	**998,130**	149,755,626	160,629,516
	₱196,887,727	₱2,674,624,129	₱2,752,586,462

Contract Balances

The Group's receivables are disclosed in Note 7 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 SY 2019-2020; and the implementation of the second batch of tertiary students in SY 2018-2019 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	March 31, 2020
Amounts included in contract liabilities at the beginning of period	**₱168,469,020**	₱174,119,912

There is no revenue recognized from performance obligations satisfied in previous years for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019.

Performance Obligations

The performance obligations 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) which are expected to be satisfied within one year amounted to ₱157.8 million and ₱325.7 million, respectively. These pertain 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 one year. On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

23. 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 6)	**₱1,598,409**	₱12,247,167	₱20,750,729
Past due accounts receivables (see Note 7)	**326,858**	675,765	271,068
Others	**23,815**	91,385	92,527
	₱1,949,082	₱13,014,317	₱21,114,324

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 19)	**₱46,550,147**	₱183,737,468	₱150,687,700
Interest-bearing loans and borrowings (see Note 18)	**26,465,065**	110,301,925	74,649,525
Lease liabilities (see Note 29)	**9,581,130**	40,823,195	–
Obligations under finance lease (see Note 29)	–	–	1,146,491
Others	**1,846,603**	5,216,481	2,334,105
	₱84,442,945	₱340,079,069	₱228,817,821

24. **Cost of Educational Services**

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Depreciation and amortization (see Note 11)	**₱94,980,562**	₱399,002,361	₱284,333,160
Faculty salaries and benefits (see Notes 27 and 28)	**51,292,165**	357,973,946	344,389,653
Student activities and programs	**7,202,296**	105,073,043	146,766,009
Rental (see Note 29)	**5,917,068**	29,627,623	105,371,770
Software maintenance	**4,426,628**	19,424,457	14,080,823
Courseware development costs	**1,017,868**	10,249,143	2,202,058
School materials and supplies	**948,715**	15,830,617	14,876,265
Others	**453,284**	11,274,1 93	15,041,537
	₱166,238,586	₱948,455,383	₱927,061,275

25. **Cost of Educational Materials and Supplies Sold**

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Promotional materials	**₱432,921**	₱12,430,431	₱15,583,102
Educational materials and supplies	**31,608**	98,853,444	104,055,641
Others	–	1,819,721	945,646
	₱464,529	₱113,103,596	₱120,584,389

26. **General and Administrative Expenses**

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Salaries, wages and benefits (see Notes 27 and 28)	**₱76,479,443**	₱361,763,307	₱341,870,129
Depreciation and amortization (see Notes 11, 12 and 16)	**64,398,682**	242,824,735	184,206,239
Outside services	**19,137,072**	131,702,887	120,638,771
Professional fees	**16,498,403**	81,453,601	75,097,175
Light and water	**13,336,415**	138,677,113	140,336,912
Taxes and licenses	**7,050,092**	42,376,544	42,508,124
Provision for:			
Expected credit losses (see Note 7)	**6,320,669**	57,392,395	74,896,179
Impairment on goodwill (see Note 16)	–	–	17,035,240

(Forward)

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Transportation	**₱4,415,258**	₱31,721,067	₱32,811,822
Insurance	**3,812,816**	18,078,222	14,822,631
Meetings and conferences	**3,762,951**	18,879,560	22,331,705
Advertising and promotions	**3,158,064**	61,882,531	73,737,761
Communication	**3,081,210**	12,495,294	13,668,191
Rental (see Notes 2 and 29)	**2,989,259**	16,940,437	62,604,931
Entertainment, amusement and recreation	**2,629,371**	14,644,702	18,463,734
Office supplies	**1,443,240**	16,358,633	20,748,567
Repairs and maintenance	**1,276,570**	24,688,277	24,194,975
Software maintenance	**783,919**	3,011,481	2,859,491
Association dues	**357,558**	1,410,175	1,695,424
Excess of cost over net realizable value of inventories (see Note 8)	**–**	4,805,445	43,403
Others	**1,619,173**	17,917,081	23,940,238
	₱232,550,165	₱1,299,023,487	₱1,308,511,642

27. **Personnel Costs**

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Salaries and wages (see Notes 24 and 26)	**₱111,087,285**	₱626,435,424	₱606,198,314
Pension expense (see Note 28)	**4,518,546**	19,263,134	12,000,303
Other employee benefits	**12,165,777**	74,038,695	68,061,165
	₱127,771,608	₱719,737,253	₱686,259,782

28. **Pension Plans**

Defined Benefit Plans

The Group (except iACADEMY, 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 Group offsets its pension assets and pension 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.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 and the net pension assets/liabilities recognized in the consolidated statements of financial position as at June 30, 2020 and March 31, 2020:

	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	**₱3,329,276**	₱14,605,079	₱12,772,524
Net interest cost (income)	**1,178,907**	4,587,655	(901,491)
	₱4,508,183	₱19,192,734	₱11,871,033

	June 30, 2020	March 31, 2020	March 31, 2019
Net pension liabilities (assets) (recognized in the consolidated statements of financial position):			
Pension liabilities	**₱208,183,187**	₱202,456,804	₱194,680,346
Pension assets	**(92,780,346)**	(99,044,521)	(118,628,624)
	₱115,402,841	₱103,412,283	₱76,051,722
Present value of defined benefit obligations	**₱208,183,187**	₱202,456,804	₱194,680,346
Fair value of plan assets	**(92,780,346)**	(99,044,521)	(118,628,624)
	₱115,402,841	₱103,412,283	₱76,051,722

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One year)	March 31, 2019 (One year)
Changes in the present value of defined benefit obligations:			
Balance at beginning of period	**₱202,456,804**	₱194,680,346	₱153,548,419
Current service cost	**3,329,276**	14,605,079	12,772,524
Interest cost	**2,397,107**	11,565,582	10,225,238
Benefits paid	–	(3,573,447)	(6,054,850)
Actuarial loss (gain) on obligations:			
Deviations of experience from assumptions	–	(5,729,876)	12,100,479
Financial assumptions	–	(13,057,507)	12,088,536
Demographic assumptions	–	4,045,870	–
Effect of disposal of net assets (see Note 10)	–	(79,243)	–
Balance at end of period	**₱208,183,187**	₱202,456,804	₱194,680,346
Changes in the fair value of plan assets:			
Balance at beginning of period	**₱99,044,521**	₱118,628,624	₱164,567,845
Actual losses	**(7,482,375)**	–	–
Interest income	**1,218,200**	6,977,927	11,126,729
Contributions	–	3,573,447	9,951,486
Benefits paid	–	(3,573,447)	(6,054,850)
Actuarial losses on plan assets	–	(26,562,030)	(60,962,586)
Balance at end of period	**₱92,780,346**	₱99,044,521	₱118,628,624
Actual losses on plan assets	**(₱6,264,175)**	(₱19,584,103)	(₱48,589,606)

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

	June 30, 2020	March 31, 2020	March 31, 2019
Discount rate	**4.91%-5.03%**	4.91%-5.03%	5.83%–5.96%
Future salary increases	**3.00%-5.00%**	3.00%-5.00%	4.00%–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	March 31, 2019
Cash and cash equivalents	**6%**	–	–
Short-term fixed income	**63%**	66%	54%
Investments in debt securities	**8%**	2%	4%
Investments in equity securities	**23%**	32%	42%
	100%	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines, United Coconut Planters Bank and Rizal Commercial Banking Corporation Trust and Investments Group.

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	**₱5,869,338**	₱180,656
Short-term fixed income	**58,266,087**	65,328,300
Investments in:		
Equity securities	**21,547,147**	31,739,002
Government securities	**7,094,929**	1,793,718
Others	**2,845**	2,845
	₱92,780,346	₱99,044,521

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 STI ESG's Retirement Fund investment in the shares of the 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, ₱7.0 million as at June 30, 2020 and March 31, 2020, respectively, 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 Group's plan assets are primarily composed of investments in listed equity securities.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.38%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

Management performs 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 strategy consists of 63% 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 of the entities in the Group as at June 30, 2020 ranges from 12 to 18 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2020 and March 31, 2020:

	Amount
Less than one year	₱49,892,915
More than one year to five years	79,477,926
More than five years to ten years	81,005,148
More than ten years to fifteen years	121,954,682
More than fifteen years to twenty years	165,942,624
More than twenty years	197,238,638

The expected contribution of the Group in 2021 is ₱9.2 million.

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 Define Benefit Obligation		
	June 30, 2020	March 31, 2020	March 31, 2019
Discount rates			
Increase by 1%	**(₱13,743,092)**	(₱13,743,092)	(₱15,328,053)
Decrease by 1%	**16,200,531**	16,200,531	18,272,659
Future salary increases			
Increase by 1%	**14,887,610**	14,887,610	18,283,245
Decrease by 1%	**(14,332,801)**	(14,332,801)	(15,982,164)
Employee turnover			
Increase by 10%	**1,895,235**	1,895,235	1,951,350
Decrease by 10%	**(1,895,235)**	(1,895,235)	(1,951,350)

Defined Contribution Plans

De Los Santos-STI College and STI QA have funded, noncontributory defined contribution plan ("De Los Santos Plan") covering all regular and permanent employees and is a participating employer in CEAP Retirement Plan. The De Los Santos Plan has a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution is optional.

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. Future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member 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 and March 31, 2020, 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 ₱3.0 million and ₱3.1 million, respectively. These excess contributions are classified as prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 9).

Philippine Interpretations Committee Q&A No. 2013-03 requires De Los Santos-STI College's defined contribution plan to be accounted for as defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is performed every year-end. Based on the latest actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan. However, the amount is not significant.

Pension expense recognized by De Los Santos-STI College and STI QA for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱10.0 thousand, ₱0.1 million and ₱0.1 million, 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	**₱4,508,183**	₱19,192,734	₱11,871,033
Defined contribution plans	**10,363**	70,400	129,270
	₱4,518,546	₱19,263,134	₱12,000,303

29. 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 ranging from 2 to 10 years. 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 the Group's properties primarily used for school operations such as auditorium, classrooms and gymnasiums.

Total rental income for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱48.4 million, ₱180.4 million and ₱126.6 million, respectively (see Notes 12 and 31).

The Group receives refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements and advanced rental payment which will be applied on the last months of the lease, presented under "Other noncurrent liabilities" in the consolidated statement of financial position (see Note 20).

Future minimum rental receivable for the remaining lease terms as at June 30, 2020 and March 31, 2020 follows:

	June 30, 2020	March 31, 2020
Within one year	**₱174,510,273**	₱180,810,747
After one year but not more than five years	**257,146,297**	248,709,047
Total	**₱431,656,570**	₱429,519,794

As Lessee *(upon adoption of PFRS 16)*
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.

Total rental expense charged to operations for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 amounted to ₱8.9 million, ₱46.6 million and ₱168.0 million, respectively (see Notes 24 and 26).

The Group paid the lessors refundable deposits equivalent to several months of rental payments as security for their observance and faithful compliance with the terms and conditions of the agreement (see Note 16).

The following are the amounts recognized in the consolidated statement of comprehensive income for the three-month period ended June 30, 2020 and the year ended March 31, 2020:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Depreciation expense of right-of-use assets included in property and equipment and investment properties (see Notes 11 and 12)	₱20,910,537	₱81,462,342
Interest expense on lease liabilities (see Note 23)	9,581,130	40,823,195
Expenses relating to short-term leases (see Notes 24 and 26)	8,899,010	45,706,139
Variable lease payments (see Notes 24 and 26)	7,317	861,921
Total amount recognized in the consolidated statement of comprehensive income	₱39,397,994	₱168,853,597

The rollforward analysis of lease liabilities as at June 30, 2020 and March 31, 2020 are as follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Balance at beginning of period	**₱562,803,960**	₱568,653,033
Additions	**–**	60,688,756
Interest expense	**9,581,130**	40,823,195
Payments	**(19,794,799)**	(107,361,024)
Balance at end of period	**552,590,291**	562,803,960
Less current portion	**90,805,276**	91,748,409
Non-current portion	**₱461,785,015**	₱471,055,551

Shown below is the maturity analysis of the undiscounted lease payments:

	June 30, 2020	March 31, 2020
Within one year	**₱100,891,956**	₱108,373,323
After one year but not more than five years	**305,463,610**	330,472,028
More than five years	**246,970,206**	383,417,070
Total	**₱653,325,772**	₱822,262,421

As Lessee - 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 as at March 31, 2019 are as follows:

	Amount
Within one year	₱7,768,282
After one year but not more than five years	13,170,352
Total minimum lease payments	20,938,634
Less amount representing interest	2,486,471
Present value of lease payments	18,452,163
Less current portion of obligations under finance lease	6,500,632
Noncurrent portion of obligations under finance lease	₱11,951,531

Interest expense from finance lease for the year ended March 31, 2019 amounted to ₱1.1 million (see Note 23).

30. **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 net deferred tax liabilities are as follows:

	June 30, 2020	March 31, 2020
Deferred tax assets:		
Lease liabilities	**₱52,380,915**	₱53,696,265
Allowance for expected credit losses	**23,143,340**	22,511,273
NOLCO	**16,201,040**	–
Unearned tuition and other school fees	**14,841,679**	15,941,299
Pension liabilities	**11,526,438**	10,321,978
Advance rent	**6,275,376**	6,570,843
Excess of Cost over net realizable value of inventories	**1,646,017**	1,646,017
	126,014,805	110,687,675

(Forward)

	June 30, 2020	March 31, 2020
Deferred tax liabilities:		
Right-of-use assets	**(₱42,214,861)**	(₱44,125,911)
Intangible assets	**(2,762,187)**	(2,762,187)
Unamortized debt issue costs	**(1,849,562)**	(1,918,446)
Excess of rental under operating lease computed on a straight-line basis	**(1,697,159)**	(1,440,454)
Unamortized deposit discount	**(39,785)**	(54,369)
	(48,563,554)	(50,301,367)
Net deferred tax assets	**₱77,451,251**	₱60,386,308

Deferred tax liabilities:		
Excess of fair values over carrying values of net assets acquired in business combination	**(₱123,126,255)**	(₱123,319,902)
Excess of fair value over dacion price	**(110,861,700)**	(110,861,700)
Right-of-use assets	**(1,856,523)**	(2,059,168)
Deferred tax asset:		
Lease liabilities	**2,173,382**	2,371,900
Net deferred tax liabilities	**(₱233,671,096)**	(₱233,868,870)

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 and MCIT for which no deferred tax assets were recognized:

	June 30, 2020	March 31, 2020
NOLCO	**119,689,714**	₱119,186,498
Allowance for advances to associates	**37,868,986**	37,868,986
MCIT	**1,285,521**	1,186,221
Pension liabilities	**201,600**	192,506
	₱159,045,821	₱158,434,211

As at June 30, 2020 and March 31, 2020, the Group also did not recognize any deferred tax assets on the provision for impairment on investment in and advances to an 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, which can be claimed as deduction from future taxable income, are as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2020	2021-2025	₱162,513,616	₱–	₱–	₱162,513,616
2020	2021-2023	46,189,820	–	–	46,189,820
2019	2020-2022	49,525,901	–	–	49,525,901
2018	2019-2021	23,470,776	–	–	23,470,776
		₱281,700,113	₱–	₱–	₱281,700,113

The Parent Company's MCIT which can be claimed as deduction from future regular income tax due follows:

Year Incurred	Expiry Date	Amount
2020	2023	₱505,141
2019	2022	402,125
2018	2021	378,255
		₱1,285,521

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	**(₱71,340,923)**	(₱36,965,729)	₱98,123,190
Income tax effects of:			
Equity in net losses (earnings) of associates and joint ventures	**943,316**	(220,039)	(471,672)
Interest income already subjected to final tax	**(479,521)**	(3,674,151)	(6,225,219)
Nondeductible expenses	**108,609**	89,457,177	475,911
Others	**22,007,297**	19,370,543	4,769,446
Difference in 10% and 30% tax rate	**32,400,894**	(43,643,961)	(53,714,612)
Provision for (benefit from) income tax	**(₱16,360,328)**	₱24,323,840	₱42,957,044

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

31. **Related Party Transactions**

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

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

	Amount of Transactions during the Period			Outstanding Receivable (Payable)			
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 ECL
GROW							
Rental income and other charges	**150,123**	585,110	232,379	**8,141,842**	7,600,032	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**435,000**	–	–	**435,000**			
STI Alabang							
Educational services and sale of educational materials and supplies	**1,510,534**	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	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Facility sharing and other charges	**3,364,512**	9,983,938	16,575,728	**38,338**	1,995,089	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,780,532**	6,943,344	6,671,764	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	**–**	–	99,395	**–**	–	30 days upon receipt of billings; noninterest-bearing	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
Rental and other charges	**1,085,027**	4,321,084	4,105,046	**(270,900)**	(713,846)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**2,632,610**	8,808,123	7,157,155	**(213,103)**	(178,215)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues and other charges	**2,854,461**	10,648,261	11,276,082	**(2,861,758)**	(46,477)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Facility sharing, utilities and other charges	**5,067,737**	10,797,071	17,133,268	**5,719,642**	2,525,153	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**–**	171,387	170,098	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees							
Advances for various expenses	**4,070,013**	30,963,493	35,381,850	**29,644,333**	31,228,870	Liquidated within one month; noninterest-bearing	Unsecured; no 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
Others							
Rental income and other charges	**₱75,000**	₱345,087	₱4,394,599	**₱1,746,187**	₱1,686,071	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**100,000**	400,000	400,000	**(200,000)**	(200,000)	30 days upon receipt of billings; noninterest-bearing	Unsecured
				₱85,663,763	₱87,137,608		

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

Related party receivables and payables are generally settled in cash.

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

	June 30, 2020	March 31, 2020
Educational services (see Note 7)	**₱7,399,068**	₱636,737
Advances to officers and employees (see Note 7)	**29,644,333**	22,765,753
Rent, utilities and other related receivables (see Note 7)	**15,683,121**	10,832,717
Advances to associates and joint ventures (see Note 13)	**37,868,986**	37,868,986
Accounts payable (see Note 17)	**(5,366,745)**	(3,418,358)
	₱85,228,763	₱68,685,835

Outstanding balances of transactions with subsidiaries which were eliminated at the consolidated financial statements follow:

Category	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
Subsidiaries							
STI ESG							
Advisory fee	**₱3,600,000**	₱14,400,000	₱14,400,000	**₱1,200,000**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	–	770,363	73,123	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends paid	–	10,008,658	10,008,658	–	–	Due and demandable; noninterest-bearing	Unsecured
Dividend received	–	182,437,383	182,437,382	–	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU							
Advisory fee	**900,000**	3,600,000	3,600,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends received	–	–	24,215,776	–	–	Due and demandable; noninterest-bearing	Unsecured
Subscription payable	–	–	(25,227,650)	–	–	Noninterest-bearing	Unsecured

Category	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
AHC							
Payable to AHC	**₱–**	₱–	₱–	**(₱63,778,000)**	(₱63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY							
Advisory fee	**255,000**	1,020,000	580,000	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

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	**₱15,096,413**	₱66,046,902	₱68,339,545
Post-employment benefits	**1,286,325**	3,675,429	2,395,128
	₱16,382,738	₱69,722,331	₱70,734,673

Material Related Party Transactions Policy

The Parent Company's BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10%) or more of the consolidated total assets that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process requirements. The Parent Company may set a lower threshold upon determination by the BOD of the risk of the related party transactions to cause damage to the Parent Company and its stockholders.

32. Basic and Diluted Earnings (Losses) Per Share 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 earnings (losses) per share for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019:

	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 STI Holdings	**(₱220,359,761)**	(₱135,956,820)	₱280,983,764
Common shares outstanding at beginning and end of period (see Note 21)	**9,904,806,924**	9,904,806,924	9,904,806,924

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)	March 31, 2019 (One Year)
Basic and diluted earnings (losses) per share on net income (loss) attributable to equity holders of STI Holdings	**(₱0.022)**	(₱0.014)	₱0.028

The basic and diluted earnings (losses) per share are the same for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019 as there are no dilutive potential common shares.

33. STI Gift of Knowledge Certificates (“GOKs”)

On December 9, 2002, the BOD of STI ESG 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 ESG to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the school year 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.

STI ESG 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.

34. Contingencies and Commitments

<u>Contingencies</u>

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

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

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

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

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

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

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

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

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

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

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

Consequently, the Parent Company recognized the Quezon City and Davao properties as "Investment properties" (see Note 12).

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

(i). *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad's Davao Property.* On October 21, 2015, the Parent Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of

Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women's Educational Association ("PWEA"), Unlad, the Parent Company, and AHC for cancellation of certificate of title, reconveyance of real property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

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

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

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

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

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

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

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

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

After due proceedings on the appeal by the Plaintiffs, the Court of Appeals issued the *Decision* dated August 17, 2018, which affirmed the dismissal of the Plaintiffs-Appellants' case on the ground of (a) res judicata and (b) failure to state a cause of action against the Parent Company and AHC insofar as the nullification of the mortgage contracts over the subject property.

After the Plaintiffs filed a Motion for Reconsideration dated August 31, 2018, the Court of Appeals affirmed its Decision in its Resolution dated December 14, 2018.

On March 14, 2019, the Parent Company received the Petition for Review ("Petition") under Rule 45 of the Rules of Court filed by the Plaintiffs before the Supreme Court. In the Petition, the Plaintiffs sought to annul and reverse the aforesaid Decision and Resolution issued by the Court of Appeals.

Instead of requiring the Parent Company and AHC to file its Comment to the Petition, the Supreme Court issued the Resolution dated July 24, 2019, which denied the Petition filed by the Plaintiffs. The Supreme Court determined that the Plaintiffs failed to show that the Court of Appeals committed any reversible error in the challenged decision and resolution of dismissing their case.

After receipt of the Plaintiffs' Motion for Reconsideration dated November 19, 2019, the Parent Company and AHC filed their Motion to Admit attached Comment to the said Motion for Reconsideration on January 2, 2020. In the said Comment, the Parent Company and AHC reiterated the validity of the Court of Appeals' findings in its Decision dated August 17, 2018.

On July 13, 2020, the Parent Company received the Resolution dated February 13, 2020 of the Supreme Court, which denied the Plaintiffs' Motion for Reconsideration.

On July 28, 2020, the Parent Company received the Entry of Judgment on the aforesaid Resolution.

With the issuance of the Entry of Judgement, the case is terminated.

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

a. Mr. Conrado L. Benitez II (the "Claimant") filed on June 28, 2016 a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. ("PDRCI"), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, Mr. Eusebio H. Tanco ("EHT"), the Parent Company, Mr. Alfredo Abelardo B. Benitez ("ABB") and AHC (collectively, the

“Respondents”) submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the “Loan Documents”).

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

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

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

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

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

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

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

The Parent Company sent a letter dated July 2, 2020 addressed to the Office of the Secretariat-General of PDRCI. In the said letter, the Parent Company informed the PDRCI about the death of the Claimant. The Parent Company also moved for the PDRCI to dismiss and/or consider the case withdrawn due to the non-payment of the provisional advance on cost for more than three (3) years.

As at September 24, 2020, the PDRCI have not issued any response to said letter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the parties filed their respective Comment(s) to the aforesaid Petition for Review, the Court of Appeals referred the case for a court-annexed mediation on January 17, 2019. The same was immediately terminated upon agreement by the parties.

While the said Petition for Review is pending, the Corporation filed a Motion to Cancel Lis Pendens. In the Motion, the Parent Company alleged that the Plaintiff annotated the instant case as a lis pendens on the titles of the Corporation over the Quezon City properties subject of the amicable settlement with Unlad. Considering the impropriety and/or invalidity of the same, the Parent Company sought for the Court of Appeals to order the cancellation of the lis pendens.

On April 24, 2019, the Parent Company received the Court of Appeals' *Resolution* requiring all of the parties to file their respective Memoranda. Upon submission of the same, the case would be submitted for resolution.

On May 9, 2019, the Parent Company, AHC and EHT filed their Joint-Memorandum.

As at September 24, 2020, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Parent Company are pending for resolution by the Court of Appeals.

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

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

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

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

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

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

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

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

The case was referred to Court-Annexed Mediation on September 26, 2019 by the Trial Court through its Order dated July 23, 2019.

Both parties attended the aforesaid mediation hearing. During the mediation hearing, the Corporation insisted that it should be in possession of the Subject Premises.

Without offering any proposal to amicably settle the case, the counsel and representative of PWC-Davao rejected aforesaid position and moved to terminate the mediation hearing.

Consequently, the Mediator terminated the Court-Annexed Mediation due to failure of the parties to amicably settle. As provided by law, the Mediator referred the above-captioned case back to the Court.

The Trial Court then referred the case to Judicial Dispute Resolution and set the same on March 20, 2020.

However, the aforesaid hearing was cancelled due to the Community Quarantine declared by National Government due to the outbreak of COVID-19.

As at September 24, 2020, the Trial Court has not issued any notice regarding the new hearing date for Judicial Dispute Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While the Petition was pending, the Trial Court rendered its Decision dated April 4, 2018. In the Decision, the Trial Court ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6.0% from the filing of the case until full payment only.

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

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

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

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

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

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

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

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

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

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

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

While the record of the case was still with the Trial Court, the Parent Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018 ("Motion(s)"). While the said Motions was pending, the Parent Company also sent a letter to the Provincial Sheriff of the Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

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

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

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

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

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

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

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

On December 20, 2019, the Parent Company received the Decision of the Court of Appeals. In the Decision, the Court of Appeals deemed that the Trial Court's order to allow a summary judgment procedure instead of a full blown trial is merely a mistake of judgment and not grave abuse of discretion amounting to lack of jurisdiction.

On January 6, 2020, the Parent Company filed its Motion for Reconsideration. In the Motion for Reconsideration, the Parent Company asserts that the Trial Court committed grave abuse of discretion when it allowed such procedure not sanctioned in the Rules of Court.

On January 28, 2020, the Parent Company received the Vehement Opposition to its Motion for Reconsideration filed by the Agustin family.

As of September 24, 2020, unless the Court of Appeals requires additional pleadings, the case is submitted for resolution.

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

The instant appeal seeks to reverse and set aside the Trial Court's Decision dated April 4, 2018, which ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest of 6.0% from the filing of the case until full payment only (the "Summary Judgment").

After the approval of the Notice of Appeal and transmittal of the records of the case, the Court of Appeals required the Parent Company to file its Appellant's Brief.

After filing a Motion for Extension of Time to File Appellant's Brief, the Parent Company filed the Appellants' Brief on August 8, 2019. In the said Appellants' Brief, the Parent Company sought to reverse and set aside the Decision dated April 4, 2018 on the ground that the payment of ₱50.0 million was conditioned on the issuance of CHED permit for STI WNU to offer the Maritime Engineering Courses as agreed upon by the parties in the MOA. Said condition was also embodied in the Share Purchase Agreement and recognized by the parties through their representations and actions during the relevant period in this case.

The Parent Company also moved to consolidate the instant ordinary appeal with CA-G.R. S.P. Case No. 11645.

Meanwhile, the Agustins filed their Motion to Dismiss Ad Cautelam to the appeal and Opposition to the Motion for Consolidation. In the Motion to Dismiss Ad Cautelam, the Agustins moved to dismiss the appeal on the ground that the Appellant's Brief was not filed within the original period to file the same. The Agustins further asserted that the Parent Company could not rely on its Motion for Extension of Time to File Appellant's Brief because there was no order granting the same by the Court of Appeals.

While the aforesaid Motion to Dismiss Ad Cautelam was pending, the Agustins filed their Appellees' Brief Ad Cautelam. In the said Brief, the Agustins asserted that the findings of the Trial Court were correct and should be upheld by the Court of Appeals. The Agustins also sought for the payment of damages and attorney's fees in their Appellees' Brief.

Within the period allowed by the Rules of Court, the Parent Company filed its Reply Brief. Aside from reiterating that the findings of the Trial Court were erroneous, the Parent Company opposed the prayer for damages and attorney's fees of the Agustins on the ground that the same (a) was not awarded nor prayed for in the court a quo and (b) unsubstantiated and baseless.

On October 22, 2019, the Court of Appeals issued the *Resolution*, which denied the (a) Parent Company's Motion to Consolidate and the (b) Agustins' Motion to Dismiss Ad Cautelam.

On November 20, 2019, the Agustin family filed its Rejoinder to the Reply Brief.

On March 12, 2020, the Court of Appeals declared the Parent Company's Appeal submitted for resolution.

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

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

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

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

Upon receipt of the Court of Appeals' Resolution dated August 29, 2019 which admitted the Petition for Certiorari of the Agustins, the Parent Company filed its Comment and Opposition to the Petition for Certiorari. In the said Comment and Opposition, the Parent Company asserted that the suspension of the execution pending appeal of the Summary Judgment is (a) within the residual powers of the Trial Court and (b) allowed under the relevant provisions of the Rules of Court.

On December 19, 2019, the Agustin family sought for early resolution of the instant case.

As of September 24, 2020, unless the Court of Appeals requires additional pleadings, the case is submitted for resolution.

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

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

On October 4, 2017, 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 CTA En Banc in CTA EB No. 1050. The Supreme Court ruled that the Waivers of Statute of Limitations, being defective and invalid, did not extend the CIR's period to issue the subject assessments. Thus, the right of the government to assess or collect the alleged deficiency taxes is already barred by prescription. On October 25, 2017, the CIR has filed a Motion for Reconsideration of the Supreme Court's decision dated July 26, 2017.

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

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

d. *Labor Cases.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the hearing on February 13, 2018, the former employee filed her Reply dated February 12, 2018. In the Reply, it was argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of STI ESG was (a) vague, (b) served only through her former counsel and (c) belatedly served or after four (4) months from STI ESG's receipt of the former labor arbiter's order to reinstate her. Based on the foregoing the former employee presented her computation of her judgment award to date, which amounted to ₱11.0 million, less payments already made by STI ESG.

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

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

As at 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 ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the labor arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. At present, a Petition for Certiorari questioning the decision of the NLRC is pending before the Court of Appeals.

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

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

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

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

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

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

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

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

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

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

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

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

As at 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 STI ESG as guilty of illegal dismissal; and ordering STI ESG to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus backwages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

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

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

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

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

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

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

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 3, 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 for October 26, 2017 for the continuation of the preliminary conference.

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

In the December 5, 2017 hearing, considering the substantial amount being demanded by Complainants for the amicable settlement of their claims, no amicable settlement was reached by the parties, hence, they were directed to file their respective position papers within ten days from the receipt of the order from the Office of the Labor Arbiter. The last day of the ten-day period to file STI Davao's position paper was on February 5, 2018. However, a Motion for Extension of Time to File Position Paper 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 STI ESG'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 STI ESG, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of STI ESG'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 STI ESG's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of STI ESG's operating procedures and systems amounted to serious misconduct, and (e) STI ESG'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) STI ESG'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 11, 2019, 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 3, 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.

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

   The Plaintiffs based their claim on (a) their payment and STI ESG's Finance Officer's receipt of earnest money amounting to ₱0.3 million, and (b) representations of STI ESG's Finance Officer that he was authorized to negotiate for the sale of the property based on the terms and conditions in the draft Deed of Absolute Sale sent by STI ESG's Finance Officer to the Plaintiffs. Plaintiffs also sought the payment of damages and attorney's fees in the aggregate amount of One Million Five Hundred Fifty Thousand (₱1.6 million), exclusive of cost of suit and appearance fees.

   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) STI ESG's Finance Officer 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.

After the 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 would handle the trial and disposition of the case.

After the case was set for pre-trial by the new Presiding Judge, the Plaintiffs filed a Motion for Leave to Admit Second Amended Complaint, whereby they sought the substitution of STI ESG as one of the Defendants.

Upon the order of the Trial Court, the Defendants filed their Amended Consolidated Answer with Compulsory Counterclaims.

After filing their respective pre-trial brief and Judicial Affidavit(s), the pre-trial conference proceeded on November 14, 2018. 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 served 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 on 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.

The aforesaid Order was affirmed in the Trial Court's Omnibus Order dated November 11, 2019.

On November 12, 2019, the Defendants presented their first witness, Defendant Finance Officer, to testify, among others, that (a) he acted as liaison of 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 ₱0.2 million representing temperate and exemplary damages. The Trial Court also ordered STI ESG 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 the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the Plaintiffs filed their Comment/Objections to the Formal Offer of Evidence, the Trial Court 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 Plaintiffs' 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.

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

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

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

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

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

   As at September 24, 2020, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

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

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

   MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of 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 file the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law.

i. *Criminal Case.* A complaint for qualified theft was filed by iACADEMY against its former Cashier. Based on the complaint, the former Cashier manipulated the Daily Cash Collection Summary Reports submitted to the iACADEMY by tampering (a) deposit slips; (b) official receipts and (c) other documents and making it appear that the payments received for rental payments on the use of iACADEMY's Auditorium were from other collections of iACADEMY, which she received as its Cashier. Considering said rental payments should have been recorded as part of the collection, the cash collection from other transactions reported by the former Cashier to have been received and deposited in the bank accounts of iACADEMY, is understated. Through this scheme, the former Cashier stole the corresponding amount appearing in the said tampered documents from the cash collection, which should have been deposited in the iACADEMY's bank accounts.

   On January 30, 2020, iACADEMY filed the complaint for qualified theft for the total amount of One Million Six Hundred Sixty Six Thousand Six Hundred Sixty Five Pesos and 80/100 (₱1,666,665.80) for the period of January 24, 2018 until July 2, 2019 from the cash collection of iACADEMY. Despite receipt of summons, the former Cashier failed to appear on the preliminary investigation hearings. On July 20, 2020 the handling prosecutor submitted the complaint for resolution.

   As at September 24, 2020, the Office of the City Prosecutor of Makati City has yet to issue a resolution in the said complaint.

j. Due to the nature of their business, STI ESG and STI WNU are involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against STI ESG and STI WNU by reason of their faculty contract and/or employment contracts. STI ESG and STI WNU are not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its BOD has no knowledge of any proceedings pending or threatened against STI ESG and STI WNU or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business. Management and its legal counsels believe that STI ESG and STI WNU have substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position as well as in the results of its operations.

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

l. Other subsidiaries also stand as defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees.

As at September 24, 2020, the cases are pending before the Labor Arbiters.

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

STI ESG has a ₱65.0 million domestic bills purchase lines from various local banks 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.

In December 2014, the Parent Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. As at June 30, 2020 and March 31, 2020, STI WNU's long-term loan amounted to ₱39.4 million. The ₱5.0 million credit line has never been availed and has not been renewed.

Relevant events after the reporting period are discussed in Note 39.

b. Capital Commitments

As at June 30, 2020 and 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 ₱170.5 million and ₱135.2 million have been paid as at June 30, 2020 and March 31, 2020, respectively.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱16.7 million as at June 30, 2020 and March 31, 2020. Of these, ₱13.7 million have been paid as at June 30, 2020 and March 31, 2020.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.6 million as at June 30, 2020 and March 31, 2020. Of these, ₱981.4 million have been paid as at June 30, 2020 and March 31, 2020.

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 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 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 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.

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"). The RA 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 HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities ("PWDs") and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

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 5.00% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1.00% variable compensation for every 1,000 enrollees while RAFT shall receive 5.00% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1.00% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

35. **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 Group's BOD and management reviews and agrees on the policies for managing each of these risks as summarized below.

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

As at June 30, 2020 and March 31, 2020, the Group's current assets amounted to ₱2,022.1 million and ₱2,244.5 million, respectively, while current liabilities amounted to ₱1,429.9 million and ₱1,518.6 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 cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service cover 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 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.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities as at financial reporting date based on undiscounted contractual payments.

	June 30, 2020					
	Due and Demandable	**Less than 2 Months**	**2 to 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	**₱836,213,825**	**₱–**	**₱–**	**₱–**	**₱–**	**₱836,213,825**
Receivables*	**212,850,767**	**–**	**37,493,836**	**53,816,070**	**227,148,001**	**531,308,674**
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	**–**	**–**	**–**	**792,775**	**38,944,422**	**39,737,197**
Equity investments designated at FVOCI	**–**	**–**	**–**	**–**	**67,978,508**	**67,978,508**
	₱1,049,064,592	**₱–**	**₱37,493,836**	**₱54,608,845**	**₱334,070,931**	**₱1,475,238,204**
Financial Liabilities						
Other financial liabilities-						
Accounts payable and other current liabilities**	**₱637,464,824**	**₱84,000**	**₱12,431,525**	**₱40,035,228**	**₱ 37,228,359**	**₱727,243,936**
Nontrade payable	**67,000,000**	**–**	**–**	**–**	**–**	**67,000,000**
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	**–**	**–**	**–**	**358,566,076**	**1,432,045,165**	**1,790,611,241**
Interest	**–**	**–**		**56,889,431**	**135,235,903**	**192,125,334**
Lease liabilities	**–**	**–**	**16,842,787 –**	**56,142,623**	**397,601,148**	**470,586,558**
Other noncurrent liabilities	**–**	**–**	**–**	**–**	**45,203,767**	**45,203,767**
	₱704,464,824	**₱84,000**	**₱29,274,312**	**₱690,538,578**	**₱5,740,869,762**	**₱7,165,231,476**

	March 31, 2020					
	Due and Demandable	Less than 2 Months	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱886,667,588	₱–	₱–	₱–	₱–	₱886,667,588
Receivables*	280,519,378	–	101,721,577	175,708,899	138,125,256	696,075,110
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	–	–	–	368,895	39,978,297	40,347,192
Equity investments designated at FVOCI	–	–	–	–	68,325,702	68,325,702
	₱1,167,186,966	₱–	₱101,721,577	₱176,077,794	₱246,429,255	₱1,691,415,592
Financial Liabilities						
Other financial liabilities-						
Accounts payable and other current liabilities**	₱558,388,215	₱28,000	₱12,641,442	₱71,420,896	₱–	₱642,478,553
Nontrade payable	67,000,000	–	–	–	–	67,000,000
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	–	–	–	358,550,269	1,431,473,032	1,790,023,301
Interest	–	–		114,597,877	348,744,138	463,342,015
Obligations under finance lease	–	–	–	1,101,760	994,560	2,096,320
Other noncurrent liabilities	–	–	–	–	54,217,117	54,217,117
	₱625,388,215	₱28,000	₱12,641,442	₱724,576,022	₱5,528,984,267	₱6,891,617,946

**Excluding advances to officers and employees amounting to ₱29.6 million and ₱31.2 million as at June 30, 2020 and March 31, 2020, respectively.*
*** Excluding taxes payable, SSS, Philhealth and Pag-ibig benefits payable amounting to ₱22.7 million and ₱26.8 million as at June 30, 2020 and March 31, 2020, respectively.*

As at June 30, 2020 and March 31, 2020, the Group's current ratios are as follows:

	June 30, 2020	March 31, 2020
Current assets	**₱2,022,063,770**	₱2,244,465,346
Current liabilities	**1,429,863,682**	1,518,596,180
Current ratios	**1.41:1.00**	1.48:1.00

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 instruments at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. 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)	**₱834,849,112**	**₱809,172,405**	₱885,731,795	₱858,731,795
Receivables*	**530,926,012**	**530,926,012**	695,733,290	695,733,290
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**39,733,197**	**39,733,197**	40,290,991	40,290,991
Equity instruments at FVOCI	**67,978,508**	**67,978,508**	68,325,702	68,324,872
	₱1,473,486,829	**₱1,447,810,122**	₱1,690,081,778	₱1,663,080,948

* *Excluding advances to officers and employees amounting to ₱29.6 million and ₱31.2 million as at June 30, 2020 and March 31, 2020, respectively.*
(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Group'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	**₱894,452,753**	**₱302,070,583**	**₱–**	**₱1,196,523,336**
Class B	**–**	**292,785,648**	**–**	**292,785,648**
Class C	**–**	**155,588,234**	**2,947,861**	**158,536,095**
Gross carrying amount	**894,452,753**	**750,444,465**	**2,947,861**	**1,647,845,079**
ECL	**–**	**228,485,537**	**2,947,861**	**231,433,398**
Carrying amount	**₱894,452,753**	**₱521,958,928**	**₱–**	**₱1,416,411,681**

	March 31, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱1,081,432,028	₱324,019,393	₱–	₱1,405,451,421
Class B	–	293,262,544	–	293,262,544
Class C	–	167,090,802	3,895,593	170,986,395
Gross carrying amount	1,081,432,028	784,372,739	3,895,593	1,869,700,360
ECL	–	221,217,136	3,895,593	225,112,729
Carrying amount	₱1,081,432,028	₱563,155,603	₱–	₱1,644,587,631

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 high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.

- Class B - *Receivables* from customers who settle their obligations within tolerable delays.

- Class C - *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

As at June 30, 2020 and March 31, 2020, 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	**₱220,905,243**	**₱34,157,706**	**₱1,512,512**	**₱61,459,524**	**(₱146,982,722)**	**₱171,052,263**
March 31, 2020	₱286,846,534	₱41,158,379	₱19,828,314	₱132,867,906	(₱222,236,767)	₱258,464,366

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 and the 10-year tenors.

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 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/+300 bps	**(₱12,227,722)**	(₱56,180,000)	(₱42,727,954)
-100 bps/+300 bps	**12,227,722**	56,180,000	42,727,954

Capital Risk Management Policy

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

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

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, 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 the STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00 (see Note 39).

The Group considers its equity contributed by stockholders, net of cost of shares held by a subsidiary, as capital.

	June 30, 2020	March 31, 2020
Capital stock	**₱4,952,403,462**	₱4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Retained earnings	**4,006,680,084**	4,227,039,845
	₱9,580,067,926	₱9,800,427,687

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

	June 30, 2020	March 31, 2020
Total liabilities*	**₱6,574,586,149**	₱6,506,960,003
Total equity	**8,097,951,069**	8,326,475,149
Debt-to-equity ratio	**0.81:1.00**	0.78:1.00

**Excluding unearned tuition and other school fees of ₱157.8 million and ₱325.7 million as at June 30, 2020 and March 31, 2020, respectively.*

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

	June 30, 2020	March 31, 2020
Total assets	**₱14,830,315,630**	₱15,159,174,612
Total equity	**8,097,951,069**	8,326,475,149
Asset-to-equity ratio	**1.83:1.00**	1.82:1.00

No changes were made in the objectives, policies or processes for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019.

36. **Fair Value Information of Financial Instruments**

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

There are no material unrecognized financial assets and liabilities as at June 30, 2020 and March 31, 2020.

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

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

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

Rental Deposits. The fair values of these instruments are computed 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 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 under Level 2 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 under Level 3 is based on the present value of future cash flows discounted using the prevailing PHP 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 under Level 3 based on discounted present value of lease payments with discount rates ranging from 5.59% to 6.18% as at March 31, 2019.

Refundable Deposits. The fair values of the refundable deposits are computed under Level 3 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.

37. Note to Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱62.2 million for the year ended March 31, 2020 (see Note 11).

b. Acquisitions of property and equipment under finance lease recorded under the "Property and equipment" account amounting to ₱4.5 million for the year ended March 31, 2019 (see Note 11).

c. Unpaid progress billing for construction-in-progress and acquisition of property and equipment amounting to ₱0.8 million, ₱73.1 million and ₱313.3 million as at June 30, 2020 and March 31, 2020, respectively (see Note 11).

d. Uncollected dividends from De Los Santos Medical Center amounting to ₱0.8 million as at March 31, 2019 (see Note 15).

38. **Changes in Liabilities Arising from Financing Activities**

	April 1, 2020	**Cash flows**	**Reclassified as current** (Notes 18 and 29)	**New leases** (Note 29)	**Capitalized borrowing cost** (Note 11)	**Interest expense** (Note 23)	**Dividends declared**	**June 30, 2020**
Current interest-bearing loans and borrowings	**₱358,550,269**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,807**	**₱–**	**₱358,566,076**
Bonds payable	**2,964,418,162**	**–**	**–**		**–**	**1,679,610**	**–**	**2,966,097,772**
Interest-bearing loans and borrowings - net of current portion	**1,431,473,032**	**–**	**–**	**–**	**13,769**	**558,364**	**–**	**1,432,045,165**
Lease liabilities	**562,803,960**	**(19,794,799)**	**–**	**–**	**–**	**9,581,130**	**–**	**552,590,291**
Dividends payable	**25,934,637**	**(4,436)**	**–**	**–**	**–**	**–**	**–**	**25,930,201**
Interest payable	**9,330,735**	**(46,547,477)**	**–**	**–**	**–**	**72,438,371**	**–**	**35,221,629**
Total liabilities from financing activities	**₱5,352,510,795**	**(₱66,346,712)**	**₱–**	**₱–**	**₱13,769**	**₱84,273,282**	**₱–**	**₱5,370,451,134**

	April 1, 2019	Cash flows	Reclassified as current (Notes 18 and 29)	New leases (Note 29)	Capitalized borrowing cost (Note 11)	Interest expense (Note 23)	Dividends declared	March 31, 2020
Current interest-bearing loans and borrowings	₱299,600,000	(₱519,600,000)	₱578,550,269	₱–	₱–	₱–	₱–	₱358,550,269
Bonds payable	2,957,954,254	–	–		–	6,463,908	–	2,964,418,162
Interest-bearing loans and borrowings - net of current portion	1,213,110,270	794,000,000	(578,550,269)	–	4,779,316	(1,866,285)	–	1,431,473,032
Lease liabilities	568,653,034	(107,361,024)	–	60,688,756	–	40,823,194	–	562,803,960
Dividends payable	24,570,020	(189,198,111)	–	–	–	–	190,562,728	25,934,637
Interest payable	12,985,510	(299,730,885)	–	–	3,286,900	292,789,210	–	9,330,735
Total liabilities from financing activities	₱5,076,873,088	(₱321,890,020)	₱–	₱60,688,756	₱8,066,216	₱338,210,027	₱190,562,728	₱5,352,510,795

39. **Events after Reporting Period and Other Matters**

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 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 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 of STI ESG and STI WNU for tertiary students was from July 2019 to April 2020. Classes of tertiary students were suspended since the implementation of 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 and STI WNU are 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 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

For iACADEMY, SHS and Tertiary level, the school calendar for SY 2019-2020 was originally set from August 2019 to May 2020 and July 2019 to June 2020, respectively. Classes for SHS and Tertiary students were suspended due to the implementation of ECQ in March 2020. SHS Modular classes of those who opted online and offline options resumed on April 15, 2020 and were completed on June 5, 2020 for Grade 12 students and June 11, 2020 for Grade 11 students. For tertiary, the online classes resumed on April 15, 2020 and the school year was completed on July 15, 2020.

For SY 2020-2021, iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning (“GOAL”). This would take place from August 2020 to December 2020. In this setup, all activities or modules would be delivered 100% online through the use of Neo Learning Management System, Google Meet, and MS Teams. Classes for SHS and tertiary started on August 24, 2020 and August 28, 2020, respectively.

GOAL is iACADEMY’s systematic approach to guiding all the activities that involve the delivery of online instruction to the students - including online learning workshops, training for teachers on how to create high-quality modules, integrating Project-Based Learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians.

Onsite learning and other onsite activities in iACADEMY will only be allowed as long as there is compliance to the policies set by IATF, DepEd for SHS, and CHED for College.

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 consent to avail of LandBank of the Philippines’ (“LandBank”) **AC**cess to **A**cademic **D**evelopment to **E**mpower the **M**asses towards **E**ndless Opportunities (“ACADEME”) Lending Program and the waiver of certain covenants in its Corporate Notes Facility Agreement dated March 20, 2014 and the Term Loan Agreement dated May 7, 2019. On July 23, 2020, China Bank approved the waiver of the following covenants in relation to the availment by STI ESG of LandBank’s ACADEME Lending Program:

- 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.

China Bank further approved the temporary waiver 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 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 LandBank 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 (₱1.00) 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 1.05:1:00, provided that this Debt Service Coverage Ratio shall be waived up to June 30, 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 3.00% 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 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, the parent company.

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. On August 7, 2020, STI WNU requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG in the amount of ₱250.0 million and waiver of certain covenants in the Corporate Note Facility Agreement dated March 20, 2014 and the Accession Agreement dated December 16, 2014. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment of STI WNU of LandBank's ACADEME Lending Program.

  - the waiver of Section 7.01(s) re: Ranking of Notes which requires STI WNU to ensure that for as long as any Note is outstanding, STI WNU shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by STI WNU of LandBank's ACADEME Lending Program, to be secured by the corporate surety of STI Education System Holdings, Inc. and the assignment of the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank;

  - the waiver of Section 7.02(g) of the Corporate Notes Facility Agreement re: Assignment of Revenues and Income which prohibits STI WNU 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 WNU's students in favor of LandBank as security for the ACADEME Lending Program;

  - the waiver of Section 7.02(o) of the Corporate Notes Facility Agreement re: Encumbrances which prohibits STI WNU from permitting 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 STI WNU or the right of STI WNU in receiving income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program; and

  China Bank further approved the one-time waiver of the DSCR testing for the period ending September 30, 2020.

h. On August 7, 2020, iACADEMY requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG in the amount of ₱250.0 million and waiver of certain covenants in the Omnibus Loan and Security Agreement dated September 28, 2017. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment by iACADEMY of LandBank's ACADEME Lending Program:

  - the waiver of Section 16.01(u) of the Omnibus Agreement re: Ranking of Notes which requires iACADEMY to ensure that for as long as any Note is outstanding, iACADEMY shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by iACADEMY of LandBank's ACADEME Lending Program, to be secured by the corporate surety of the Parent Company and the assignment of the sub-promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank;

- the waiver of Section 16.02(k) of the Omnibus Agreement re: Encumbrances which prohibits iACADEMY from permitting 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 iACADEMY or the right of iACADEMY to receive income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program; and

- the waiver of Section 16.02(m) of the Omnibus Agreement re: Assignment of Revenues and Income which prohibits iACADEMY 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 iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program.

i. 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.

j. 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.

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

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

BOA/PRC Reg. No. 0001,
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 Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and 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 Company'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

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6760 Ayala Avenue
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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
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and 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 (PFRS) 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 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
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 SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

Schedule	Content
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from/Payable to Related Parties which are Eliminated During the Consolidation of the Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
F	Guarantees of Securities of Other Issuers
G	Capital Stock
H	Reconciliation of Retained Earnings Available for Dividend Declaration
I	Map of Relationships Between and Among the Company and Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates
J	Schedule of Financial Soundness Indicators

SCHEDULE A – FINANCIAL ASSETS
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of issuing Entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the Statement of Financial Position	Value Based on market quotation at end of reporting period	Income received and accrued

The Group has no financial assets at Fair Value through Profit or Loss as at June 30, 2020

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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 One Million Pesos (P1 Million) or 1% of total assets, whichever is less, as at June 30, 2020.

SCHEDULE C – AMOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of debtor and description	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period	Description
Receivable of AHC from STI Holdings	63,778,000			63,778,000	-	63,778,000	Assignment of receivable from Unlad Resources Development Corporation
Receivable of AHC from STI Holdings	64,000,000			-	64,000,000	64,000,000	Subscription
Receivable of STI Holdings from STI ESG	-	3,600,000	2,400,000	1,200,000	-	1,200,000	Advisory fees
Receivable of STI Holdings from iACADEMY	-	255,000	255,000	-	-	-	Advisory fees
Receivable of STI ESG from STI WNU	1,123,185	-	-	1,123,185	-	1,123,185	Advances
Receivable of STI ESG from STI WNU	3,935,160	925,279	-	4,860,439	-	4,860,439	Educational services, school materials sold, other charges
Receivable of STI Holdings from STI WNU	-	900,000	900,000	-	-	-	Advisory fees

SCHEDULE D – LONG-TERM DEBT
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of interest-bearing loans and borrowings" in related Statement of Financial Position	Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position
China Banking Corporation – Corporate Notes 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
China Banking Corporation – Term Loan Maturity Date / Interest Rate September 29, 2027 / 5.3030%*	800,000,000	79,166,076	517,351,973
China Banking Corporation – Corporate Notes Maturity Date / Interest Rate January 31, 2021 / 4.36%	300,000,000	39,400,000	-

**presented net of bond issue costs / transactions costs in the Consolidated Statements of Financial Position*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

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

SCHEDULE G – CAPITAL STOCK
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors, officers and employees	Number of shares held by Others
Common Stock	10,000,000,000	9,904,806,924	-	4,749,760,081*	1,782,309,001**	3,372,737,842

*Related Parties	
Prudent Resources, Inc.	1,619,599,964
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	795,918,934
Eujo Philippines, Inc.	806,157,130
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.	629,776,992
STI Education Services Group	500,432,895
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332
Philippines First Insurance Co., Inc.	3,722,000
First Optima Realty Corporation	29,014,752
Prime Power Holdings Corp.	23,000,000
Amina Inc.	35,247,082
T O T A L	4,749,760,081

**Directors, Officers, and Employees:	
Eusebio H.Tanco	1,555,905,875
Monico V. Jacob	33,784,057
Maria Vanessa Rose L. Tanco	20,558,001
Joseph Augustin L. Tanco	2,000,001
Martin K. Tanco	78,357,100
Paolo Martin O. Bautista	3,250,000
Rainerio M. Borja	1,000,000
Jesli A. Lapus	6,000,000
Robert G. Vergara	1,000
Ma. Leonora V. De Jesus	1,000
Raymond N. Alimurong	1,000
Yolanda M. Bautista	5,000,001
Arsenio C. Cabrera, Jr.	6,500,000
Franchini Vina Z. Cordova	65,000
STI Employees Retirement Plan	69,885,966
T O T A L	1,782,309,001

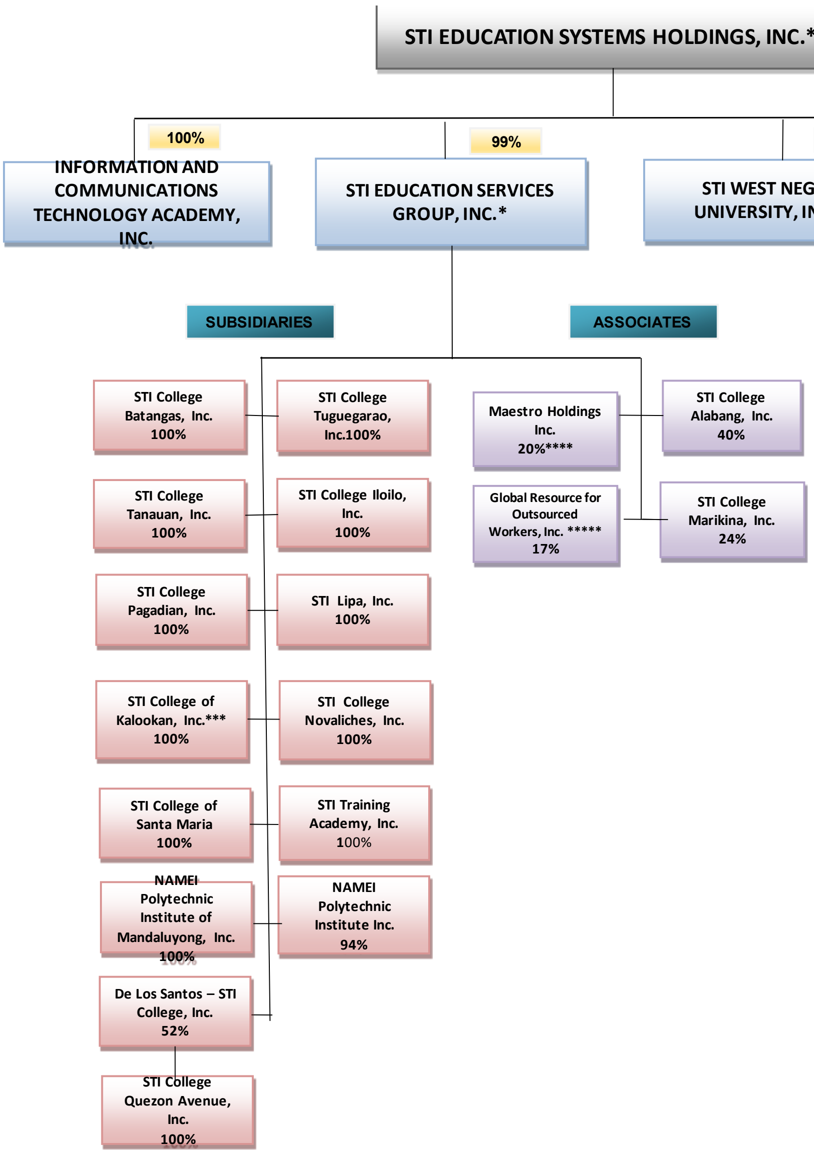
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
June 30, 2020
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Unappropriated Retained Earnings, beginning of the year			**1,613,991,948**
Adjustment: *(see adjustment in previous period's reconciliation)*			**(182,954,744)**
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year			**1,431,037,204**
Add:	**Net income actually earned/realized during the period**		
	Net income (loss) during the period closed to Retained Earnings	(489,150)	
Less:	**Non-actual/unrealized income net of tax**	-	
	Equity in net income of associate/joint venture	-	
	Unrealized foreign exchange gain - (after tax except those attributable to Cash and Cash equivalents)	-	
	Unrealized actuarial gain	-	
	Fair value adjustment (mark-to-market gains)	-	
	Fair value adjustment of Investment Property resulting to gain	-	
	Adjustment due to deviation from PFRS - gain	-	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
	Sub-total	-	
Add:	**Non-actual losses**		
	Depreciation on revaluation increment (after tax)	-	
	Adjustment due to deviation from PFRS - loss	-	
	Loss on fair value adjustment of Investment property (after tax)	-	
	Sub-total	-	
Net income actually earned/realized during the period			**(489,150)**
Add (Less):			
	Dividend declarations during the period	-	
	Appropriation of Retained Earnings during the period	-	
	Reversals of appropriations	-	
	Effects of prior period adjustments	-	
	Treasury shares	-	
	Sub-total		-
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION			**1,430,548,054**

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

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at March 31, 2020*
** *Formerly West Negros University Corp.*
*** *A subsidiary through a management contract.*
**** *Investment is classified as noncurrent asset held for sale effective June 30, 2017.*
***** *Maestro Holdings, Inc. owns 20% equity interest in Global Resource for Outsourced Workers, Inc. as at March 31, 2020*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2020

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Ratio	Formula	June 30, 2020	March 31, 2020
Current ratio	Current assets / Current liabilities	1.41	1.48
Acid test ratio	Current assets less inventories, prepayments & noncurrent asset held for sale / Current liabilities	0.97	1.06
Solvency ratios			
Debt-to-equity ratio	Total liabilities less unearned tuition & other school fees / Total equity	0.81	0.78
Asset-to-equity ratio	Total assets / Total equity	1.83	1.82
Interest rate coverage ratio	Net income excluding interest expense and provision for income tax / Interest expense	(1.82)	0.52
Return on equity	Annualized net income (loss) attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	-11%	-2%
Return on assets	Annualized net income (loss) / Average total assets	-6%	-1%
Net profit margin *(8)*	Net income (loss) after provision for income tax / Total revenues	-112%	-6%
Other ratios			
EBITDA margin	EBITDA * / Total revenues	-13%	38%
Debt service cover ratio	EBITDA for the last twelve months / Total principal and interest due for the next twelve months	1.66	1.44

* *EBITDA or Earnings before interest, taxes, depreciation and amortization is defined as earnings (losses) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net earnings of associates and joint ventures, and nonrecurring gains (losses) such as gain on disposal of net assets and impairment provision on noncurrent asset held for sale. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets.*

STI Education Systems Holdings, Inc.
Aging of receivables
As of June 30, 2020

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	554,969,383	261,759,512	23,416,906	25,139,567	244,653,397
	554,969,383	261,759,512	23,416,906	25,139,567	244,653,397

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

- STI ESG was founded on August 21, 1983 to address the Information Technology ("IT") education needs of the Philippines. It evolved from its wholly-owned training centers to granting franchises to several locations in Metro Manila. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges. It started to roll out the four-year college programs in 1996. From offering various degrees related to Computer Science, STI ESG showed its strength beyond IT by expanding the existing programs to bachelor's degrees in the fields of Business Administration, Computer Engineering, Hospitality Management, Tourism Management, Accountancy, Communications and Multimedia Arts, among others. STI ESG is also offering Senior High School ("SHS"). 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 70 colleges and 6 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 SY 2020-2021 and cessation of the operations of STI Pagadian effective SY 2020-2021. 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 SY 2020-2021. 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. STI ESG’s network of schools now totals 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.

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

  The university offers primary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business courses such as Accountancy, Management Accounting and Business Administration, Hospitality and Tourism Management, Information System and Technology, Computer Science and Maritime Training Courses required by the Maritime Industry Authority (“MARINA”) for officers and crew on board Philippine and/or foreign registered ships operating in Philippine and/or international waters. For SY 2020-2021, STI WNU was given government permits to offer Bachelor of Science in Retail Technology and Consumer Science Program. Post-graduate courses include Master’s degrees in Business Administration, Public Administration, Nursing and Education, and Doctorate degrees in Public Administration and Educational Management.

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

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

▪ iACADEMY is the premier school in the Group that specializes in course offerings in animation, multimedia arts and design, fashion design and technology, software engineering, game development, film and visual effects and real estate management. For SY 2020-2021, iACADEMY is offering two new programs, namely: Bachelor of Science in Computer Science major in Data Science and Bachelor of Science in Computer Science major in Cloud Computing. It has also been given a government permit to offer Bachelor of Science in Accountancy starting SY 2020-2021. It also offers Senior High School.

  It started in 2002 as a wholly-owned subsidiary of STI ESG until its spin-off when it became a 100% owned subsidiary of STI Holdings in September 2016. The school’s first campus is at iACAD**E**MY Plaza in Makati – the Central Business District of Metro Manila. Today, classes are conducted at the school's Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

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

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

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

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

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at September 24, 2020, the request is pending with the BIR.

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

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

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

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

STUDENT POPULATION

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

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

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

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

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

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

In previous years, the schools in the STI Network started the school calendar every June of each year. For SY 2019-2020, the school calendar of STI ESG and STI WNU for 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 the 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 of STI ESG have been completed as at end of March

31, 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, or (3) face-to-face for those who cannot go online and opt to wait until STI ESG and STI WNU could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Online classes of those who opted for 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 and STI WNU are 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.

For iACADEMY SHS and Tertiary levels, the school calendar for SY 2019-2020 was originally set from August 2019 to May 2020 and July 2019 to June 2020, respectively. Classes for SHS and Tertiary students were suspended due to the implementation of the ECQ in March 2020. SHS Modular classes of those who opted for online and offline options resumed on April 15, 2020 and were completed on June 5, 2020 for Grade 12 students and June 11, 2020 for Grade 11 students. For tertiary, the online classes resumed on April 15, 2020 and the school year was completed on July 15, 2020.

For SY 2020-2021, iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning ("GOAL"). This would take place from August 2020 to December 2020. In this setup, all activities or modules would be delivered 100% online through the use of Neo Learning Management System, Google Meet, and MS Teams. Classes for SHS and tertiary started on August 24, 2020 and August 28, 2020, respectively.

GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians.
Onsite learning and other onsite activities in iACADEMY will only be allowed as long as there is compliance to the policies set by IATF, DepEd for SHS, and CHED for College.

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 countries as well. In line with this, STI Holdings and its subsidiaries changed their accounting period from a fiscal year beginning April 1 of each year and ending on March 31 of the following year to beginning July 1 of each year and ending on June 30 of the following year as discussed in Note 1 of the Notes to the Audited Consolidated Financial Statements, attached as part of "Annex A". 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 beginning 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 statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows, and the related notes are for three months and, accordingly, are not comparable with amounts for March 31, 2020 and 2019 reports which pertain to one whole year.

This discussion summarizes the significant factors affecting the financial condition as at June 30, 2020 and March 31, 2020 of STI Education Systems Holdings, Inc. and its subsidiaries (hereafter collectively referred to as the "Group") and the operating results for the three–month period ended June 30, 2020 (audited) and the comparable three-month period ended June 30, 2019 (unaudited). The following discussion should be read in conjunction with the attached audited consolidated financial statements of the Group as at and for the three-month period ended June 30, 2020 and the years ended March 31, 2020 and 2019. The following discussions should likewise be read in conjunction with the Statements of Comprehensive Income for the three-month periods ended June 30, 2020 and 2019, together with the financial highlights and key performance indicators of the Group for these three-month periods, which are presented as part of the management's discussion and analysis.

All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as at and for the three-month period ended June 30, 2020, and for all the other periods presented.

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 generated gross revenues of ₱196.9 million, lower by 43% or ₱146.1 million from same period last year of ₱343.0 million. Gross profit likewise decreased by ₱57.4 million or 66% year-on-year. This was mainly due to the imposition of 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 April 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 and STI WNU was moved to September 2020 and to August 2020 in the case of iACADEMY. As a result, the Group incurred a significant decline in the revenues from tuition and other school fees and sale of educational materials and supplies.

The Group recorded an operating loss of ₱202.4 million for the three-month period ended June 30, 2020 as against same period last year's operating loss of ₱231.6 million. The lower operating loss is mainly due to the cost reduction measures implemented by the Group. Net loss likewise decreased to ₱221.4 million this quarter from ₱246.4 million for the same period last year.

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 (losses) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses) such as gain on disposal of net assets, improved to negative ₱25.1 million from negative ₱59.3 million for the three-month periods ended June 30, 2020 and 2019, respectively. The depreciation and interest expenses reflected in the EBITDA computation exclude those related to right-of-use ("ROU") assets and lease liabilities, respectively. EBITDA margin is negative 13% for the three-month period ended June 30, 2020 compared to negative 17% for the same period last year.

II. FINANCIAL CONDITION

The Group's total assets as at June 30, 2020 amounted to ₱14,830.3 million, 2% or ₱328.9 million lower than the balance as at March 31, 2020. This was substantially due to decreases in cash and cash equivalents, receivables and net book value of property and equipment.

Cash and cash equivalents decreased by 6% or ₱50.5 million mainly due to STI ESG's payment of interest on its issued bonds.

Total receivables amounted to ₱555.0 million, down by ₱167.2 million from ₱722.2 million as at March 31, 2020 attributed to collection of receivables from DepEd for the SHS vouchers and from students for their tuition and other school fees as SY 2019-2020 was being completed through online classes.

Prepaid expenses decreased by ₱4.9 million or 7% from ₱76.3 million to ₱71.4 million substantially due to decreases in input VAT and prepaid licenses and subscriptions.

Property and equipment decreased by ₱112.6 million from the March 31, 2020 balance of ₱10,226.2 million to ₱10,113.6 million as at June 30, 2020 as depreciation expenses for the three-month period ended June 30, 2020 were recognized.

Total current liabilities decreased by ₱88.7 million to ₱1,429.9 million as at June 30, 2020 from ₱1,518.6 million as at March 31, 2020, mainly due to the ₱168.0 million decrease in unearned tuition and other school fees which were recognized as revenues during the period.

Total equity decreased by ₱228.5 million due to the net loss incurred for the three-month period ended June 30, 2020 and remeasurement losses on pension liabilities.

III. TOP 5 KEY PERFORMANCE INDICATORS

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

		Three months ended June 30		
		2020	**2019**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	(13%)	(17%)	EBITDA margin improved in 2020 as compared to the same period in 2019 mainly due to lower operating expenses arising from the quarantine measures related to the COVID-19 pandemic.
Gross profit margin	Gross profit divided by total revenues	15%	26%	Gross profit margin declined mainly due to lower revenues in the quarter ended June 30, 2020 arising from the shift in the start of classes for SHS and tertiary students from June and July,

		Three months ended June 30		
		2020	2019	Remarks
				respectively, in SY 2019-2020 to September for both SHS and tertiary students in SY 2020-2021 .
Return on equity	Net loss attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	(11%)	(11%)	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	1.66	1.54	Debt service cover ratio has been compliant with the minimum set by management, the lender bank and the STI ESG bondholders. The bar is 1.05 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months.
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.81	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 6% or ₱50.5 million due to payments made to contractor and suppliers for the construction of STI Academic Center in Legazpi City, lease obligations, and interest on STI ESG's bonds.

Total receivables decreased to ₱555.0 million from ₱722.2 million as at March 31, 2020, substantially due to collection of receivables from DepEd. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱37.0 million as at June 30, 2020, showing a collection of ₱145.0 million from the March 31, 2020 balance of ₱182.0 million. Receivables from students decreased by ₱52.8 million from ₱468.1 million as at March 31, 2020 to ₱415.3 million as at June 30, 2020.

Prepaid expenses decreased by ₱4.9 million or 7% from ₱76.3 million to ₱71.4 million, mainly due to the ₱5.3 million decrease in input VAT, representing the amounts applied as deduction from output VAT during the three-month period ended June 30, 2020.

Property and equipment decreased by ₱112.6 million from the March 31, 2020 balance of ₱10,226.2 million to ₱10,113.6 million as at June 30, 2020 as depreciation expenses for the three-month period ended June 30, 2020 were recognized.

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 this 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 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 and pre-need reserves of PhilPlans and discounted cash flows from the five-year financial budget approved by the management of PhilLife and PhilCare. No provision for impairment was recognized for the three-month periods ended June 30, 2020 and 2019. 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.

Accounts payable and other current liabilities increased by ₱80.4 million or 12% largely due to interest expenses, rent and utilities which were accrued as at June 30, 2020.

Unearned tuition and other school fees decreased by ₱167.9 million from ₱325.7 million as at March 31, 2020 to ₱157.8 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 portions of lease liabilities amounted to ₱90.8 million and ₱461.8 million, respectively, as at June 30, 2020 and ₱91.7 million and ₱471.1 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 liabilities 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*.

Pension liabilities increased by ₱12.0 million from ₱103.4 million to ₱115.4 million as at March 31, 2020 and June 30, 2020, respectively, representing additional retirement obligations recognized by the Group for the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₱16.4 million from ₱109.9 million as at March 31, 2020 to ₱93.5 million as at June 30, 2020 mainly due to the reclassification of advance rent/rental deposits from noncurrent to current portion. The amount reclassified represents advances/deposits for lease agreements with remaining terms of one year or less.

Cumulative actuarial gain declined by 64% or ₱6.6 million due to the remeasurement loss on pension liability recognized for the period arising from the decline in the market value of the equity securities, part of STI ESG's pension plan assets.

Retained earnings decreased by ₱220.4 million due to the net loss attributable to equity holders of the Parent Company recognized for the three-month period ended June 30, 2020.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱196.9 million during the three-month period ended June 30, 2020, a decrease of ₱146.1 million from the same period last year.

Tuition and other school fees amounted to ₱165.6 million for the three-month period ended June 30, 2020, a decline of ₱45.9 million or 22% from same period last year substantially 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. iACADEMY started its online classes on April 15, 2020 and STI ESG and STI WNU started theirs in May, in efforts to complete the SY 2019-2020. The SY 2019-2020 was completed by iACADEMY on July 15, 2020 and STI ESG and STI WNU on July 30, 2020. The revenue stream of the Group, which has been mainly from tuition and other school fees, has been recognized as income over the corresponding school term to which they pertain. For SY 2020-2021, iACADEMY has started its classes in August 2020 while STI ESG and STI WNU have started their 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 47% and 42%, respectively. Revenues from educational services are derived as a percentage of the tuition and other school fees actually collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies decreased by ₱72.0 million quarter-on-quarter due to the shift in the start of the school calendar and the impact of the transition from face-to-face learning to online learning brought about by the COVID-19 pandemic.

Cost of educational services decreased by 16% or ₱32.0 million from ₱198.2 million for the three-month period ended June 30 last year to ₱166.2 million for the same period this year for the same reasons discussed above. Rent expense attributed to the direct expense portion decreased by ₱19.0 million due to the adoption of PFRS 16 whereby depreciation expense on ROU assets was recognized instead of rent expense. On the other hand, depreciation expense increased by ₱8.7 million, from ₱86.3 million to ₱95.0 million as at June 30, 2019 and 2020, respectively, primarily due to the ₱10.6 million depreciation expense recorded on the ROU assets which was 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 operating 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. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. STI ESG's enrollment system is fully depreciated as of the end of May 2019, thus the decline in the amortization of intangible assets by ₱1.6 million. Instructors' salaries and benefits decreased by ₱9.4 million while other direct expenses decreased by ₱13.6 million concomitant with the shift in the Group's school calendar.

Cost of educational materials and supplies sold decreased by ₱56.8 million corresponding to the lower volume of sales.

General and administrative expenses decreased by 27% or ₱86.6 million from ₱319.1 million to ₱232.5 million for the three-month periods ended June 30, 2019 and 2020, respectively. The highest decline was registered by the advertising and promotions expenses at ₱34.1 million. For the three-month period ended June 30, 2019, the Group recognized advertising and promotions expense amounting to ₱37.3 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 August in iACADEMY and in September 2020 for STI ESG and STI WNU, and as such, most marketing activities were done after June 30, 2020. Costs of utilities and outside services, particularly janitorial services, decreased by ₱17.7 million and ₱12.9 million, respectively, due to the COVID-19 pandemic quarantine measures. Salaries and employees' benefits likewise decreased by ₱9.5 million since only a skeletal workforce was allowed in the Group's offices and schools in accordance with the guidelines and policies set by the IATF.

The Group's operating loss for the three-month period ended June 30, 2020 amounted to ₱202.4 million from same period last year's operating loss of ₱231.6 million, an improvement of ₱29.2 million due to the reduced direct costs and operating expenses.

Interest expenses increased by ₱11.1 million, from ₱73.3 million to ₱84.4 million representing interest expense on STI ESG's loan drawdown from its 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 payments to contractors and working capital requirements.

Rental income increased by ₱17.0 million year-on-year from ₱31.4 million to ₱48.4 million, attributed to the rental income generated from the leases of STI ESG's condominium units and of selected floors in iACADEMY Plaza at Sen. Gil Puyat Avenue in Makati City.

Equity in net loss of associates amounted to ₱1.4 million and ₱0.1 million for the three-month periods ended June 30, 2020 and 2019, respectively, as STI ESG recognized its share in the net losses of its associates.

Interest income declined by ₱2.3 million from last year's ₱4.2 million to ₱1.9 million for the three-month period ended June 30 this year as available cash balances were used to pay suppliers and contractors as well as interest on STI ESG's bonds.

Benefit from income tax amounting to ₱16.4 million was recognized for the three-month period ended June 30, 2020 due to the net loss recognized for the period.

Net loss of ₱221.4 million was recorded for the three-month period ended June 30, 2020, as against ₱246.4 million net loss for the same period last year.

The Group recognized a remeasurement loss on pension liability amounting to ₱6.7 million, net of income tax effect, for the three-month period ended June 30, 2020 due to the decline in the value of equity shares forming part of STI ESG's pension assets.

Unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱0.3 million for the three-month period ended June 30, 2020 compared to same period last year's loss of ₱0.1 million.

Total comprehensive loss amounted to ₱228.5 million and ₱246.6 million for the three-month periods ended June 30, 2020 and 2019, the former being driven primarily by the lower revenues due to the imposition of ECQ and GCQ in areas where the schools of the Group are situated. This was partially offset by the reduction in expenses. EBITDA improved to negative ₱25.1 million from negative ₱59.3 million for the three-month periods ended June 30, 2020 and 2019, respectively. EBITDA margin is negative 13% for the three-month period ended June 30, 2020 compared to negative 17% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱220.1 million for the three-month period ended June 30, 2020 compared to the same period last year of negative ₱246.3 million.

VI. FINANCIAL RISK DISCLOSURE

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.

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

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio ("DSCR"), based on the consolidated financial statements of the Group, 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 interest 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 three-month ending June 30, 2020.

As at June 30, 2020 and 2019, the Group's DSCR is 1.66:1.00 and 1.54:1.00, respectively. As at March 31, 2020, the Group's DSCR is 1.44:1.00.

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

<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. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group

elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

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

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

The Group monitors capital using the debt-to-equity ratio, which is computed as the total of current and noncurrent liabilities, 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 the STI ESG 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 2019, the Group's debt-to-equity ratio is 0.81:1.00 and 0.68:1.00, respectively. As at March 31, 2020, the Group's debt-to-equity ratio is 0.78:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

b. Except as provided in Note 34 of the Notes to the Audited Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

e. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 34 of the Notes to the Audited Consolidated Financial Statements attached as Annex "A".

f. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed-rate bonds of STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG, STI WNU and iACADEMY are fully compliant with all the covenants of the loan agreements. Please see Notes 18, 19, 34, 35 and 39 of the Notes to the Audited Consolidated Financial Statements attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

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

h. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, 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.

i. 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 days if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Notes 19 and 39 of the Audited Consolidated Financial Statements)

j. 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 would 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 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 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.

k. On December 17, 2018, the CHED, UniFAST and STI ESG signed a memorandum of agreement to avail of the TES and SLP for STI ESG's students under the UAQTEA and its IRR. On the same date, STI WNU and iACADEMY executed separate memorandums of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations of the UNIFAST, enrolled in SUCs or CHED recognized LUCs is ₱40,000. Students enrolled in select private HEIs who are qualified to receive the TES are entitled to ₱60,000 as subsidy for tuition and other related school fees. The TES sharing agreement states that ₱40,000 goes to the TES student grantee and ₱20,000 to the private HEI. This grant should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to PWDs and graduates of programs with licensure exams amounting to ₱30,000 per annum and ₱10,000, respectively. Under the Voucher and TES Programs, DepEd and CHED, respectively, pay directly the schools where these students enrolled.

l. On February 15, 2019, STI ESG and the shareholders of NAMEI entered into a share purchase agreement for the sale of approximately 92% 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 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 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. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of outstanding shares of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. This resulted in the acquisition of NAMEI as a subsidiary of STI ESG effective April 1, 2019.

m. 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 were 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.

n. On June 23, 2020, STI ESG requested China Bank for consent to avail of LandBank of the Philippines' ("LandBank") **AC**cess to **A**cademic **D**evelopment to **E**mpower the **M**asses towards **E**ndless Opportunities ("ACADEME") Lending Program and the waiver of certain covenants in its Corporate Notes Facility Agreement dated March 20, 2014 and the Term Loan Agreement dated May 7, 2019. On July 23, 2020, China Bank approved the waiver of the following covenants in relation to the availment by STI ESG of LandBank's ACADEME Lending Program:

- 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.

China Bank further approved the temporary waiver of the DSCR requirement covering period ending September 30, 2020 and March 31, 2021.

o. 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 at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million

p. 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 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 LandBank 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 (₱1.00) 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.

q. On July 22, 2020, LandBank approved a ₱250-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 families are facing 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 3.00% 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, the parent company.

   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.

r. On August 7, 2020, STI WNU requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG in the amount of ₱250.0 million and waiver of certain covenants in the Corporate Note Facility Agreement dated March 20, 2014 and the Accession Agreement dated December 16, 2014. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment by STI WNU of LandBank's ACADEME Lending Program.

   - the waiver of Section 7.01(s) re: Ranking of Notes which requires STI WNU to ensure that for as long as any Note is outstanding, STI WNU shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by STI WNU of LandBank's ACADEME Lending Program, to be secured by the corporate surety of STI Education Systems Holdings, Inc. and the assignment of the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank;

   - the waiver of Section 7.02(g) of the Corporate Notes Facility Agreement re: Assignment of Revenues and Income which prohibits STI WNU 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 WNU's students in favor of LandBank as security for the ACADEME Lending Program;

   - the waiver of Section 7.02(o) of the Corporate Notes Facility Agreement re: Encumbrances which prohibits STI WNU from permitting 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 STI WNU or the right of STI WNU in receiving income in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program; and

China Bank further approved the one-time waiver of the DSCR testing for the period ending September 30, 2020.

s. On August 7, 2020, iACADEMY requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG in the amount of ₱250.0 million and waiver of certain covenants in the Omnibus Loan and Security Agreement dated September 28, 2017. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment by iACADEMY of LandBank's ACADEME Lending Program:

- the waiver of Section 16.01(u) of the Omnibus Agreement re: Ranking of Notes which requires iACADEMY to ensure that for as long as any Note is outstanding, iACADEMY shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by iACADEMY of LandBank's ACADEME Lending Program, to be secured by the corporate surety of STI Education Systems Holdings, Inc. and the assignment of the sub-promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank;

- the waiver of Section 16.02(k) of the Omnibus Agreement re: Encumbrances which prohibits iACADEMY from permitting 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 iACADEMY or the right of iACADEMY to receive income in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program; and

- the waiver of Section 16.02(m) of the Omnibus Agreement re: Assignment of Revenues and Income which prohibits iACADEMY 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 iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program.

t. 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 the suspension of operations of STI College Parañaque, Inc. ("STI Parañaque") effective SY 2020-2021.

u. For SY 2019-2020, the school calendar of STI ESG and STI WNU for tertiary students was from July 2019 to April 2020. Classes of tertiary students were suspended upon the implementation of the ECQ in March 2020. Online classes of those who opted for 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 and STI WNU are 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 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.

For iACADEMY SHS and Tertiary level, the school calendar for SY 2019-2020 was originally set from August 2019 to May 2020 and July 2019 to June 2020, respectively. Classes for SHS and Tertiary students were suspended due to the implementation of the ECQ in March 2020. SHS Modular classes of those who opted for online and offline options resumed on April 15, 2020 and were completed on June 5, 2020 for Grade 12 students and June 11, 2020 for Grade 11 students. For tertiary, the online classes resumed on April 15, 2020 and the school year was completed on July 15, 2020.

For SY 2020-2021, iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning ("GOAL"). This would take place from August 2020 to December 2020. In this setup, all activities or modules would be delivered 100% online through the use of Neo Learning Management System, Google Meet, and MS Teams. Classes for SHS and tertiary started on August 24, 2020 and August 28, 2020, respectively.

GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students — including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians.

Onsite learning and other onsite activities in iACADEMY will only be allowed as long as there is compliance to the policies set by IATF, DepEd for SHS, and CHED for College.

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.

v. 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.

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	14,830.3	15,159.2	(328.9)	(2)
Current assets	2,022.1	2,244.5	(222.4)	(10)
Cash and cash equivalents	836.2	886.7	(50.5)	(6)
Equity attributable to equity holders of the parent company	8,015.4	8,242.7	(227.3)	(3)
Total liabilities	6,732.4	6,832.7	(100.3)	(1)
Current liabilities	1,429.9	1,518.6	(88.7)	(6)
Financial ratios				
Debt-to-equity ratio (1)	0.81	0.78	0.03	4
Current ratio (2)	1.41	1.48	(0.07)	(5)
Asset–to-equity ratio (3)	1.83	1.82	0.01	1

	Three months ended June 30		Increase (Decrease)	
	2020 (Audited)	2019 (Unaudited)	Amount	%
Condensed Statements of Income				
Revenues	196.9	343.0	(146.1)	(43)
Direct costs (4)	166.7	255.5	(88.8)	(35)
Gross profit	30.2	87.5	(57.3)	(65)
Operating expenses	232.6	319.1	(86.5)	(27)
Operating loss	(202.4)	(231.6)	29.2	(13)
Other expenses - net	(35.4)	(33.4)	(2.0)	6
Loss before income tax	(237.8)	(265.0)	27.2	(10)
Net loss	(221.4)	(246.4)	25.0	(10)
EBITDA (5)	(25.1)	(59.3)	34.2	(58)
Core income (loss) (6)	(220.1)	(245.6)	25.5	(10)
Net loss attributable to equity holders of the parent company	(220.4)	(240.0)	19.6	(8)
Earnings (Loss) per share (7)	(0.022)	(0.024)	0.002	(7)

	Three months ended June 30		Increase (Decrease)	
	2020 (Audited)	2019 (Unaudited)	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	52.7	284.3	(231.6)	(81)
Net cash used in investing Activities	(36.8)	(67.0)	30.2	(45)
Net cash from (used in) financing activities	(66.3)	(47.6)	(18.7)	39

Financial Soundness Indicators

	As at/three months ended June 30		Increase (Decrease)	
	2020 (Audited)	2019 (Unaudited)	Amount	%
Liquidity Ratios				
Current ratio [2]	1.41	1.31	0.10	8
Quick ratio [8]	0.97	0.84	0.13	15
Cash ratio [9]	0.58	0.45	0.13	29
Solvency ratios				
Debt-to-equity ratio [1]	0.81	0.68	0.13	19
Asset-to-equity ratio [3]	1.83	1.79	0.04	2
Debt service cover ratio [10]	1.66	1.54	0.12	8
Interest coverage ratio [11]	(1.82)	(2.61)	0.79	(30)
Profitability ratios				
EBITDA margin [12]	(13%)	(17%)	5	(27)
Gross profit margin [13]	15%	26%	(11)	(41)
Operating profit (loss) margin [14]	(103%)	(68%)	(35)	53
Net profit (loss) margin [15]	(112%)	(72%)	(40)	56
Return on equity (annualized) [16]	(11%)	(11%)	-	-
Return on assets (annualized) [17]	(6%)	(7%)	1	(9)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended June 30	
	2020 (Audited)	2019 (Unaudited)
REVENUES		
Sale of services:		
Tuition and other school fees	**165,626,597**	211,521,011
Educational services	**21,182,148**	40,066,908
Royalty fees	**1,963,548**	3,394,691
Others	**7,117,304**	15,033,810
Sale of educational materials and supplies	**998,130**	73,022,976
	196,887,727	343,039,396
COSTS AND EXPENSES		
Cost of educational services	**166,238,586**	98,207,718
Cost of educational materials and supplies sold	**464,529**	57,277,204
General and administrative expenses	**232,550,165**	319,114,749
	399,253,280	574,599,671
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(202,365,553)**	**(231,560,275)**
OTHER INCOME (EXPENSES)		
Interest expense	**(84,442,945)**	(73,338,261)
Rental income	**48,410,966**	31,413,496
Interest income	**1,949,082**	4,198,819
Equity in net losses of associates and joint ventures	**(1,361,267)**	(100,755)
Dividend and other income	**6,640**	-
Gain on disposal of net assets	-	4,365,123
Gain on recovery of receivables	-	42,906
	(35,437,524)	(33,418,672)
LOSS BEFORE INCOME TAX	**(237,803,077)**	(264,978,947)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**154,151**	(10,889,384)
Deferred	**(16,514,479)**	(7,718,859)
	(16,360,328)	(18,608,243)
NET LOSS *(Carried Forward)*	**(221,442,749)**	**(246,370,704)**

	Three months ended June 30	
	2020 (Audited)	2019 (Unaudited)
NET LOSS *(Brought Forward)*	**(221,442,749)**	**(246,370,704)**
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liability	**(7,482,375)**	(68,326)
Income tax effect	**748,238**	6,833
Fair value change in equity instruments designated at FVOCI	**(347,194)**	(125,830)
	(7,081,331)	(187,323)
TOTAL COMPREHENSIVE LOSS	**(228,524,080)**	**(246,558,027)**
Net loss attributable to:		
Equity holders of the Parent Company	**(220,359,761)**	(240,001,441)
Non-controlling interests	**(1,082,988)**	(6,369,263)
	(221,442,749)	**(246,370,704)**
Total comprehensive loss attributable to:		
Equity holders of the Parent Company	**(227,345,484)**	(240,185,716)
Non-controlling interests	**(1,178,596)**	(6,372,311)
	(228,524,080)	**(246,558,027)**
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Income (Los Attributable to Equity Holders of the Parent Company	**(0.022)**	(0.024)

SCHEDULES

1. COST OF EDUCATIONAL SERVICES

	Three months ended June 30	
	2020 (Audited)	2019 (Unaudited)
Depreciation and amortization	**94,980,562**	86,343,103
Faculty salaries and benefits	**51,292,165**	60,737,802
Student activities and programs	**7,202,296**	16,798,219
Rental	**5,917,068**	24,891,225
Software maintenance	**4,426,628**	4,064,979
School materials and supplies	**948,715**	2,842,670
Others	**1,471,152**	2,529,720
	166,238,586	198,207,718

2. COST OF EDUCATIONAL MATERIALS AND SUPPLIES SOLD

	Three months ended June 30	
	2020	2019
	(Audited)	(Unaudited)
Educational materials and supplies	**31,608**	55,425,157
Promotional materials	**432,921**	1,688,067
Others	**-**	163,980
	464,529	57,277,204

3. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30	
	2020	2019
	(Audited)	(Unaudited)
Salaries, wages and benefits	**76,479,443**	86,003,744
Depreciation and amortization	**64,398,682**	54,424,467
Outside services	**19,137,072**	32,054,006
Professional fees	**16,134,280**	12,677,775
Light and water	**13,336,415**	31,058,656
Taxes and licenses	**7,050,092**	11,148,565
Provision for ECL	**6,320,669**	9,050,105
Transportation	**4,415,258**	6,346,856
Insurance	**3,812,816**	3,934,009
Meetings and conferences	**3,762,951**	4,338,023
Advertising and promotions	**3,158,064**	37,295,717
Communication	**3,081,210**	3,291,795
Rental	**2,989,259**	12,609,748
Entertainment	**2,629,371**	2,580,306
Office supplies	**1,443,240**	3,991,711
Repairs and maintenance	**1,276,570**	3,872,865
Software maintenance	**783,919**	806,815
Association dues	**357,558**	351,166
Others	**1,983,296**	3,278,420
	232,550,165	319,114,749

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 0 1 7 4 6

COMPANY NAME

STI EDUCATION SYSTEMS HOLDINGS, INC.

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

7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
APFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@stiholdings.com.ph	(632) 8844 9553	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,266	Third Friday of November	June 30

CONTACT PERSON INFORMATION

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

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

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, Inc.** (the company) is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, as at June 30, 2020 and March 31, 2020 and for the three-month period ended June 30, 2020 and year ended March 31, 2020, 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 parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the parent company financial statements of the Company 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.

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUTISTA
Treasurer and Chief Financial Officer

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01 OCT 2020
Signed this ___th day of ______________ 2020

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

SUBSCRIBED AND SWORN to me this 01 OCT 2020 day of _______, 2020 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS Numbers as follows:

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

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

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Page No. 8
Book No. II
Series of 2020

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

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

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

BOA/PRC Reg. No. 0001,
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 Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of STI Education Systems Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at June 30, 2020 and March 31, 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the three month-period ended June 30, 2020 and the year ended March 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and March 31, 2020, and its financial performance and its cash flows for the three-month period ended June 30, 2020 and the year ended March 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of STI Education Systems Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

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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LARGE TAXPAYERS ASSISTANCE DIVISION
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STI EDUCATION SYSTEMS HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	June 30, 2020 (Note 2)	March 31, 2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱15,642,014**	₱18,030,890
Receivables (Note 5)	**2,724,362**	935,112
Other current assets (Note 6)	**13,484,471**	13,280,390
Total Current Assets	**31,850,847**	32,246,392
Noncurrent Assets		
Investments in subsidiaries (Note 7)	**16,803,242,538**	16,803,242,538
Investment properties (Note 8)	**1,307,835,447**	1,308,464,135
Property and equipment (Note 9)	**7,116,035**	7,913,925
Other noncurrent assets (Note 10)	**1,251,730**	1,289,910
Total Noncurrent Assets	**18,119,445,750**	18,120,910,508
TOTAL ASSETS	**₱18,151,296,597**	₱18,153,156,900
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 7 and 11)	**₱136,166,034**	₱136,815,693
Current portion of lease liabilities (Note 15)	**2,990,770**	2,975,018
Dividends payable (Note 13)	**12,138,870**	12,143,306
Total Current Liabilities	**151,295,674**	151,934,017
Noncurrent Liabilities		
Subscription payable (Notes 7 and 12)	**64,000,000**	64,000,000
Deferred tax liabilities - net (Note 16)	**110,544,841**	110,548,968
Lease liabilities - net of current portion (Note 15)	**4,519,679**	5,239,232
Total Noncurrent Liabilities	**179,064,520**	179,788,200
Total Liabilities	**330,360,194**	331,722,217
Equity		
Common stock (Note 13)	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**11,254,677,345**	11,254,677,345
Fair value change in equity instruments at fair value through other comprehensive income (FVOCI) (Note 10)	**352,798**	361,928
Retained earnings (Note 13)	**1,613,502,798**	1,613,991,948
Total Equity	**17,820,936,403**	17,821,434,683
TOTAL LIABILITIES AND EQUITY	**₱18,151,296,597**	₱18,153,156,900

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND THE YEAR ENDED MARCH 31, 2020

	June 30, 2020 (Three Months - Note 2)	March 31, 2020 (One year)
REVENUES		
Advisory fee (Note 12)	**₱4,755,000**	₱19,020,000
Dividend income (Note 7)	**6,640**	182,441,533
	4,761,640	201,461,533
EXPENSES		
Outside services	**2,060,668**	11,800,015
Depreciation and amortization (Notes 8, 9 and 15)	**1,449,346**	5,748,648
Salaries and allowances	**1,287,493**	5,004,141
Membership fees and dues	**292,900**	1,194,673
Advertising and promotions	**100,000**	400,000
Supplies	**39,440**	733,395
Communication	**22,882**	167,563
Transportation and travel	**446**	1,977,437
Taxes and licenses	–	2,196,431
Utilities	–	841,114
Meetings and conferences	–	538,000
Representation and entertainment	–	209,859
Miscellaneous	**1,397**	522,956
	5,254,572	31,334,232
OTHER INCOME (EXPENSE)		
Interest expense (Note 15)	**(156,750)**	(757,877)
Interest income (Note 4)	**45,705**	1,809,559
Others - net (Note 12)	**210,000**	1,272,030
	98,955	2,323,712
INCOME (LOSS) BEFORE INCOME TAX	**(393,977)**	172,451,013
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)		
Current	**99,300**	405,841
Deferred	**(4,127)**	(79,179)
	95,173	326,662
NET INCOME (LOSS)	**(489,150)**	172,124,351
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods - Fair value change in equity instruments at FVOCI (Note 10)	**(9,130)**	830
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱498,280)**	₱172,125,181
Basic/Diluted Earnings (Losses) Per Share (Note 14)	**(₱0.00005)**	₱0.017

See accompanying Notes to Parent Company Financial Statements

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STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020 AND THE YEAR ENDED MARCH 31, 2020

	Capital Stock (Note 13)	Additional Paid-in Capital	Fair Value Change in Equity Instruments at FVOCI (Note 10)	Retained Earnings (Note 13)	Total
Balance at April 1, 2020	**₱4,952,403,462**	**₱11,254,677,345**	**₱361,928**	**₱1,613,991,948**	**₱17,821,434,683**
Net loss	–	–	–	**(489,150)**	**(489,150)**
Other comprehensive loss	–	–	**(9,130)**	–	**(9,130)**
Total comprehensive loss	–	–	**(9,130)**	**(489,150)**	**(498,280)**
Balance at June 30, 2020	**₱4,952,403,462**	**₱11,254,677,345**	**₱352,798**	**₱1,613,502,798**	**₱17,820,936,403**
Balance at April 1, 2019	₱4,952,403,462	₱11,254,677,345	₱361,098	₱1,639,963,735	₱17,847,405,640
Net income	–	–	–	172,124,351	172,124,351
Other comprehensive income	–	–	830	–	830
Total comprehensive income	–	–	830	172,124,351	172,125,181
Dividends	–	–	–	(198,096,138)	(198,096,138)
Balance at March 31, 2020	₱4,952,403,462	₱11,254,677,345	₱361,928	₱1,613,991,948	₱17,821,434,683

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020
AND THE YEAR ENDED MARCH 31, 2020

	June 30, 2020 (Three Months - Note 2)	March 31, 2020 (One year)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱393,977)**	₱172,451,013
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 8, 9 and 15)	**1,449,346**	5,748,648
Interest expense (Note 15)	**156,750**	757,877
Interest income (Note 4)	**(45,705)**	(1,809,559)
Dividend income (Note 7)	**(6,640)**	(182,441,533)
Operating income (loss) before working capital changes	**1,159,774**	(5,293,554)
Decrease (increase) in:		
Receivables	**(1,789,250)**	199,098
Other current assets	**237,154**	414,870
Increase (decrease) in accounts payable and other current liabilities	**(649,659)**	98,923
Net cash used in operations	**(1,041,981)**	(4,580,663)
Income taxes paid	**(540,535)**	(2,907,430)
Interest received	**45,705**	1,809,559
Net cash used in operating activities	**(1,536,811)**	(5,678,534)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**6,640**	182,448,173
Acquisitions of property and equipment (Note 9)	**(22,768)**	(788,793)
Decrease in other noncurrent assets	**29,050**	624,471
Net cash from investing activities	**12,922**	182,283,851
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends (Notes 13 and 18)	**(4,436)**	(198,058,340)
Lease liabilities (Note 15)	**(860,551)**	(3,358,213)
Cash used in financing activities	**(864,987)**	(201,416,553)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,388,876)**	(24,811,236)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**18,030,890**	42,842,126
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱15,642,014**	₱18,030,890

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

STI Holdings' registered office address, which is also its principal place of business, is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City, 1226.

On September 20, 2019 and December 6, 2019, the Company's Board of Directors (BOD) and stockholders, respectively, approved the amendments in its Articles of Incorporation and By-Laws, as follows: (1) change in the address of the Company to reflect the change in the name of the building to STI Holdings Center and to state the full address; (2) change of the fiscal year of the Company from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and, (3) change in the date of its Annual Stockholders' meeting from every last Friday of September to every third Friday of November of each year. The SEC approved the amendments on January 29, 2020. The Philipine Bureau of Internal Revenue (BIR) approved the change of the fiscal year on July 13, 2020.

The parent company financial statements have been approved and authorized for issuance by the BOD on September 24, 2020.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The accompanying parent company financial statements have been prepared under the historical cost basis, except for investments in equity securities that have been measured at fair value. The parent company financial statements are presented in Philippine Peso, the Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

The accompanying parent company financial statements have been prepared as short-period financial statements as at and for the three-month period ended June 30, 2020 pursuant to the Company's change in accounting period from fiscal year March 31 to fiscal year June 30, as discussed in Note 1, for purposes of filing with the SEC and BIR. The amounts reflected in the June 30, 2020 parent company statement of comprehensive income, parent company statement of changes in equity and, parent company statement of cash flows and the related notes are for three months and, accordingly, are not comparable with amounts in the March 31, 2020 which pertain to an entire year.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new accounting pronouncements starting April 1, 2020. The adoption of these new accounting pronouncements did not have any significant impact on the parent company 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 Company 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
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the parent company financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in fiscal year 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.

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, 2023, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Company as the Company has no 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 January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company has not early adopted the previously mentioned standards. The Company 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 parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

Current versus Noncurrent Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

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

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

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

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

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

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

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

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

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

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

External valuers are involved for valuation of significant assets, such as investment property. Involvement of external valuers is decided upon annually. The current practice of the Company 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 the information in the valuation computation to contracts and other relevant documents.

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

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

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

a. Financial Assets

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

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

   In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Company 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 Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company'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)
- Financial assets at FVPL

As at June 30, 2020 and March 31, 2020, the Company has no debt instruments and financial assets at FVPL.

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

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

   Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

   The Company's financial assets at amortized cost include cash and cash equivalents and refundable deposits as at June 30, 2020 and March 31, 2020.

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

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

   The Company elected to classify irrevocably its listed equity investments under this category.

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

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

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

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

b. Financial liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Company determines the classification of its financial liabilities at initial recognition.

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

As at June 30, 2020 and March 31, 2020, the Company has no financial liabilities at FVPL. The Company's financial liabilities as at June 30, 2020 and March 31, 2020 are measured at amortized cost.

Subsequent measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in parent company 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 as finance costs in the parent company statement comprehensive income. Other financial liabilities include interest-bearing loans and borrowings.

As at June 30, 2020 and March 31, 2020, the Company's financial liabilities include accounts payable and other current liabilities, dividends payable, nontrade payable, subscription payable and obligation under finance lease which are classified as loans and borrowings.

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

c. Offsetting of financial instruments

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

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

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

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

Depreciation of buildings is computed on a straight-line basis over 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 parent company statement of comprehensive income in the year of retirement or disposal.

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

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

Property and Equipment

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Company also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

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

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

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

Other Income
Other income is recognized when earned.

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

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

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

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

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

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

As a Lessee upon Adoption of PFRS 16

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-use assets. The Company 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 cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company 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:

Asset Type	Number of Years
Building	4 years
Transportation equipment	3 years

ROU assets are subject to impairment. Refer to accounting policies section on impairment of nonfinancial assets.

Lease liabilities. At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate 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.

Taxes

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

Deferred tax. Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

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

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

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

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

Contingencies

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

Events after the Reporting Date

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

Segment Reporting
For management purposes, STI Holdings and its subsidiaries (collectively referred to as the Group) is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 21 to the parent company financial statements.

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

The preparation of the parent company financial statements in conformity with PFRSs requires the Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

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

In response to the novel Coronavirus Disease 2019 (COVID-19), which has caused global economic disruption, the Company 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 Company's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2020 parent company financial statements, other than for those disclosed under this section.

Contingencies. The Company is involved in several cases. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the parent company financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 17).

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

Leases - Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company '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 Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Company's lease liabilities as at June 30, 2020 and March 31, 2020 are disclosed in Note 15 to the parent company financial statements.

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

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Company believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the parent company financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Company.

Nonfinancial assets that are subject to impairment testing as at June 30, 2020 and March 31, 2020 are as follows:

	June 30, 2020	March 31, 2020
Investments in subsidiaries (see Note 7)	**₱16,803,242,538**	₱16,803,242,538
Investment properties (see Note 8)	**1,307,835,447**	1,308,464,135
Property and equipment (see Note 9)	**7,116,035**	7,913,925

No provision for impairment on these nonfinancial assets were recognized for the three-month period ended June 30, 2020 and the year ended March 31, 2020.

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

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

As at June 30, 2020 and March 31, 2020, unrecognized deferred tax assets arising from unused NOLCO and MCIT amounted to ₱13.3 million and ₱13.0 million, respectively (see Note 16).

4. Cash and Cash Equivalents

	June 30, 2020	March 31, 2020
Cash on hand	**₱5,000**	₱5,000
Cash in banks	**4,395,704**	2,828,585
Cash equivalents	**11,241,310**	15,197,305
	₱15,642,014	₱18,030,890

Cash in banks earn interest at the prevailing bank 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 Company, and earn interest at their respective short-term investment rates.

Interest income earned from cash in banks and cash equivalents for the three-month period ended June 30, 2020 and the year ended March 31, 2020 amounted to ₱0.05 million and ₱1.8 million, respectively.

5. Receivables

	June 30, 2020	March 31, 2020
Receivable from related parties (see Note 12)	**₱1,300,000**	₱–
Advances to officers and employees (see Note 12)	**1,160,416**	626,318
Others	**263,946**	308,794
	₱2,724,362	₱935,112

Receivable from related parties pertains to uncollected advisory and facility sharing fees due to COVID-19 outbreak and implementation of enhanced community quarantine. These were all collected in July 2020.

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

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

6. Other Current Assets

	June 30, 2020	March 31, 2020
Creditable withholding taxes	**₱10,090,702**	₱9,649,467
Input VAT - net	**2,924,516**	3,139,671
Others	**469,253**	491,252
	₱13,484,471	₱13,280,390

7. Investments in Subsidiaries

As at June 30, 2020 and March 31, 2020, the Company carries its investments in shares of stock under the cost method as follows:

	Principal Place of Business	Percentage of Ownership	Cost
STI Education Services Group, Inc. (STI ESG)	Cainta, Rizal	98.66%	₱15,283,676,041
STI West Negros University, Inc. (STI WNU)	Bacolod City, Negros Occidental	99.93%	592,398,926
Information and Communications Technology Academy, Inc. (iACADEMY)	Makati	100.00%	782,167,571
Attenborough Holdings Corp. (AHC)	Makati	100.00%	145,000,000
			₱16,803,242,538

STI ESG

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

As at June 30, 2020 and March 31, 2020, STI Holdings' ownership interest in STI ESG is approximately 98.66%.

On September 30, 2019, the Company received cash dividends from STI ESG amounting to ₱0.06 per share or ₱182.4 million.

STI WNU

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

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

On November 18, 2013, STI WNU's BOD approved the reclassification of its preferred shares into common shares. On March 12, 2015, the SEC approved the reclassification upon the approval of the increase in authorized capital stock from 300,000 preferred shares with ₱100 par value per share and 700,000 common shares with ₱100 par value per share to 10,000,000 common shares with ₱100 par value per share. Consequently, preferred shares owned by the Company were converted to common shares bringing its ownership to 99.9% of STI WNU's issued and outstanding common stock.

iACADEMY

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

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

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

On the same date, September 7, 2017, the BOG and stockholders of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million to ₱1,000.0 million. The purpose of the increase in authorized capital stock is to issue sufficient shares to the Company pursuant to the plan of merger. The application for the increase in authorized capital stock was filed with the SEC on January 30, 2018 and was approved on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to the Company in exchange for the net assets of Neschester as a result of the merger.

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

In May 2014, STI Holdings made a deposit of ₱56.0 million for 40.0% ownership in AHC. In November 2014, the said deposit was converted into ₱56.0 million AHC shares following the SEC approval of the increase in the authorized capital stock of AHC.

On February 11, 2015, the Company acquired the remaining 60.0% ownership in AHC, including subscription rights, from various individuals for a consideration of ₱25.0 million making AHC a wholly-owned subsidiary.

On March 1, 2016, the Company and AHC executed a Deed of Assignment wherein AHC assigned its AHC Loan to Unlad, including capitalized foreclosure expenses, totaling to ₱66.7 million for a cash consideration of ₱73.8 million (see Note 17).

As at June 30, 2020 and March 31, 2020, the Company has unpaid subscription to AHC, presented as "Subscription payable" under noncurrent liability in the parent company statements of financial position, amounting to ₱64.0 million.

8. Investment Properties

	June 30, 2020 (Three Months - see Note 2)		
	Land and Land Improvements	**Building and Improvements**	**Total**
Cost			
Balance at beginning and end of period	**₱1,289,399,135**	**₱29,124,000**	**₱1,318,523,135**
Accumulated Depreciation and Amortization			
Balance at beginning of period	–	**10,059,000**	**10,059,000**
Depreciation and amortization	–	**628,688**	**628,688**
Balance at end of period	–	**10,687,688**	**10,687,688**
Net Book Value	**₱1,289,399,135**	**₱18,436,312**	**₱1,307,835,447**

	March 31, 2020 (One Year)		
	Land	Building and Improvements	Total
Cost			
Balance at beginning and end of year	₱1,289,399,135	₱29,124,000	₱1,318,523,135
Accumulated Depreciation and Amortization			
Balance at beginning of year	–	7,544,250	7,544,250
Depreciation and amortization	–	2,514,750	2,514,750
Balance at end of year	–	10,059,000	10,059,000
Net Book Value	₱1,289,399,135	₱19,065,000	₱1,308,464,135

The Company's investment properties include parcels of land and buildings and improvements located in Quezon City and Davao City currently held by the Company for capital appreciation and are not used in business.

These properties were obtained by the Company from Unlad through the Deeds of Dacion executed on March 31, 2016 pursuant to a Memorandum of Agreement (MOA) as discussed in Note 16 for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Company, arising from the loans extended by the Company to PWU and Unlad when the Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the Agreements) by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 17). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

The Company engaged security services for the Quezon City and Davao properties, recorded under "Outside services" in the parent company statements of comprehensive income. Security services for the three-month period ended June 30, 2020 and the year ended March 31, 2020 amounted to ₱1.2 million and ₱5.5 million, respectively.

Fair Value

As at June 30, 2020 and March 31, 2020, the fair values of the Company's investment properties are as follows:

	Amount
Quezon City properties	₱1,811,733,000
Davao property	341,564,000
	₱2,153,297,000

The fair values of these investment properties were determined by an independent professionally qualified appraiser. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 has been derived using the market approach. The market approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

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	₱2,117,723,000
Total area (in square meters)	55,459
Fair value by square meters:	
Quezon City properties	14,357 sq. m. at ₱117,000 per sq. m. and 918 sq. m. at ₱105,000
Davao property	40,184 sq. m. at ₱8,500 sq. m.
Valuation technique	Market approach
Unobservable input	External factors – net price per square meter Internal factors – location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

Buildings and Improvements

Level 3 fair values of buildings and improvements have been derived using the cost approach. The cost approach is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is an equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. As at June 30, 2020 and March 31, 2020, the fair value of the buildings and improvements amounted to ₱35.6 million.

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

9. Property and Equipment

	June 30, 2020 (Three Months - see Note 2)					
	Office Equipment	**Leasehold Improvements**	**Furniture and Fixtures**	**Right of Use Asset - Transportation Equipment**	**Right of Use Asset - Building**	**Total**
Cost						
Balance at beginning of period	**₱756,506**	**₱18,176,980**	**₱302,731**	**₱427,288**	**₱9,565,827**	**₱29,229,332**
Additions	**22,768**	**–**	**–**	**–**	**–**	**22,768**
Balance at end of period	**779,274**	**18,176,980**	**302,731**	**427,288**	**9,565,827**	**29,252,100**
Accumulated Depreciation and Amortization						
Balance at beginning of period	**731,500**	**17,371,076**	**302,731**	**208,166**	**2,701,934**	**21,315,407**
Depreciation and amortization	**7,455**	**104,850**	**–**	**32,869**	**675,484**	**820,658**
Balance at end of period	**738,955**	**17,475,926**	**302,731**	**241,035**	**3,377,418**	**22,136,065**
Net Book Value	**₱40,319**	**₱701,054**	**₱–**	**₱186,253**	**₱6,188,409**	**₱7,116,035**

	March 31, 2020 (One Year)					
	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Right of Use Asset - Transportation Equipment	Right of Use Asset - Building	Total
Cost						
Balance at beginning of year	₱726,060	₱17,418,633	₱302,731	₱427,288	₱9,565,827	₱28,440,539
Additions	30,446	758,347	–	–	–	788,793
Balance at end of year	756,506	18,176,980	302,731	427,288	9,565,827	29,229,332
Accumulated Depreciation and Amortization						
Balance at beginning of year	706,753	16,995,332	302,731	76,693	–	18,081,509
Depreciation and amortization	24,747	375,744	–	131,473	2,701,934	3,233,898
Balance at end of year	731,500	17,371,076	302,731	208,166	2,701,934	21,315,407
Net Book Value	₱25,006	₱805,904	₱–	₱–	₱–	₱7,913,925

There were no temporarily idle property and equipment as at June 30, 2020 and March 31, 2020.

10. Other Noncurrent Assets

	June 30, 2020	March 31, 2020
Refundable deposits	**₱501,944**	₱501,944
Equity instruments at FVOCI	**717,265**	726,395
Deferred input VAT	**32,521**	61,571
	₱1,251,730	₱1,289,910

The movement in the balance of equity instruments at FVOCI follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Balance at beginning of period	**₱726,395**	₱725,565
Fair value change	**(9,130)**	830
Balance at end of period	**₱717,265**	₱726,395

The rollforward analysis of the "Fair value change in equity instruments at FVOCI" account as shown in the equity section of the parent company statements of financial position is as follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Balance at beginning of period	**₱361,928**	₱361,098
Fair value change recognized in other comprehensive income (loss)	**(9,130)**	830
Balance at end of period	**₱352,798**	₱361,928

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

	June 30, 2020	March 31, 2020
Nontrade payable	**₱67,000,000**	₱67,000,000
Payable to AHC (see Notes 7 and 12)	**63,778,000**	63,778,000
Accrued expenses	**4,460,120**	4,507,608
Accounts payable	**813,888**	1,417,303
Others	**114,026**	112,782
	₱136,166,034	₱136,815,693

Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU.

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

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

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

12. **Related Party Transactions**

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

Related party receivables and payables are generally settled in cash.

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

Category	Amount of Transactions for the Period: June 30, 2020 (Three Months - see Note 2)	Amount of Transactions for the Period: March 31, 2020 (One Year)	Outstanding Receivable (Payable): June 30, 2020	Outstanding Receivable (Payable): March 31, 2020	Terms	Conditions
Subsidiaries						
STI ESG						
Advisory fee	**₱3,600,000**	₱14,400,000	**₱1,200,000**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	–	770,363	–	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Dividends paid	–	10,008,658	–	–	Due and demandable; noninterest-bearing	Unsecured
Dividend received	–	182,437,383	–	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU						
Advisory fee	**900,000**	3,600,000	–	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
AHC						
Payable to AHC (see Note 11)	–	–	**(63,778,000)**	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable (see Note 7)	–	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**255,000**	1,020,000	–	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Affiliates*						
Phil First Insurance Co., Inc.						
Rental and other charges	**1,085,027**	4,321,084	**(270,900)**	(713,846)	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Utilities and other charges	–	305,767	–	(46,477)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilCare						
Facility sharing and other charges	**60,000**	240,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
HMO coverage	**118,738**	161,350	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Facility sharing and other charges	**75,000**	300,000	**25,000**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and Employees						
Advances to officers and employees (see Note 5)	**534,099**	2,319,292	**1,160,416**	626,318	Liquidated within 1 month; Noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**75,000**	300,000	**75,000**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Advertising and promotion charges	**100,000**	400,000	**(200,000)**	(200,000)	30 days upon receipt of billings; Noninterest-bearing	Unsecured
			(₱125,788,484)	(₱128,112,005)		

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

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

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

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

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

Advisory fee earned for the three-month period ended June 30, 2020 and the year ended March 31, 2020 amounted to ₱4.8 million and ₱19.0 million, respectively.

b. Compensation and Benefits of Key Management Personnel

The Company's directors did not receive any compensation from the Company, except for directors' fees paid for each board meeting attended. Key management compensation for the three-month period ended June 30, 2020 and the year ended March 31, 2020 amounted to ₱1.0 million and ₱4.2 million, respectively.

c. Material Related Party Transactions Policy

The BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10%) or more of the consolidated total assets that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process requirements. The Company may set a lower threshold upon determination by the BOD of the risk of the related party transactions to cause damage to the Company and its stockholders.

13. **Equity**

a. Common Stock

Details as at June 30, 2020 and March 31, 2020 are as follows:

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

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

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

**Date when the registration statement covering such securities was rendered effective by the SEC.*
***Date when the Company filed SEC form 10-1(k) (Notice of Exempt Transaction) with the SEC in accordance with the Securities Regulation Code and its Implementing Rules and Regulations.*
****Date when the SEC approved the increase in authorized capital stock.*

As at June 30, 2020 and March 31, 2020, the Company has a total number of shareholders on record of 1,266.

b. Retained Earnings

On December 6, 2019, cash dividends amounting to ₱0.02 per share or the aggregate amount of ₱198.1 million were declared by the Company's BOD in favor of all stockholders of record as at December 20, 2019, payable on January 15, 2020.

As at June 30, 2020 and March 31, 2020, long-outstanding unclaimed dividends amounting to ₱11.0 million pertain to dividend declarations from 1998 to 2018. This is presented as part of "Dividends payable" account, separately presented in the parent company statements of financial position.

14. Basic/Diluted Earnings (Losses) Per Share

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

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Net income (loss)	**(489,150)**	₱172,124,351
Common shares at beginning and end of year	**9,904,806,924**	9,904,806,924
	(₱0.00005)	₱0.017

The basic and diluted earnings (losses) per share are the same for the three-month period ended June 30, 2020 and the year ended March 31, 2020 as there are no dilutive potential common shares.

15. Leases

The Company leases building spaces, where the corporate office is located. The lease rate is subject to annual repricing based on a pre-agreed rate.

On October 14, 2017, the Company and Phil First Insurance Co., Inc. entered into an agreement for the lease of office space in Ayala Avenue, Makati City. The term of the lease is 5 years starting October 2017 with a monthly rental of ₱0.3 million. The annual rental shall be subject to a 5% escalation every year starting on the second year of the lease term. Under the terms of the lease agreement, the Company is required to make a refundable deposit of ₱0.6 million equivalent to two (2) months' rent.

The following are the amounts recognized in the parent company statement of comprehensive income for the three-month period ended June 30, 2020 and the year ended March 31, 2020:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Depreciation expense of right-of-use asset included in property and equipment	**₱708,353**	₱2,833,407
Interest expense on lease liabilities	**156,750**	757,877
Total amount recognized in parent company statement of comprehensive income	**₱865,103**	₱3,591,284

The rollforward analysis of lease liabilities for the three-month period ended June 30, 2020 and the year ended March 31, 2020 follows:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Balance at beginning of period	**8,214,250**	10,814,586
Interest expense	**156,750**	757,877
Payments	**(860,551)**	(3,358,213)
Balance at end of period	**7,510,449**	8,214,250
Less current portion	**2,990,770**	2,975,018
Non-current portion	**₱4,519,679**	₱5,239,232

Shown below is the maturity analysis of the undiscounted lease payments:

	June 30, 2020	March 31, 2020
Within one year	**₱3,557,535**	₱3,503,185
After one year but not more than five years	**4,680,432**	5,578,285
	₱8,237,967	₱9,081,470

16. **Income Taxes**

The components of the Company's recognized net deferred tax liabilities are as follows:

	June 30, 2020	March 31, 2020
Deferred tax asset:		
Lease liabilities	**₱2,173,382**	₱2,371,900
Deferred tax liabilities:		
Excess of fair values over the dacion price of the properties received through dacion (Note 8)	**(110,861,700)**	(110,861,700)
Right-of-use assets	**(1,856,523)**	(2,059,168)
	(₱110,544,841)	(₱110,548,968)

The provision for current income tax for the three-month period ended June 30, 2020 and the year ended March 31, 2020 represent MCIT.

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

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Provision for (benefit from) income tax at statutory tax rate	**(₱118,193)**	₱51,735,304
Add (deduct) tax effects of:		
Change in unrecognized deferred tax assets	**227,765**	3,857,596
Income subjected to final tax	**(13,712)**	(542,868)
Dividend income	**(1,992)**	(54,732,460)
Nondeductible expenses	**1,305**	9,090
	₱95,173	₱326,662

The details of the Company's NOLCO that can be claimed as deduction from regular taxable income and MCIT which can be claimed against future regular income tax due are as follows:

Year Incurred	Expiry Date	NOLCO	MCIT
2020	2025	₱428,216	₱–
2020	2023	11,505,849	505,141
2019	2022	14,157,913	402,125
2018	2021	13,859,298	378,255
		₱39,951,276	₱1,285,521

As at June 30, 2020 and March 31, 2020, the Company did not recognize the related deferred tax assets on unused NOLCO and MCIT as management believes that future taxable income will not be available to allow all or part of these deferred tax assets to be utilized since the Company's income mainly pertains to passive income which are not subject to income tax.

17. Commitments and Contingencies

Corporate Surety Granted to STI WNU

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

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

In December 2014, the Company issued a Surety Agreement in favor of China Bank to secure STI WNU's ₱300.0 million long-term loan and ₱5.0 million credit line. As at June 30, 2020 and March 31, 2020, STI WNU's outstanding long-term loan amounted to ₱39.4 million. The ₱5.0 million credit line has never been availed and has not been renewed.

On September 16, 2020, the Company executed a Comprehensive Surety Agreement in favor of Land Bank of the Philippines (LandBank) relative to a ₱250.0 million Term Loan/Rediscounting Line Facility approved by LandBank for STI ESG.

Contingencies

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

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

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

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

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

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

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

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

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

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

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

Consequently, the Company recognized the Quezon City and Davao properties as "Investment properties" (see Note 8).

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

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

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

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

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

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

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

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

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

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

After due proceedings on the appeal by the Plaintiffs, the Court of Appeals issued the *Decision* dated August 17, 2018, which affirmed the dismissal of the Plaintiffs-Appellants' case on the ground of (a) res judicata and (b) failure to state a cause of action against the Company insofar as the nullification of the mortgage contracts over the subject property.

After the Plaintiffs filed a Motion for Reconsideration dated August 31, 2018, the Court of Appeals affirmed its Decision in its Resolution dated December 14, 2018.

On March 14, 2019, the Company received the Petition for Review (Petition) under Rule 45 of the Rules of Court filed by the Plaintiffs before the Supreme Court. In the Petition, the Plaintiffs sought to annul and reverse the aforesaid Decision and Resolution issued by the Court of Appeals.

Instead of requiring the Company and AHC to file its Comment to the Petition, the Supreme Court issued the Resolution dated July 24, 2019, which denied the Petition filed by the Plaintiffs. The Supreme Court determined that the Plaintiffs failed to show that the Court of Appeals committed any reversible error in the challenged decision and resolution of dismissing their case.

After receipt of the Plaintiffs' Motion for Reconsideration dated November 19, 2019, the Company and AHC filed their Motion to Admit attached Comment to the said Motion for Reconsideration on January 2, 2020. In the said Comment, the Company and AHC reiterated the validity of the Court of Appeals' findings in its Decision dated August 17, 2018.

On July 13, 2020, the Company received the Resolution dated February 13, 2020 of the Supreme Court, which denied the Plaintiffs' Motion for Reconsideration.

On July 28, 2020, the Company received the Entry of Judgment on the aforesaid Resolution.

With the issuance of the Entry of Judgement, the case is terminated.

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

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

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

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

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

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

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

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

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

The Company sent a letter dated July 2, 2020 addressed to the Office of the Secretariat-General of PDRCI. In the said letter, the Company informed the PDRCI about the death of the Claimant. The Company also moved for the PDRCI to dismiss and/or consider the case withdrawn due to the non-payment of the provisional advance on cost for more than three (3) years.

As at September 24, 2020, the PDRCI have not issued any response to said letter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the parties filed their respective Comment(s) to the aforesaid Petition for Review, the Court of Appeals referred the case for a court-annexed mediation on January 17, 2019. The same was immediately terminated upon agreement by the parties.

While the said Petition for Review is pending, the Corporation filed a Motion to Cancel Lis Pendens. In the Motion, the Company alleged that the Plaintiff annotated the instant case as a lis pendens on the titles of the Corporation over the Quezon City properties subject of the amicable settlement with Unlad. Considering the impropriety and/or invalidity of the same, the Company sought for the Court of Appeals to order the cancellation of the lis pendens.

On April 24, 2019, the Company received the Court of Appeals' *Resolution* requiring all of the parties to file their respective Memoranda. Upon submission of the same, the case would be submitted for resolution.

On May 9, 2019, the Company, AHC and EHT filed their Joint-Memorandum.

As at September 24, 2020, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Company are pending for resolution by the Court of Appeals.

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

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

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

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

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

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

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

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

The case was referred to Court-Annexed Mediation on September 26, 2019 by the Trial Court through its Order dated July 23, 2019.

Both parties attended the aforesaid mediation hearing. During the mediation hearing, the Corporation insisted that it should be in possession of the Subject Premises.

Without offering any proposal to amicably settle the case, the counsel and representative of PWC-Davao rejected aforesaid position and moved to terminate the mediation hearing.

Consequently, the Mediator terminated the Court-Annexed Mediation due to failure of the parties to amicably settle. As provided by law, the Mediator referred the above-captioned case back to the Court.

The Trial Court then referred the case to Judicial Dispute Resolution and set the same on March 20, 2020.

However, the aforesaid hearing was cancelled due to the Community Quarantine declared by National Government due to the COVID-19.

As at September 24, 2020, the Trial Court has not issued any notice regarding the new hearing date for Judicial Dispute Resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While the record of the case was still with the Trial Court, the Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018 (Motion(s)). While the said Motion(s) were pending, the Company also sent a letter to the Provincial Sheriff of the Regional Trial Court of Bacolod City to inform them of the aforesaid pending Motion(s) and reminded them that such incident necessarily required them to suspend any action to enforce the Writ of Execution.

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

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

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

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

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

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

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

On December 20, 2019, the Company received the Decision of the Court of Appeals. In the Decision, the Court of Appeals deemed that the Trial Court's order to allow a summary judgment procedure instead of a full blown trial is merely a mistake of judgment and not grave abuse of discretion amounting to lack of jurisdiction.

On January 6, 2020, the Company filed its Motion for Reconsideration. In the Motion for Reconsideration, the Company asserts that the Trial Court committed grave abuse of discretion when it allowed such procedure not sanctioned in the Rules of Court.

On January 28, 2020, the Company received the Vehement Opposition to its Motion for Reconsideration filed by the Agustin family.

Unless the Court of Appeals requires additional pleadings, the case is submitted for resolution.

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

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

After the approval of the Notice of Appeal and transmittal of the records of the case, the Court of Appeals required the Corporation to file its Appellant's Brief.

After filing a Motion for Extension of Time to File Appellant's Brief, the Corporation filed the Appellants' Brief on August 8, 2019. In the said Appellants' Brief, the Corporation sought to reverse and set aside the Decision dated April 4, 2018 on the ground that the payment of ₱50.0 million was conditioned on the issuance of CHED permit for STI WNU to offer the Maritime Engineering Courses as agreed upon by the parties in the MOA. Said condition was also embodied in the Share Purchase Agreement and recognized by the parties through their representations and actions during the relevant period in this case.

The Corporation also moved to consolidate the instant ordinary appeal with CA-G.R. S.P. Case No. 11645.

Meanwhile, the Agustins filed their Motion to Dismiss Ad Cautelam to the appeal and Opposition to the Motion for Consolidation. In the Motion to Dismiss Ad Cautelam, the Agustins moved to dismiss the appeal on the ground that the Appellant's Brief was not filed within the original period to file the same. The Agustins further asserted that the Company could not rely on its Motion for Extension of Time to File Appellant's Brief because there was no order granting the same by the Court of Appeals.

While the aforesaid Motion to Dismiss Ad Cautelam was pending, the Agustins filed their Appellees' Brief Ad Cautelam. In the said Brief, the Agustins asserted that the findings of the Trial Court were correct and should be upheld by the Court of Appeals. The Agustins also sought for the payment of damages and attorney's fees in their Appellees' Brief.

Within the period allowed by the Rules of Court, the Corporation filed its Reply Brief. Aside from reiterating that the findings of the Trial Court were erroneous, the Corporation opposed the prayer for damages and attorney's fees of the Agustins on the ground that the same (a) was not awarded nor prayed for in the court a quo and (b) unsubstantiated and baseless.

On October 22, 2019, the Court of Appeals issued the Resolution, which denied the (a) Corporation's Motion to Consolidate and the (b) Agustins' Motion to Dismiss Ad Cautelam.

On November 20, 2019, the Agustin family filed its Rejoinder to the Reply Brief.

On March 12, 2020, the Court of Appeals declared the Company's Appeal submitted for resolution.

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

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

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

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

Upon receipt of the Court of Appeals' Resolution dated August 29, 2019 which admitted the Petition for Certiorari of the Agustins, the Company filed its Comment and Opposition to the Petition for Certiorari. In the said Comment and Opposition, the Company asserted that the suspension of the execution pending appeal of the Summary Judgment is (a) within the residual powers of the Trial Court and (b) allowed under the relevant provisions of the Rules of Court.

On December 19, 2019, the Agustin family sought for early resolution of the instant case.

Unless the Court of Appeals requires additional pleadings, the case is submitted for resolution.

18. **Financial Risk Management Objectives and Policies**

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

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

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

As at June 30, 2020 and March 31, 2020, the Company's financial assets which are all neither past due nor impaired are classified as high grade.

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

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position as at June 30, 2020 and March 31, 2020:

	Gross Maximum Exposure		**Net Maximum Exposure***	
	June 30, 2020	March 31, 2020	**June 30, 2020**	March 31, 2020
Cash and cash equivalents	**₱15,637,014**	₱18,025,890	**₱14,137,014**	₱17,025,890
Receivable from related parties	**1,300,150**	–	**1,300,150**	–
Refundable deposits**	**921,824**	921,824	**921,824**	921,824
Equity instruments at FVOCI**	**717,265**	726,395	**717,265**	726,395
Total	**₱18,576,253**	₱19,674,109	**₱17,076,253**	₱18,674,109

**Net financial assets after taking into account insurance on bank deposits*
***Presented under "Other current assets" account (Note 6) and "Other noncurrent assets" account (see Note 10)*

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet its currently maturing commitments. The Company observes prudent liquidity risk management through the maintenance of sufficient cash funds and short-term cash placements, and availability of funding in the form of adequate credit lines.

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

	June 30, 2020			
	Due within 3 Months	**Due from 3 to 6 Months**	**More than 6 Months**	**Total**
Financial assets:				
Cash and cash equivalents	**₱15,637,014**	**₱–**	**₱–**	**₱15,637,014**
Receivable from related parties	**1,300,150**	–	–	**1,300,150**
Refundable deposits	–	**419,880**	**501,944**	**921,824**
Equity instruments at FVOCI	–	–	**717,265**	**717,265**
	₱16,937,164	**₱419,880**	**₱1,219,209**	**₱18,576,253**
Financial liabilities:				
Accrued expenses				
Nontrade payable	**₱67,000,000**	**₱–**	**₱–**	**₱67,000,000**
Payable to AHC	**63,778,000**	–	–	**63,778,000**
Accrued expense	**4,460,120**	–	–	**4,460,120**
Accounts payable	**813,888**	–	–	**813,888**
Dividends payable	**12,138,870**	–	–	**12,138,870**
Subscription payable	–	–	**64,000,000**	**64,000,000**
	₱148,190,878	**₱–**	**₱64,000,000**	**₱212,190,878**

	March 31, 2020			
	Due within 3 Months	Due from 3 to 6 Months	More than 6 Months	Total
Financial assets:				
Cash	₱18,025,890	₱–	₱–	₱18,025,890
Receivable from related parties	–	–	–	–
Refundable deposits	–	419,880	501,944	921,824
Equity instruments at FVOCI	–	–	726,395	726,395
	₱18,025,890	₱419,880	₱1,228,339	₱19,674,109
Financial liabilities:				
Nontrade payable	₱67,000,000	₱–	₱–	₱67,000,000
Payable to AHC	63,778,000	–	–	63,778,000
Accrued expenses	4,507,608	–	–	4,507,608
Accounts payable	1,417,303	–	–	1,417,303
Dividends payable	12,143,306	–	–	12,143,306
Subscription payable	–	–	64,000,000	64,000,000
	₱148,846,217	₱–	₱64,000,000	₱212,846,217

As at June 30, 2020 and March 31, 2020, the Company's current ratios are as follows:

	June 30, 2020	March 31, 2020
Current assets	**₱31,850,847**	₱32,246,392
Current liabilities	**151,295,674**	151,934,017
Current ratio	**0.211:1.000**	0.212:1.000

Capital Risk Management

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

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

As at June 30, 2020 and March 31, 2020, the Company's debt-to-equity ratios are as follows:

	June 30, 2020	March 31, 2020
Total liabilities	**₱330,360,194**	₱331,722,217
Total equity	**17,820,936,403**	17,821,434,683
Debt-to-equity ratio	**0.019:1.000**	0.019:1.000

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

	June 30, 2020	March 31, 2020
Total assets	**₱18,151,296,597**	₱18,153,156,900
Total equity	**17,820,936,403**	17,821,434,683
Asset-to-equity ratio	**1.019:1.000**	1.019:1.000

There were no changes in the Company's approach to capital risk management for the three-month period ended June 30, 2020 and the year ended March 31, 2020.

19. Note to Parent Company Statements of Cash Flows

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

	June 30, 2020 (Three Months - see Note 2)					
	April 1, 2020	**Cash Flow**	**Reclassified as Current** (see Note 15)	**Interest Expense**	**Dividend Declaration**	**June 30, 2020**
Dividends payable	**₱12,143,306**	**(₱4,436)**	**₱–**	**₱–**	**₱–**	**₱12,138,870**
Current portion of lease liabilities (Note 15)	**2,975,018**	**(860,551)**	**719,553**	**156,750**	**–**	**2,990,770**
Lease liabilities - net of current portion (Note 15)	**5,239,232**	**–**	**(719,553)**	**–**	**–**	**4,519,679**
	₱20,357,556	**(₱864,987)**	**₱–**	**₱156,750**	**₱–**	**₱19,649,319**

	March 31, 2020 (One Year)					
	April 1, 2019	Cash Flow	Reclassified as Current (see Note 15)	Interest Expense	Dividend Declaration	March 31, 2020
Dividends payable	₱12,105,508	(₱198,058,340)	₱–	₱–	₱198,096,138	₱12,143,306
Current portion of lease liabilities (Note 15)	2,600,336	(3,358,213)	2,975,018	757,877	–	2,975,018
Lease liabilities - net of current portion (Note 15)	8,214,250	–	(2,975,018)	–	–	5,239,232
	₱22,920,094	(₱201,416,553)	₱–	₱757,877	₱198,096,138	₱20,357,556

20. Fair Value Information of Financial Instruments

The carrying values of the Company's financial assets and liabilities, except for equity instruments at FVOCI and lease liabilities, approximate their fair values as at June 30, 2020 and March 31, 2020 due to short-term nature and/or maturities of these financial instruments.

As at June 30, 2020 and March 31, 2020, the Company's equity instruments at FVOCI are measured at fair value based on quoted market prices under Level 1 fair value hierarchy.

The fair value of lease liabilities amounting to ₱7.5 million and ₱8.0 million are computed based on the discounted present value of lease payments using a weighted average IBR as at June 30, 2020 and March 31, 2020, respectively.

For the three-month period ended June 30, 2020 and the year ended March 31, 2020, there were no transfers among levels 1, 2 and 3 fair value measurements.

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

21. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on net income (loss) for the year and EBITDA defined as earnings (losses) before 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 disposal of net assets. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

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

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA for the three-month period ended June 30, 2020 and the year ended March 31, 2020:

	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Consolidated net loss	**(₱221,442,749)**	(₱147,542,936)
Depreciation and amortization*	**138,468,707**	560,364,754
Interest expense*	**74,861,815**	299,255,874
Provision (benefit from) for income tax	**(16,360,328)**	24,323,840
Interest income	**(1,949,082)**	(13,014,317)
Equity in net losses (earnings) of associates and joint ventures	**1,361,267**	(733,464)
Provision for impairment of noncurrent asset held for sale	–	297,470,664
Gain on disposal of net assets	–	(4,365,123)
Consolidated EBITDA	**(₱25,060,370)**	₱1,015,759,292

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, 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 competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Geographical Segment Data

The following tables present revenue and income information and certain assets and liabilities information regarding geographical segments for the three-month period ended June 30, 2020 and the year ended March 31, 2020:

				June 30, 2020 (Three months - see Note 2)			
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Reconciliations/ Adjustments**	**Total**
Revenues							
External revenue	**₱145,559,127**	**₱7,241,392**	**₱28,189,143**	**₱13,393,422**	**₱2,504,643**	**(₱192,126,087)**	**₱4,761,640**
Results							
Income (loss) before other income (expense) and income tax	**(₱108,776,030)**	**(₱21,391,314)**	**(₱39,613,601)**	**(₱23,883,274)**	**(₱8,701,334)**	**₱201,872,621**	**(₱492,932)**
Equity in net losses of associates and joint ventures	**(1,361,267)**	**–**	**–**	**–**	**–**	**1,361,267**	**–**
Interest income	**1,792,230**	**14,693**	**107,793**	**30,918**	**3,448**	**(1,903,377)**	**45,705**
Interest expense	**(79,417,441)**	**(1,390,713)**	**(1,832,473)**	**(947,908)**	**(854,410)**	**84,286,195**	**(156,750)**
Other income (expenses)	**48,371,249**	**–**	**–**	**46,357**	**–**	**(48,207,606)**	**210,000**
Benefit from income tax	**14,287,419**	**–**	**–**	**2,072,909**	**–**	**(16,455,501)**	**(95,173)**
Net Income (Loss)	**(₱125,103,840)**	**(₱22,767,334)**	**(₱41,338,281)**	**(₱22,680,998)**	**(₱9,552,296)**	**₱220,953,599**	**(₱489,150)**
EBITDA							**₱301,311**

				March 31, 2020 (One Year)			
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Revenues							
External revenue	₱1,571,846,374	₱151,701,650	₱638,446,135	₱259,830,000	₱52,799,970	(₱2,473,162,596)	₱201,461,533
Results							
Income (loss) before other income (expense) and income tax	₱113,396,775	(₱18,570,719)	₱210,486,682	₱31,203,444	(₱22,474,519)	(₱144,567,686)	₱169,473,977
Equity in net earnings of associates and joint ventures	733,464	–	–	–	–	(733,464)	–
Interest income	11,252,574	52,763	642,305	1,054,827	11,848	(11,204,758)	1,809,559
Interest expense	(314,909,754)	(5,866,114)	(7,671,854)	(8,005,274)	(3,626,073)	339,321,192	(757,877)
Other income	(113,843,994)	467,589	1,551,032	782,929	112,973	112,201,501	1,272,030
Provision for income tax	(21,330,063)	–	–	(2,993,777)	–	24,650,502	326,662
Net Income (Loss)	(₱324,700,998)	(₱23,916,481)	₱205,008,165	₱22,042,149	(₱25,975,771)	₱319,667,287	₱172,124,351
EBITDA							₱173,556,695

The following tables present certain assets and liabilities information regarding geographical segments as of June 30, 2020 and March 31, 2020:

	June 30, 2020						
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Reconciliations/ Adjustments**	**Total**
Assets and Liabilities							
Segment assets[a]	**₱11,542,199,801**	**₱835,073,144**	**₱959,895,983**	**₱559,018,437**	**₱148,792,889**	**₱4,106,316,343**	**₱18,151,296,597**
Noncurrent asset held for sale	**419,115,894**	–	–	–	–	**(419,115,894)**	–
Investments in and advances to associates and joint ventures	**43,336,665**	–	–	–	–	**(43,336,665)**	–
Goodwill	**229,750,336**	–	–	**15,681,232**	–	**(245,431,568)**	–
Deferred tax assets - net	**61,091,080**	**906,468**	**1,701,851**	**13,671,718**	**80,132**	**(77,451,249)**	–
Total Assets	**₱12,295,493,776**	**₱1,671,959,224**	**₱961,597,834**	**₱588,371,387**	**₱148,873,021**	**₱3,320,980,967**	**₱18,151,296,597**
Segment liabilities[b]	**₱841,876,091**	**₱45,962,613**	**₱88,543,503**	**₱66,215,639**	**₱31,393,474**	**(₱861,686,416)**	**₱212,304,904**
Interest-bearing loans and borrowings	**1,751,211,241**	–	–	**39,400,000**	–	**(1,790,611,241)**	–
Bonds payable	**2,966,097,772**	–	–	–	–	**(2,966,097,772)**	–
Pension liabilities - net	**66,480,596**	**4,699,923**	**10,403,110**	**32,072,340**	**1,746,872**	**(115,402,841)**	–
Lease liabilities	**296,077,163**	**82,870,413**	**102,454,338**	**21,752,743**	**49,435,634**	**(545,079,842)**	**7,510,449**
Deferred tax liabilities - net	**233,671,096**	–	–	–	–	**(123,126,255)**	**110,544,841**
Total Liabilities	**₱6,155,413,959**	**₱133,532,949**	**₱201,400,951**	**₱159,440,722**	**₱82,575,980**	**(₱6,402,004,367)**	**₱330,360,194**
Other Segment Information							
Capital expenditure - Property and equipment						**₱34,112,932**	**₱22,768**
Depreciation and amortization[c]						**138,468,707**	**740,993**
Noncash expenses other than depreciation and amortization						**10,828,850**	–

[a] *Segment assets exclude investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.*
[b] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.*
[c] *Depreciation and amortization excludes those related to ROU assets.*

	March 31, 2020						
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Assets and Liabilities							
Segment assets[(a)]	₱11,728,813,097	₱862,538,856	₱1,056,229,769	₱580,643,671	₱161,317,517	₱3,763,613,990	₱18,153,156,900
Noncurrent asset held for sale	419,115,894	–	–	–	–	(419,115,894)	–
Investments in and advances to associates and joint ventures	44,697,932	–	–	–	–	(44,697,932)	–
Goodwill	229,750,336	–	–	15,681,232	–	(245,431,568)	–
Deferred tax assets - net	46,443,167	781,979	1,477,235	11,601,842	82,085	(60,386,308)	–
Total Assets	₱12,468,820,426	₱863,320,835	₱1,057,707,004	₱607,926,745	₱161,399,602	₱2,993,982,288	₱18,153,156,900
Segment liabilities[(b)]	₱944,840,183	₱45,187,635	₱97,823,096	₱61,008,111	₱29,313,862	(₱965,213,888)	₱212,958,999
Interest-bearing loans and borrowings	1,750,623,301	–	–	39,400,000	–	(1,790,023,301)	–
Bonds payable	2,964,418,162	–	–	–	–	(2,964,418,162)	–
Pension liabilities - net	55,741,443	4,559,234	10,064,894	31,362,742	1,683,970	(103,412,283)	–
Obligations under finance lease	298,472,423	84,981,927	104,329,597	23,381,858	51,638,155	(554,589,710)	8,214,250
Deferred tax liabilities - net	233,868,870	–	–	–	–	(123,319,902)	110,548,968
Total Liabilities	₱6,247,964,382	₱134,728,796	₱212,217,587	₱155,152,711	₱82,635,987	(₱6,500,977,246)	₱331,722,217
Other Segment Information							
Capital expenditure - Property and equipment						₱507,433,001	₱788,793
Depreciation and amortization[(c)]						560,364,754	2,915,241
Noncash expenses other than depreciation and amortization						81,390,573	–

[(a)] *Segment assets exclude investments in and advances to associates and joint ventures, net pension assets, goodwill and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, obligations under finance lease and deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

22. Other Matters

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 six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon from 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. Quarantine status of these areas were 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 its impact on businesses continues to evolve.

The events surrounding the outbreak did not significantly impact the Company's financial position and performance as at and for the three-month period ended June 30, 2020. However, the outbreak could have a material impact on its 2021 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

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

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable three-month period ended June 30, 2020:

VAT

Output VAT declared for the three-month period ended June 30, 2020 and the receipts upon which the same was based consist of:

	Gross amount	Output VAT
Advisory services	₱3,555,000	₱426,600
Others	145,714	17,485
Total	₱3,700,714	₱444,085

VAT arising from domestic purchases of goods and services for the three-month period ended June 30, 2020 are detailed as follows:

	Amount
Input VAT	
Balance at beginning of period	₱3,139,671
Current year's domestic purchases/payments for:	
Domestic purchases of services	226,144
Goods other than capital goods	2,786
	3,368,601
Claimed against output VAT	(444,085)
Balance at end of period	₱2,924,516

Withholding Taxes

The amount of withholding taxes paid/accrued for the three-month period ended June 30, 2020 is as follows:

	Paid	Accrued
Expanded withholding taxes	₱68,812	₱52,567
Withholding taxes on compensation	125,839	62,920
	₱194,651	₱115,487

Status of Tax Assessment and Court Cases

The Company has no outstanding final assessment notice from the BIR as at June 30, 2020. There were also no outstanding tax cases nor litigation and/or prosecution in courts or bodies outside the BIR as at June 30, 2020.