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.

Contact Person

(632) 8813 7111

Company Telephone Number

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

N A

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

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

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

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 September 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** 6764 Ayala Avenue, Makati City 1226 **March 31**

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

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 November 13, 2020

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

Date November 13, 2020

ANNEX “A”

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2020 AND JUNE 30, 2020

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,397,721,395**	₱836,213,825
Receivables (Note 6)	**1,260,999,374**	554,969,383
Inventories (Note 7)	**166,776,706**	140,403,037
Prepaid expenses and other current assets (Note 8)	**93,848,533**	71,361,631
	2,919,346,008	1,602,947,876
Noncurrent asset held for sale (Note 9)	**419,115,894**	419,115,894
Total Current Assets	**3,338,461,902**	2,022,063,770
Noncurrent Assets		
Property and equipment (Note 10)	**10,096,477,939**	10,113,637,364
Investment properties (Note 11)	**1,899,722,131**	1,910,745,064
Investments in and advances to associates and joint ventures (Note 12)	**41,156,361**	43,336,665
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**68,165,568**	67,978,508
Deferred tax assets - net	**83,697,152**	77,451,251
Goodwill, intangible and other noncurrent assets (Note 14)	**612,550,352**	595,103,008
Total Noncurrent Assets	**12,801,769,503**	12,808,251,860
TOTAL ASSETS	**₱16,140,231,405**	₱14,830,315,630
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note15)	**₱849,545,596**	₱814,393,735
Current portion of interest-bearing loans and borrowings (Note 16)	**598,786,554**	358,566,076
Unearned tuition and other school fees (Note 22)	**1,186,817,536**	157,778,412
Current portion of lease liabilities (Note 10)	**77,768,764**	90,805,276
Income tax payable	**–**	8,320,183
Total Current Liabilities	**2,712,918,450**	1,429,863,682
Noncurrent Liabilities		
Bonds payable (Note 17)	**2,967,803,634**	2,966,097,772
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,709,389,631**	1,432,045,165
Lease liabilities - net of current portion (Note 10)	**453,457,436**	461,785,015
Pension liabilities - net	**115,691,658**	115,402,841
Deferred tax liabilities - net	**233,477,283**	233,671,096
Other noncurrent liabilities (Note 18)	**52,587,749**	93,498,990
Total Noncurrent Liabilities	**5,532,407,391**	5,302,500,879
Total Liabilities (Carried Forward)	**8,245,325,841**	6,732,364,561

(Forward)

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Total Liabilities (Brought Forward)	**₱8,245,325,841**	₱6,732,364,561
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
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	**3,551,444**	3,803,874
Fair value change in equity instruments at FVOCI (Note 19)	**11,182,063**	10,998,066
Other equity reserve	**(1,670,477,910)**	(1,670,477,910)
Other comprehensive income associated with noncurrent asset held for sale (Note 19)	**90,645,302**	90,645,302
Share in associates':		
Cumulative actuarial gain (Note 19)	**321,569**	321,569
Fair value change in equity instruments designated at FVOCI (Note 19)	**(114)**	(114)
Retained earnings	**3,804,036,547**	4,006,680,084
Total Equity Attributable to Equity Holders of the Parent Company	**7,812,646,743**	8,015,358,713
Equity Attributable to Non-controlling Interests	**82,258,821**	82,592,356
Total Equity	**7,894,905,564**	8,097,951,069
TOTAL LIABILITIES AND EQUITY	**₱16,140,231,405**	₱14,830,315,630

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020 (Unaudited)	2019 (Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱231,868,906**	₱719,623,231
Educational services	**30,962,705**	32,292,213
Royalty fees	**3,271,641**	3,389,111
Others	**16,603,782**	12,197,621
Sale of educational materials and supplies	**13,936,465**	29,915,790
	296,643,499	797,417,966
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**168,599,129**	235,322,370
Cost of educational materials and supplies sold (Note 22)	**12,197,866**	21,515,988
General and administrative expenses (Note 23)	**282,776,002**	336,947,851
	463,572,997	593,786,209
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(166,929,498)**	203,631,757
OTHER INCOME (EXPENSES)		
Interest expense	**(86,107,559)**	(76,710,274)
Rental income	**44,365,780**	46,769,512
Equity in net losses of associates and joint ventures (Note 12)	**(2,180,304)**	(180,306)
Interest income (Notes 5 and 6)	**1,699,529**	4,940,360
Gain on sale of property and equipment	**57,610**	–
	(42,164,944)	(25,180,708)
INCOME (LOSS) BEFORE INCOME TAX	**(209,094,442)**	178,451,049
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**293,550**	15,066,722
Deferred	**(6,411,286)**	5,620,693
	(6,117,736)	20,687,415
NET INCOME (LOSS) *(Carried Forward)*	**(202,976,706)**	157,763,634

	2020 (Unaudited)	2019 (Unaudited)
NET INCOME (LOSS) *(Brought Forward)*	**(₱202,976,706)**	₱157,763,634
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liability	**(284,287)**	(2,764,884)
Fair value change in equity instruments at FVOCI (Note 13)	**187,060**	23,150
Income tax effect	**28,428**	276,488
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(68,799)**	(2,465,246)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱203,045,505)**	₱155,298,388
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**(₱202,643,537)**	₱156,021,190
Non-controlling interests	**(333,169)**	1,742,444
	(₱202,976,706)	₱157,763,634
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**(₱202,711,970)**	₱153,588,650
Non-controlling interests	**(333,535)**	1,709,738
	(₱203,045,505)	₱155,298,388
Basic/Diluted Earnings (Losses) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.020)**	₱0.016

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent Company												
	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 19)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 19)	Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI (Note 19)	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 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
Net loss	–	–	–	–	–	–	–	–	–	(202,643,537)	(202,643,537)	(333,169)	(202,976,706)
Otther comprehensive income (loss)	–	–	–	(252,430)	183,997	–	–	–	–	–	(68,433)	(366)	(68,799)
Total comprehensive income (loss)	–	–	–	(252,430)	183,997	–	–	–	–	(202,643,537)	(202,711,970)	(333,535)	(203,045,505)
Balance at September 30, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱3,551,444	₱11,182,063	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱3,804,036,547	₱7,812,646,743	₱82,258,821	₱7,894,905,564

	Equity Attributable to Equity Holders of the Parent Company												
	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 19)	Other Equity Reserve	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Share in Associates' Cumulative Actuarial Gain (Loss) (Note 19)	Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI (Note 19)	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2019	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱20,890,082	₱3,499,469	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱4,372,251,645	₱8,390,517,885	₱90,388,882	₱8,480,906,767
Net income	–	–	–	–	–	–	–	–	–	156,021,190	156,021,190	1,742,444	157,763,634
Other comprehensive income (loss)	–	–	–	(2,455,052)	22,495	–	–	–	–	–	(2,432,557)	(32,689)	(2,465,246)
Total comprehensive income (loss)	–	–	–	(2,455,052)	22,495	–	–	–	–	156,021,190	153,588,633	1,709,755	155,298,388
Share of non-controlling interest on dividends declared by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,475,248)	(2,475,248)
Balance at September 30, 2019	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱18,435,030	₱3,521,964	(₱1,670,477,910)	₱90,645,302	₱321,569	(₱114)	₱4,528,272,835	₱8,544,106,518	₱89,623,389	₱8,633,729,907

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019

	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱209,094,442)**	₱178,451,049
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation and amortization (Notes 10 and 11)	**156,311,382**	140,396,514
Interest expense	**86,107,559**	76,710,274
Equity in net losses of associates and joint ventures (Note 12)	**2,180,304**	180,306
Interest income (Notes 5 and 6)	**(1,699,529)**	(4,940,360)
Net change in pension assets and liabilities	**(122,233)**	1,584,110
Gain on sale of property and equipment	**(57,610)**	–
Operating income before working capital changes	**33,625,431**	392,381,893
Decrease (increase) in:		
Receivables	**91,235,676**	(216,577,828)
Inventories	**(26,373,669)**	12,616,362
Prepaid expenses and other current assets	**(24,387,722)**	(3,044,762)
Increase (decrease) in:		
Accounts payable and other current liabilities	**44,092,892**	(50,481,192)
Unearned tuition and other school fees	**232,027,502**	(20,298,388)
Other noncurrent liabilities	**(40,911,241)**	(4,924,236)
Net cash generated from operations	**309,308,869**	109,671,849
Income and other taxes paid	**(6,432,572)**	(10,348,423)
Interest received	**1,699,529**	4,650,373
Net cash from operating activities	**304,575,826**	103,973,799
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 10 and 28)	**(100,978,274)**	(135,904,875)
Equity instruments designated at FVOCI (Note 19)	**–**	(10,000,000)
Decrease (increase) in:		
Intangible and other noncurrent assets	**(17,923,487)**	(75,854,143)
Proceeds from sale of property and equipment	**64,230**	–
Net cash used in investing activities	**(118,837,531)**	(221,759,018)

(Forward)

	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term loans (Note 16)	**₱400,000,000**	₱350,000,000
Availment of short-term loans (Note 16)	**300,000,000**	193,000,000
Payments of:		
Long-term loans (Note 16)	**(179,800,000)**	(359,800,000)
Interest	**(102,612,157)**	(₱104,572,808)
Lease liabilities (Note 29)	**(38,818,340)**	–
Term loan issuance cost	**(3,000,000)**	(2,625,000)
Dividends	**(228)**	(57)
Short-term loans (Note 16)	**–**	(193,000,000)
Obligations under finance lease (Note 29)	**–**	(2,555,037)
Net cash provided by (used) in financing activities	**375,769,275**	(119,552,902)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**561,507,570**	(237,338,121)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**836,213,825**	947,039,201
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,397,721,395**	₱709,701,080

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

NOTES TO UNAUDITED INTERIM CONDENSED 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.

The subsidiaries of STI Holdings, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership			
		September 30, 2020		June 30, 2020	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI Education Services Group, Inc. ("STI ESG")	Educational Institution	**99**	**–**	99	–
STI West Negros University, Inc. ("STI WNU")	Educational Institution	**99**	–	99	–
Information and Communications Technology Academy, Inc. ("iACADEMY")	Educational Institution	**100**	**–**	100	–
Attenborough Holdings Corp ("AHC")	Holding Company	**100**	**–**	100	–
STI College Tuguegarao, Inc. ("STI Tuguegarao")	Educational Institution	**–**	**99**	–	99
STI College of Kalookan, Inc. ("STI Caloocan")[(a)]	Educational Institution	**–**	**99**	–	99
STI College Batangas, Inc. ("STI Batangas")	Educational Institution	**–**	**99**	–	99
STI College Iloilo, Inc. ("STI Iloilo")	Educational Institution	**–**	**99**	–	99
STI College Tanauan, Inc. ("STI Tanauan")	Educational Institution	**–**	**99**	–	99
STI Lipa, Inc. ("STI Lipa")	Educational Institution	**–**	**99**	–	99
STI College Pagadian, Inc. ("STI Pagadian")	Educational Institution	**–**	**99**	–	99
STI College Novaliches, Inc. ("STI Novaliches")	Educational Institution	**–**	**99**	–	99
STI College of Santa Maria, Inc. ("STI Sta. Maria")	Educational Institution	**–**	**99**	–	99
STI Training Academy, Inc. ("STI Training Academy, Inc.")[(b)]	Educational Institution	**–**	**99**	–	99

Subsidiaries	Principal Activities	Effective Percentage of Ownership September 30, 2020 Direct	Indirect	June 30, 2020 Direct	Indirect
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, Inc. (“De Los Santos-STI College”)[(d)]	Educational Institution	**–**	**51**	–	51
STI College Quezon Avenue, Inc. (“STI QA”)[(e)]	Educational Institution	**–**	**51**	–	51

[(a)] A subsidiary of STI ESG through a management contract
[(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 Commission on Higher Education (“CHED”) of the suspension of its operations for school years (“SYs”) 2016-2017 and 2017-2018 as a result of the implementation of the Government’s K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations as of September 30, 2020.
[(e)] A wholly-owned subsidiary of De Los Santos-STI College

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 September 30, 2020 and June 30, 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.

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 November 13, 2020, the amendment is pending approval by the SEC.

As at November 13, 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 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.

In September 2020, 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. As at September 30, 2020, STI ESG's network of schools 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.

For SY 2019-2020, classes for the basic education and SHS started in June and for the tertiary, classes started in July. For SY 2020-2021, all classes in STI ESG schools started on September 7, 2020 (see Note 3).

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 September 30, 2020 and June 30, 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.

For SY 2019-2020, classes of the School of Basic Education (“SBE”) and SHS started in June while classes of tertiary started in July. For SY 2020-2021, classes for all levels started on September 7, 2020 (see note 3).

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 November 13, 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.

In previous years, iACADEMY started classes for its tertiary level in July while classes of SHS students started in August. For SY 2020-2021, classes for both SHS and tertiary levels started on the last week of August 2020 (see Note 3).

e. 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 26).

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 26).

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 Department of Education ("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.

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

Basis of Preparation
The accompanying unaudited interim condensed 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 unaudited interim condensed consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards ("PAS") 34, Interim Financial Reporting. Accordingly, the unaudited interim condensed consolidated financial statements as at and for the three-month periods ended September 30, 2020 and 2019 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of STI Holdings as at and for the three-month period ended June 30, 2020.

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 July 1, 2020. The adoption of these new accounting pronouncements did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated:

- Amendments to Philippine Financial Reporting Standards ("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.

- 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.

- 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 rent concessions granted to the Group did not meet all of the aforementioned criteria, hence, the Group did not apply the practical expedient. The Group accounted for the rent concessions as lease modifications which resulted in the reversal of the Right-of-Use ("ROU") assets and lease liabilities amounting to ₱5.1 million and nil for the three-month periods ended September 30, 2020 and June 30, 2020, respectively (see Notes 10 and 29).

<u>Standards Issued but Not Yet Effective</u>
Pronouncements issued but not yet effective as at September 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 unaudited interim condensed consolidated financial statements, except otherwise stated:

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 September 30, 2020 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. **Seasonality of Operations**

The Group's business is linked to the academic cycle. 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 30, the schools in the Group started online classes and completed SY 2019-2020 by the end of July 2020.

Classes for the basic education and SHS for both STI ESG and STI WNU for the SY 2019-2020 were all completed by end of March 2020.

The tertiary students of STI WNU and the schools under the STI network were given three options to finish the second semester of SY 2019-2020, namely (1) online learning for those who were willing and could go online, may finish all their lessons via the e-Learning Management System ("eLMS"), (2) offline learning for those who were willing to continue and finish all their lessons but could not go online in which case handouts in Portable Document Format ("PDF") type were provided to the students, and (3) face-to-face for those who could not go online and opted to wait until the Group 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. Classes for all levels started on September 7, 2020

iACADEMY's school calendar for SY 2019-2020 was originally set from August 2019 to May 2020 for SHS level and July 2019 to June 2020 for tertiary level. Classes for SHS and tertiary students were suspended due to the implementation of 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. The online classes of tertiary students resumed on April 15, 2020 and the school year was completed on July 15, 2020.

For SY 2020-2021, iACADEMY introduced its full online learning program entitled Guided Online Autonomous Learning ("GOAL"). 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. In this setup, all activities or modules would be delivered 100% online through the use of eLMS, Google Meet, and Microsoft Teams. Classes for both SHS and Tertiary levels started on August 24, 2020 and August 28, 2020, respectively.

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.

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' in accordance with PAS 34.

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 unaudited interim condensed consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on consolidated net income (loss) for the three-month periods ended September 30, 2020 and 2019 and EBITDA, defined as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization and equity in net losses (earnings) of associates and joint ventures. 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 for the three-month periods ended September 30, 2020 and 2019:

	2020 (Unaudited)	2019 (Unaudited)
Consolidated net income (loss)	**(₱202,976,706)**	₱157,763,634
Depreciation and amortization*	**135,059,569**	140,396,514
Interest expense*	**77,674,701**	76,710,274
Provision for (benefit from) income tax	**(6,117,736)**	20,687,415
Interest income	**(1,699,529)**	(4,940,360)
Equity in net losses of associates and joint ventures	**2,180,304**	180,306
Consolidated EBITDA	**₱4,120,603**	₱390,797,783

**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 periods ended September 30, 2020 and 2019:

	September 30, 2020 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱180,885,134**	**₱16,370,518**	**₱62,292,467**	**₱30,798,355**	**₱6,297,025**	**₱296,643,499**
Results						
Income (loss) before other income (expenses) and income tax	**(138,787,767)**	**(16,066,542)**	**340,643**	**(6,468,380)**	**(5,947,452)**	**(166,929,498)**
Interest expense	**(82,056,810)**	**(1,043,612)**	**(1,666,494)**	**(657,950)**	**(682,693)**	**(86,107,559)**
Other income	**44,343,809**	**4,060**	**8,000**	**52,729**	**14,792**	**44,423,390**
Benefit from income tax	**5,904,358**	–	–	**213,378**	–	**6,117,736**
Interest income	**1,383,923**	**6,673**	**53,924**	**253,430**	**1,579**	**1,699,529**
Equity in net losses of associates and joint ventures	**(2,180,304)**	**–**	–	–	–	**(2,180,304)**
Net Loss	**(₱171,392,791)**	**(₱17,099,421)**	**(₱1,263,927)**	**(₱6,606,793)**	**(₱6,613,774)**	**(₱202,976,706)**
EBITDA						**₱4,120,603**

	September 30, 2019 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱459,134,321	₱46,647,290	₱195,344,310	₱79,882,896	₱16,409,149	₱797,417,966
Results						
Income (loss) before other income (expenses) and income tax	86,188,560	10,285,768	87,011,378	22,664,259	(2,518,208)	203,631,757
Interest expense	(75,078,417)	(218)	–	(1,631,639)	–	(76,710,274)
Other income	45,331,043	247,000	566,154	590,779	34,536	46,769,512
Provision for income tax	(18,366,393)	–	–	(2,321,022)	–	(20,687,415)
Interest income	4,237,772	12,400	43,098	646,820	270	4,940,360
Equity in net losses of associates and joint ventures	(180,306)	–	–	–	–	(180,306)
Net Income (Loss)	₱42,132,259	₱10,544,950	₱87,620,630	₱19,949,197	(₱2,483,402)	157,763,634
EBITDA						₱390,797,783

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

	September 30, 2020 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱12,416,874,392**	**₱922,401,272**	**₱1,217,635,920**	**₱617,462,753**	**₱176,456,093**	**₱15,350,830,430**
Noncurrent asset held for sale	**419,115,894**	–	–	–	–	**419,115,894**
Investments in and advances to associates and joint ventures	**41,156,361**	–	–	–	–	**41,156,361**
Goodwill	**229,750,336**	–	–	**15,681,232**	–	**245,431,568**
Deferred tax assets - net	**66,551,493**	**1,182,434**	**1,998,020**	**13,878,982**	**86,223**	**83,697,152**
Total Assets	**₱13,173,448,476**	**₱923,583,706**	**₱1,219,633,940**	**₱647,022,967**	**₱176,542,316**	**₱16,140,231,405**
Segment liabilities[(b)]	**₱1,338,617,941**	**₱128,586,257**	**₱408,424,826**	**₱152,528,743**	**₱60,793,114**	**₱2,088,950,881**
Interest-bearing loans and borrowings	**2,288,576,185**	–	–	**19,600,000**	–	**2,308,176,185**
Bonds payable	**2,967,803,634**	–	–	–	–	**2,967,803,634**
Pension liabilities - net	**69,996,385**	**4,840,612**	**10,741,327**	**28,303,560**	**1,809,774**	**115,691,658**
Lease liabilities	**284,701,977**	**78,849,940**	**100,678,378**	**20,023,445**	**46,972,460**	**531,226,200**
Deferred tax liabilities - net	**233,477,283**	–	–	–	–	**233,477,283**
Total Liabilities	**₱7,183,173,405**	**₱212,276,809**	**₱519,844,531**	**₱220,455,748**	**₱109,575,348**	**₱8,245,325,841**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱133,273,508**
Depreciation and amortization[(c)]						**135,059,569**
Noncash expenses other than depreciation and amortization						**30,011,320**

[(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 net deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*
[(d)] *Other income (expenses) exclude equity in net losses of associates and joint ventures, interest expense, interest income*

	June 30, 2020 (Audited)					
	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.
[(d)] Other income (expenses) exclude equity in net losses of associates and joint ventures, interest expense, interest income

5. Cash and Cash Equivalents

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Cash on hand and in banks	**₱1,237,259,144**	₱603,264,669
Cash equivalents	**160,462,251**	232,949,156
	₱1,397,721,395	₱836,213,825

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 periods ended September 30, 2020 and 2019 amounted to ₱1.4 million and ₱4.7 million, respectively.

6. Receivables

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Tuition and other school fees	**₱1,206,879,161**	₱490,444,586
Educational services	**121,658,189**	88,314,034
Rent, utilities and other related receivables	**52,271,910**	75,126,065
Advances to officers and employees (see Note 24)	**26,961,532**	29,644,333
Others	**110,870,255**	102,873,763
	1,518,641,047	786,402,781
Less allowance for expected credit losses	**257,641,673**	231,433,398
	₱1,260,999,374	₱554,969,383

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 year.

a. 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 and ₱0.2 million, for the three-month periods ended September 30, 2020 and 2019, respectively.

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

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

d. For the terms and conditions relating to advances to associates, joint ventures and other related parties, refer to Note 24.

e. Other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. ("STI Tanay") resulting from the assignment, transfer and conveyance, without recourse, of all collectibles from STI Tanay of the Development Bank of the Philippines ("DBP") to STI ESG for a consideration of ₱75.5 million in November 2019. 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 Social Security System, amounting to ₱1.6 million, ₱6.3 million and ₱5.9 million, respectively, as at September 30, 2020 and amounting to ₱1.6 million, ₱6.3 million and ₱5.7 million, respectively, as at June 30, 2020. These receivables are expected to be collected within the year.

7. Inventories

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
At net realizable values:		
Uniforms	**₱128,969,327**	₱108,075,481
Textbooks and other education-related materials	**14,311,568**	10,848,316
Educational materials	**143,280,895**	118,923,797
Proware materials	**16,009,305**	14,006,403
Marketing materials	**3,279,247**	3,029,945
Promotional materials	**19,288,552**	17,036,348
School materials and supplies	**4,207,259**	4,442,892
	₱166,776,706	₱140,403,037

The cost of inventories carried amounted to ₱182.5 million and ₱156.1 million as at September 30, 2020 and June 30, 2020, respectively. Allowance for inventory obsolescence amounted to ₱15.7 million as at September 30, 2020 and June 30, 2020.

Inventories charged to cost of educational materials and supplies sold for the three-month periods ended September 30, 2020 and 2019 amounted to ₱12.2 million and ₱21.5 million, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Prepaid taxes	**₱29,859,325**	₱29,864,468
Input VAT – net	**25,082,032**	22,455,943
Prepaid subscriptions and licenses	**11,401,640**	2,185,199
Prepaid insurance	**8,268,874**	4,677,551
Prepaid internet cost	**8,085,354**	–
Prepaid rent	**4,383,424**	3,774,209
Excess contributions to CEAP	**3,005,913**	3,005,913
Advances to suppliers	**1,665,837**	2,693,569
Software maintenance cost	**857,410**	1,149,237
Others	**1,238,724**	1,555,542
	₱93,848,533	₱71,361,631

Prepaid taxes are substantially attributed to creditable taxes withheld by lessees and include excess creditable withholding taxes over tax due which will be applied against income tax due in the following period.

Net input value-added tax ("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 subscriptions and licenses primarily pertain to Adobe Acrobat and Creative Cloud, Sophos Firewall, eLMS and Microsoft license subscriptions. These subscriptions are recognized as expense over the period of coverage.

Prepaid insurance substantially represents fire insurance and health coverage of employees which were paid in advance. Fire insurance coverage includes insurance for the completed buildings, including equipment and furniture. These insurance payments are recognized as expense over the period of their respective insurance coverage, which is normally within one year from the beginning of the school year.

Prepaid internet cost represents the data connectivity cost for the students for October 2020. STI ESG partnered with SMART Communications, Inc. ("SMART") to provide students with a Smart Sim with a monthly data plan of 35 gigabytes. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime.

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 Catholic Education Association of the Philippines Retirement Plan ("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 and purchase of supplies.

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.

9. Noncurrent Asset Held for Sale

Maestro Holdings, Inc. ("Maestro Holdings")
Noncurrent asset held for sale amounting to ₱419.1 million as at September 30, 2020 and June 30, 2020 represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans First, Inc. ("PhilPlans"), 99.89% of PhilhealthCare, Inc. ("PhilCare"), 91.04% of Philippine Life Assurance Corporation ("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 65.0% 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. 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.

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. As at November 13, 2020, the documents related to the sale are being finalized.

10. **Property and Equipment**

	September 30, 2020 (Unaudited)												
	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**	**₱5,889,268,463**	**₱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**
Additions	**–**	**52,622,947**	**4,038,877**	**5,465,236**	**480,000**	**–**	**743,208**	**472,920**	**55,128,196**	**–**	**13,100,924**	**1,221,200**	**133,273,508**
Disposal	**–**	**–**	**(85)**	**(6,476)**	**–**	**–**	**(44)**	**(15)**	**–**	**–**	**–**	**(533,334)**	**(539,954)**
Effect of lease modifications	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,080,677)**	**–**	**(5,080,677)**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(78,695,103)**	**(20,898,344)**	**(7,086,154)**	**(6,672,525)**	**(607,222)**	**(10,860,263)**	**(1,983,023)**	**–**	**(1,946,224)**	**(14,151,896)**	**(1,911,548)**	**(144,812,302)**
Balance at end of period	**₱3,204,910,694**	**₱5,863,196,307**	**₱222,452,012**	**₱77,251,178**	**₱65,724,886**	**₱4,498,359**	**₱68,634,084**	**₱20,344,920**	**₱254,444,514**	**₱130,717,233**	**₱170,122,658**	**₱14,181,094**	**₱10,096,477,939**
At September 30, 2020:													
Cost	**₱3,204,910,694**	**₱7,604,339,827**	**₱885,722,502**	**₱386,018,012**	**₱379,804,004**	**₱21,827,423**	**₱520,141,171**	**₱218,695,318**	**₱254,444,514**	**₱142,394,578**	**₱252,116,895**	**₱61,389,270**	**₱13,931,804,208**
Accumulated depreciation and amortization	**–**	**1,741,143,520**	**663,270,490**	**308,766,834**	**314,079,118**	**17,329,064**	**451,507,087**	**198,350,398**	**–**	**11,677,345**	**81,994,237**	**47,208,176**	**3,835,326,269**
Net book value	**₱3,204,910,694**	**₱5,863,196,307**	**₱222,452,012**	**₱77,251,178**	**₱65,724,886**	**₱4,498,359**	**₱68,634,084**	**₱20,344,920**	**₱254,444,514**	**₱130,717,233**	**₱170,122,658**	**₱14,181,094**	**₱10,096,477,939**

	June 30, 2020 (Audited)												
	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 21 and 23)	–	(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 June 30, 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

There was no idle property and equipment as at September 30, 2020 and June 30, 2020.

Additions

Property and Equipment under Construction. As at September 30, 2020 and June 30, 2020, the construction-in-progress account pertains substantially to the construction of the building for 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 ground floor up to third floor of the new STI Academic Center Legazpi have been substantially completed as at September 30, 2020. The new school building is expected to be completed in December 2020.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱1.7 million and ₱0.01 million for the three-month periods ended September 30, 2020 and June 30, 2020, respectively. The average interest capitalization rate were 5.97% and 5.90% for the three-month periods ended September 30, 2020 and June 30, 2020, respectively which were the effective rates of the borrowings.

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 16). As at September 30, 2020 and June 30, 2020, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,474.9 million and ₱1,486.3 million, respectively.

Transportation equipment, which were acquired under finance lease, are pledged as security for the related lease liabilities as at September 30, 2020 and June 30, 2020.

Lease Modifications

The Group leases land and building spaces where some schools and offices 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.

As a consequence of the COVID-19, some lessors of the Group provided certain rent concessions like discounts ranging from 25% to 50% of rental payments, waiver of rent for a certain month, deferral of rental over six to twelve months, among others. The Group accounted for the rent concessions as lease modifications pursuant to Amendments to PFRS 16, COVID-19-related Rent Concessions, which resulted in the reversal of the ROU assets and lease liabilities amounting to ₱5.1 million and nil for the three-month periods ended September 30, 2020 and June 30, 2020, respectively. The lease modifications were not accounted for as separate leases.

The rollforward analysis of lease liabilities are as follows:

	September 31, 2020 (Unaudited)	June 30, 2020 (Audited)
Beginning balance	**₱552,590,291**	₱562,803,960
Additions	**14,664,924**	–
Lease Modifications	**(5,080,677)**	–
Disposal	**(622,095)**	–
Interest expense	**8,492,094**	9,581,130
Payments	**(38,818,340)**	(19,794,799)
Ending balance	**531,226,200**	552,590,291
Less current portion	**77,768,764**	90,805,276
Noncurrent portion	**₱453,457,436**	₱461,785,015

On October 30, 2020, the Metrobank Trust Banking Group confirmed the request of iACADEMY to waive the rental fees for the period July to December 2020 for its iACADEMY Plaza building located at Sen. Gil Puyat Avenue, Makati City. Total rental fees to be waived for the period July to December 2020 amounts to ₱11.6 million.

11. **Investment Properties**

	September 30, 2020 (Unaudited)			
	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	**–**	**184,806,821**	**16,375,062**	**201,181,883**
Depreciation (see Note 23)	**–**	**7,747,921**	**3,275,012**	**11,022,933**
Balance at end of period	**–**	**192,554,742**	**19,650,074**	**212,204,816**
Net book value	**₱1,313,385,559**	**₱472,802,808**	**₱113,533,764**	**₱1,899,722,131**

	June 30, 2020 (Audited)			
	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 23)	–	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

12. Investments in and Advances to Associates and Joint Ventures

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Investments		
Acquisition costs	**₱46,563,407**	₱46,563,407
Accumulated equity in net earnings:		
Balance at beginning of period	**1,919,682,752**	1,921,044,019
Equity in net losses	**(2,180,304)**	(1,361,267)
Balance at end of period	**1,917,502,448**	1,919,682,752
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of period	**(1,922,909,494)**	(1,922,909,494)
	41,156,361	43,336,665
Advances (see Note 24)	**37,868,986**	37,868,986
Less allowance for impairment loss	**37,868,986**	37,868,986
	–	–
	₱41,156,361	₱43,336,665

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:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Associates:		
STI Accent	**₱37,868,986**	₱37,868,986
STI Alabang	**24,873,546**	24,873,546
GROW	**13,136,066**	14,109,539
Joint venture - PHEI	**3,146,749**	4,353,580
	79,025,347	81,205,651
Allowance for impairment loss	**37,868,986**	37,868,986
	₱41,156,361	₱43,336,665

13. Equity Instruments at Fair Value through Other Comprehensive Income

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Quoted equity shares	**₱4,292,310**	₱4,105,250
Unquoted equity shares	**63,873,258**	63,873,258
	₱68,165,568	₱67,978,508

a. 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 unaudited interim condensed consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

b. Unquoted Equity Shares

Unquoted equity shares pertain to shares which are not listed in a stock exchange.

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (“DLSMC”), formerly De Los Santos General Hospital. The carrying value of the investment in DLSMC amounted to ₱29.0 million as at September 30, 2020 and June 30, 2020.

In January 2019, First Pacific Investment Ltd., PLDT, Inc., Benpro Inc., Pilipinas Global Network Limited, Cignal TV, Inc., Suha-PH, Inc., Happyfeet Esports team and STI ESG entered into an investment and shareholders agreement whereby the parties agreed to form Philippine Online Sports League Inc., a stock association, which will establish, operate and maintain a national multigame Esports league in the Philippines with the aim to promote and develop Esports in the country. Esports is a growing sport internationally and in the Philippines. With this, Philippine Online Sports League Inc. was incorporated on September 30, 2019 with the SEC. It has an authorized capital stock of ₱155.0 million divided into 1.25 million common shares and 200.0 thousand preferred shares with a par value of ₱100.0 per common share and ₱150.0 per preferred share. The initial subscribed and paid-up capital of Philippine Online Sports League Inc. is ₱90.0 million of which STI ESG subscribed to and paid ₱10.0 million for 100.0 thousand shares at ₱100.0 par value per share.

14. Goodwill, Intangible and Other Noncurrent Assets

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Goodwill	**₱245,431,568**	₱245,431,568
Deposits for asset acquisitions	**185,951,923**	185,951,923
Advances to suppliers	**70,177,233**	53,353,624
Intangible assets	**46,057,609**	41,963,660
Rental and utility deposits	**38,364,043**	39,420,502
Deferred input VAT	**21,223,786**	23,637,543
Others	**5,344,190**	5,344,188
	₱612,550,352	₱595,103,008

Goodwill

As at September 30, 2020 and June 30, 2020, the Group’s goodwill acquired through business combinations have been allocated to select schools which are considered as separate Cash-Generating Units (“CGUs”). Management performs its impairment test at the end of each annual reporting period for all the CGUs. Provision for impairment on goodwill amounted to nil for the three-month periods ended September 30, 2020 and 2019.

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 September 30, 2020 and June 30, 2020. Documents for the transfer of ownership to STI ESG are being processed as at November 13, 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 the building for STI Academic Center Legazpi (see Note 10). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

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:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Cost, net of accumulated amortization:		
Balance at beginning of period	**₱41,963,660**	₱42,487,584
Additions	**4,570,092**	1,174,552
Amortization (see Note 23)	**(476,143)**	(1,698,476)
Balance at end of period	**₱46,057,609**	₱41,963,660
Cost	**₱107,637,886**	₱103,067,794
Accumulated amortization	**61,580,277**	61,104,134
Net carrying amount	**₱46,057,609**	₱41,963,660

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.

15. Accounts Payable and Other Current Liabilities

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Accounts payable	**₱506,902,093**	₱446,245,111
Nontrade payable	**67,000,000**	67,000,000
Accrued expenses:		
Contracted services	**43,838,035**	47,667,932
Salaries, wages and benefits	**22,633,547**	18,819,785
School-related expenses	**21,877,388**	20,416,313
Rent	**15,240,202**	17,626,933
Utilities	**12,201,707**	23,145,303
Interest	**10,042,250**	35,221,629
Advertising and promotion	**2,759,508**	2,463,007
Others	**6,353,704**	7,653,398
Current portion of payable to STI Diamond (see Note 18)	**29,341,437**	22,639,257
Dividends payable	**25,929,973**	25,930,201
Statutory payables	**24,257,047**	22,614,682

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Current portion of advanced rent (see Note 18)	**20,824,113**	24,179,810
Student organization fund	**10,533,221**	8,599,132
Network events fund	**9,475,420**	5,044,587
Current portion of refundable deposits (see Note 18)	**7,187,984**	8,469,032
Others	**13,147,967**	10,657,623
	₱849,545,596	₱814,393,735

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

d. Dividends payable pertains to dividends declared which are unclaimed as of report date and are due on demand.

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 within the year.

g. For terms and conditions of payables to related parties, refer to Note 24.

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

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Term loan facilities	**₱1,748,576,185**	₱1,391,211,241
Corporate notes facility	**259,600,000**	399,400,000
Short-term loans	**300,000,000**	–
	2,308,176,185	1,790,611,241
Less current portion	**598,786,554**	358,566,076
	₱1,709,389,631	₱1,432,045,165

**Net of unamortized capitalized loan transaction cost of ₱11.4 million and ₱8.8 million as at September 30, 2020 and June 30, 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 Banking Corporation ("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 10). 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	

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 Banko Sentral ng Pilipinas (“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%.

On September 28, 2020, the total loan balance of ₱560.0 million was repriced at an interest rate of 3.3727%. iACADEMY paid its first principal amortization on September 29, 2020 amounting to ₱40.0 million.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs are capitalized and amortized using the effective interest rate (“EIR”) method. These are presented as a contra-liability account in the unaudited interim condensed consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱3.3 million and ₱3.5

million as at September 30, 2020 and June 30, 2020, respectively. Amortization of transaction costs recognized as interest expense for the three-month periods ended September 30, 2020 and 2019 amounted to ₱0.2 million and ₱0.3 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 ratio ("DSCR") and debt-to-equity ratio ("D/E ratio"). The required financial ratios are:

(1) DSCR 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) D/E ratio of not more than 2.0x, computed by dividing total liabilities (excluding unearned tuition and other school fees) by total equity.

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

On August 7, 2020, iACADEMY requested China Bank for consent to avail of Land Bank of the Philippines ("LandBank")'s Access to Academic Development to Empower the Masses towards Endless Opportunities ("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.

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.

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 was made available to the Borrower on any Business day for the period beginning on the date of the Term Loan 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 the Term Loan Agreement. 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%. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% effective September 19, 2020. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements.

The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG’s unaudited interim condensed consolidated financial statements:

1. D/E 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. DSCR of a minimum of 1.05x, which is the ratio of EBITDA to Debt Service.

The D/E ratio of STI ESG is 1.02:1.00 and 0.89:1.00 as at September 30, 2020 and June 30, 2020, respectively.

China Bank approved the temporary waiver of the DSCR requirement covering the period ending September 30, 2020 (see discussion on Waivers of Certain Covenants in this note). As at June 30, 2020, STI ESG is compliant with the required ratio at 1.62:1.00.

Breakdown of STI ESG's Term Loan are as follows:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Balance at beginning of period	**₱800,000,000**	₱800,000,000
Proceeds	**400,000,000**	–
Balance at end of period	**1,200,000,000**	800,000,000
Deferred finance cost	**(8,095,444)**	(5,306,808)
Balance classified as noncurrent	**₱1,191,904,556**	₱794,693,192

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

Fiscal Year	Amount
2022	₱120,000,000
2023	240,000,000
2024	240,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱1,200,000,000

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement ("Credit Facility Agreement") with China Bank granting STI ESG a credit facility amounting to ₱3.0 billion with a term of either 5 or 7 years. The facility was 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 rates ranging from 4.34% to 4.75%. As at the latest repricing date of February 1, 2020, interest rate is at 5.68%.

STI ESG has made payments amounting to ₱120.0 million and nil for the three-month periods ended September 30, 2020 and June 30, 2020, 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 ₱19.8 million and nil for the three-month periods ended September 30, 2020 and June 30, 2020, respectively. The loan has an outstanding balance of ₱19.6 million with an interest rate of 5.68%. The last installment is due on January 31, 2021.

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

	STI ESG	STI WNU
2021	₱120,000,000	₱19,600,000
2022	120,000,000	–
	₱240,000,000	₱19,600,000

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 D/E ratio and DSCR. STI ESG was required to maintain a D/E ratio of not more than 1.00:1.00 and DSCR of not less than 1.10:1.00.

Breakdown of loans under the Group's Credit Facility Agreement follows:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Balance at beginning of period	**₱399,400,000**	₱399,400,000
Repayments	**139,800,000**	–
Balance at end of period	**259,600,000**	399,400,000
Less current portion	**259,600,000**	279,400,000
Noncurrent portion	**₱–**	₱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 unaudited interim condensed consolidated financial statements:

    (1) D/E 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) DSCR 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 D/E 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 DSCR of a minimum of 1.10x for STI WNU remained the same.

China Bank approved the temporary waiver of the DSCR requirement covering the period ending September 30, 2020 for both STI ESG and STI WNU (see discussion on the Waiver of Certain Covenants). As of September 30, 2020, both STI ESG and STI WNU have complied with the required D/E ratio.

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

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested China Bank for waivers of certain covenants in its Term Loan Agreement and its Credit Facility Agrrement in connection with STI ESG's availment of the LandBank ACADEME Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

   China Bank likewise approved the temporary waiver of the DSCR requirement covering the period ended September 30, 2020 and the period ending March 31, 2021.

b. 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 ended September 30, 2020 of STI WNU.

LandBank ACADEME Program
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 70.0% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% 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 parents/benefactors of the students, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors of students are interest free.

This ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank.

Short-term Loans
On August 24, 2020, STI ESG made a loan drawdown from its credit line with Bank of the Philippine Islands ("BPI") amounting to ₱300.0 million with a term of one year. Interest rate is 4.25% subject to quarterly repricing. The credit line is on a clean basis. The proceeds from these loans were used for working capital requirements.

STI ESG availed of loans from BPI amounting to ₱50.0 million and ₱143.0 million in July 2019, subject to interest rates of 5.60% and 5.75%, respectively. The short-term loans were unsecured and were fully settled as at September 30, 2019. 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 periods ended September 30, 2020 and 2019 amounted to ₱29.4 million and ₱29.2 million, respectively.

17. Bonds Payable

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
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	**32,196,366**	33,902,228
	₱2,967,803,634	₱2,966,097,772

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 Philippine Dealing & Exchange Corp. (“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 September 30, 2020 (Unaudited)	Carrying Value as at June 30, 2020 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,158,423,397**	₱2,157,043,093	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	**809,380,237**	809,054,679	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,967,803,634**	₱2,966,097,772	

Covenants

The Trust Agreement covering 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 Trust Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a D/E ratio of not more than 1.50:1.00 and DSCR of not less than 1.05:1.00 computed based on the unaudited interim condensed consolidated financial statements.

STI ESG's D/E ratio and DSCR as at September 30, 2020 and June 30, 2020 are as follows:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Total liabilities[a]	**₱5,831,689,906**	₱5,225,836,891
Total equity	**5,704,209,136**	5,888,520,185
Debt-to-equity	**1.02:1.00**	0.89:1.00

[a] *Excluding unearned tuition and other school fees*

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
EBITDA[b]	**₱478,041,494**	₱789,899,217
Total interest-bearing liabilities[c]	**816,716,107**	488,916,326
Debt service cover	**0.59:1.00**	1.62:1.00

[b] *EBITDA for the last twelve months*
[c] *Total principal and interest due in the next twelve months*

STI ESG obtained the required consent of the Record Bondholders, which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement). As at September 30, 2020, STI ESG is compliant with the required D/E ratio. As at June 30, 2020 STI ESG is compliant with all the required ratios.

Amendments to the Trust Agreement

On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the holders of the Bonds (the "Record Bondholders") to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of 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 (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

  (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows: "directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows: "incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (c) Section 7.02(f) of the Trust Agreement is hereby amended to read as follows:

  "assign, transfer or otherwise convey any right to receive any of its income or revenues unless in the ordinary course of business, or unless otherwise required by applicable law, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to Debt Service Coverage Ratio Waiver

  Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

  (k) maintain and observe the following financial ratios:

  (i) a Debt Service Coverage Ratio of not less than 1.05:1, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

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 ₱32.2 million and ₱33.9 million as at September 30, 2020 and June 30, 2020, respectively. Amortization of bond issuance costs amounting to ₱1.7 million and ₱1.6 million for the three-month periods ended September 30, 2020 and 2019, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income for the three-month periods ended September 30, 2020 and 2019 amounted to ₱44.7 million.

18. **Other Noncurrent Liabilities**

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Advance rent (see Note 15)	**₱23,833,623**	₱43,552,022
Refundable deposits - net of current portion (see Note 15)	**14,917,625**	28,562,994
Payable to STI Diamond - net of current portion	**10,934,506**	16,640,773
Deferred lease liabilities	**2,531,321**	2,531,321
Deferred output VAT	**370,674**	2,211,880
	₱52,587,749	₱93,498,990

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 unaudited interim condensed 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.

In September 2020, iACADEMY applied the advance rent and refundable deposits to a lessee's unpaid rental. The applied advance rent and refundable deposits amounted to ₱15.8 million and ₱12.8 million, respectively.

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 ₱40.3 million and ₱39.3 million as at September 30, 2020 and June 30, 2020, respectively. The current portion of the payable amounting to ₱29.3 million and ₱22.6 million is recorded under the "Accounts payable and other current liabilities" account as at September 30, 2020 and June 30, 2020, respectively (see Note 15).

19. **Equity**

Capital Stock

Details as at September 30, 2020 and June 30, 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 September 30, 2020 and June 30, 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 September 30, 2020 and June 30, 2020 which are treated as treasury shares in the consolidated statements of financial position.

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

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

Other Comprehensive Income

	September 30, 2020 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss)	**₱3,551,444**	**(₱360,105)**	**₱3,191,339**
Fair value changes in equity instruments at FVOCI	**11,182,063**	**146,037**	**11,328,100**
Share in associates' cumulative actuarial gain (loss)	**321,569**	**(199)**	**321,370**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI	**(114)**	**(2)**	**(116)**
	₱15,054,962	**(₱214,269)**	**₱14,840,693**

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

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

As at September 30, 2020 and June 30, 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

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.

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 25.0% 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' 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.

20. 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 periods ended September 30, 2020 and 2019:

	Three months ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Tuition and other school fees	**₱231,868,906**	₱719,623,231
Educational services	**30,962,705**	32,292,213
Royalty fees	**3,271,641**	3,389,111
Sale of educational materials and supplies	**13,936,465**	29,915,790
Other revenues	**16,603,782**	12,197,621
Total consolidated revenue	**₱296,643,499**	₱797,417,966

Timing of Revenue Recognition

	Three months ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
Services transferred over time	**₱231,868,906**	₱719,623,231
Goods and services transferred at a point in time	**13,936,465**	29,915,790
	₱296,643,499	₱797,417,966

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. Significant changes in the contract liabilities include the conduct of online classes in May 2020 up to July 2020 to complete SY 2019-2020 that extended collection of tuition and other school fees after June 30, 2020 and the shift in the school calendar of SHS and Tertiary students from June 2019 to March 2020 and from July 2019 to April 2020, respectively, to September 2020 for SY 2020-2021 for both STI ESG and STI WNU, while in the case of iACADEMY, the school calendars for SY 2019-2020 for SHS and Tertiary levels were from August 2019 to May 2020 and July 2019 to June 2020, respectively, to August 2020 in SY 2020-2021 for both SHS and Tertiary enrollees (see Note 3) that resulted to change in the timing of revenue recognition.

Set out below is the amount of revenue recognized from:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Amounts included in contract liabilities at the beginning of period	**₱107,460,828**	₱168,469,020

There is no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 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 September 30, 2020 and June 30, 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 ₱1,186.8 million and ₱157.8 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.

21. **Cost of Educational Services**

	Three Months Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
Depreciation and amortization	**₱88,027,645**	₱81,214,493
Faculty salaries and benefits	**36,444,510**	97,397,244
Student activities and programs	**29,727,352**	28,587,113
Rental	**6,570,971**	18,788,274
Software maintenance	**4,946,077**	4,614,647
Courseware development costs	**145,333**	50,925
School materials and supplies	**1,266,672**	2,927,198
Others	**1,470,569**	1,742,476
	₱168,599,129	₱235,322,370

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

	Three Months Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
Educational materials and supplies	**₱11,827,644**	₱15,484,369
Promotional materials	**370,222**	5,363,862
Others	**–**	667,757
	₱12,197,866	₱21,515,988

23. **General and Administrative Expenses**

	Three Months Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	**₱74,995,786**	₱92,873,694
Depreciation and amortization	**68,283,737**	59,182,021
Provision for expected credit losses	**26,208,273**	20,705,911
Advertising and promotions	**24,579,304**	5,357,093
Outside services	**19,353,372**	33,439,583
Professional fees	**16,239,024**	19,694,428
Light and water	**11,443,194**	38,685,397
Taxes and licenses	**9,631,796**	10,243,358
Transportation	**4,349,744**	4,632,926
Insurance	**4,252,445**	4,958,452
Meetings and conferences	**3,831,171**	4,550,320
Rental	**3,544,558**	17,357,536
Repairs and maintenance	**3,061,010**	5,527,333
Entertainment, amusement and recreation	**2,644,175**	4,101,845
Communication	**2,632,398**	2,689,786
Office supplies	**1,830,412**	4,260,919
Software maintenance	**411,222**	631,914

	Three Months Ended September 30	
	2020	2019
	(Unaudited)	(Unaudited)
Association dues	**318,726**	344,250
Others	**5,165,655**	7,711,085
	₱282,776,002	₱336,947,851

24. 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	**September 30, 2020 (Unaudited)**	September 30, 2019 (Unaudited)	**September 30, 2020 (Unaudited)**	June 30, 2020 (Audited)	**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	**137,649**	190,770	**7,854,539**	7,706,842	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	**2,513,983**	1,901,332	**9,537,914**	7,251,613	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**2,418,315**	2,410,771	**673,319**	147,455	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Facility sharing and other charges	**₱2,708,909**	₱2,410,046	**₱2,914,402**	₱38,338	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**3,421,911**	2,937,769	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured

Related Party	Amount of Transactions during the Period **September 30, 2020 (Unaudited)**	 September 30, 2019 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2020 (Unaudited)**	 June 30, 2020 (Audited)	Terms	Conditions
Refundable deposits	**–**	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	**–**	19,635	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	**–**	–	**37,112**	37,112	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental and other charges	**1,085,027**	1,046,263	**(394,241)**	(270,900)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**2,164,904**	3,841,026	**(2,314,943)**	(213,103)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**1,763,169**	3,220,358	**(4,360,112)**	(2,861,758)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Facility sharing, utilities and other charges	**3,010,821**	2,926,513	**4,226,584**	5,719,642	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**4,038,684**	7,530,935	**26,961,532**	29,644,333	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**75,000**	93,949	**1,671,187**	1,746,187	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**100,000**	100,000	**(100,000)**	(200,000)	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱83,190,295	₱85,228,763		

**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:

	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)
Advances to associates and joint ventures (see Note 12)	**37,868,986**	37,868,986
Advances to officers and employees (see Note 6)	**26,961,532**	29,644,333
Rent, utilities and other related receivables	**17,138,824**	15,683,121
Educational services and sale of educational materials and supplies	**10,211,233**	7,399,068
Accounts payable	**(8,990,280)**	(5,366,745)
	₱83,190,295	₱85,228,763

Outstanding balances of transactions with subsidiaries whick were eliminated during consolidation are as follows:

Category	Amount of Transactions during the Period September 30, 2020 (Unaudited)	Amount of Transactions during the Period September 30, 2019 (Unaudited)	Outstanding Receivable (Payable) September 30, 2020 (Unaudited)	Outstanding Receivable (Payable) June 30, 2020 (Audited)	Terms	Conditions
Subsidiaries						
STI ESG						
Advisory fee	**₱3,600,000**	₱3,600,000	**₱–**	₱1,200,000	30 days upon receipt of billings; Noninterest-bearing	Unsecured
Reimbursements	**–**	770,363	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend received	**–**	182,437,382	**–**	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU						
Advisory fee	**900,000**	900,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
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**	255,000	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

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.

25. 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 periods ended September 30, 2020 and 2019:

	Three Months Ended September 30	
	2020 (Unaudited)	2019 (Unaudited)
Net income (loss) attributable to equity holders of STI Holdings	**(₱202,643,537)**	₱156,021,190
Common shares outstanding at beginning and end of period	**9,904,806,924**	9,904,806,924
Basic and diluted earnings (losses) per share on net income (loss) attributable to equity holders of STI Holdings	**(₱0.020)**	₱0.016

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

26. Contingencies and Commitments

Contingencies

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 11).

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

(i). *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 November 13, 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.

While the appeal of the Petitioner is pending, the Corporation filed a Manifestation and Motion dated July 29, 2020. In the said Manifestation and Motion, the Parent Company informed the Court of Appeals about the death of the Petitioner on March 28, 2020. Consequently, the Parent Company moved for the resolution and dismissal of the said appeal.

The Petitioner's counsel filed a Notice and Motion dated August 14, 2020, which also informed the Court of Appeals about the death of the Petitioner. Consequently, said counsel moved that the Petitioner be substituted by his wife and children.

In response thereto, the Parent Company filed its Comment/Opposition dated August 24, 2020. In the Comment/Opposition, the Parent Company argued that the Petitioner cannot be substituted because he can only be substituted by a member of PWU and stockholder of Unlad. The wife and children of the Petitioner cannot be members of PWU because membership in PWU is non-transferable.

Said issue on substitution is subject for resolution by the Court of Appeals.

As at November 13, 2020, the appeal of the Petitioner and Motion to Cancel Lis Pendens of the Parent Company remains 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 November 13, 2020, the Trial Court has not issued any notice regarding the next hearing/proceeding for the said case.

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 November 13, 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 (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 at November 13, 2020, unless the Court of Appeals requires additional pleadings, the case is submitted for resolution.

c. *Labor Cases.*

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

On November 17, 2014, the Supreme Court issued a resolution which denied with finality 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.

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

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

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

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

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

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.

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

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

On September 6, 2016, STI ESG received the former employee's Petition for Certiorari filed with the Court of Appeals. Said Petition questioned the aforesaid decision of the NLRC. While the said Petition for Certiorari was pending, STI ESG manifested that it would no longer seek the nullification of the Writ of Execution and moved that the ₱2.2 million garnished amount be considered as partial satisfaction of the subject judgment award.

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

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

On September 19, 2017, 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 in October 2006 raised by STI ESG and (c) issuance of Writ of Execution based on the updated judgment award.

On January 31, 2018, 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 an additional ₱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 additional ₱2.0 million, she manifested that the same is only partial payment of the judgment award.

On February 13, 2018, the former employee filed her Reply. In the Reply, she argued that the alleged waiver of reinstatement pending appeal in October 2006 did not interrupt the running of backwages until present day. She insisted that the return to work order of 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.

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

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

The new labor arbiter further determined that the attorney's fees of 10.0% should be computed from the total monetary award of the former employee, including the separation pay in lieu of reinstatement.

After computing the monetary award of the former employee, the new labor arbiter determined that the former employee's total monetary award amounted to around ₱4.4 million. Considering the prior payments made by STI ESG to the former employee amounting to ₱4.2 million, STI ESG is ordered to pay the former employee the balance of ₱0.2 milion.

Instead of filing a verified petition under Rule XII of the NLRC Rules, the former employee filed an Appeal dated October 6, 2020.

On November 3, 2020, STI ESG filed its Comment and/or Opposition Ad Cautelam. In the said Comment, STI ESG sought for the outright denial of such appeal because it is improper and prohibited under the NLRC Rules. In case the appeal is allowed, STI ESG defended the computation made by the Labor Arbiter in the Order dated September 9, 2020.

On November 5, 2020, the Labor Arbiter issued an Order wherein he “noted without action” said appeal considering that the same is a prohibited pleading. The Labor Arbiter further stated that no other pleading and/or motion in relation to said appeal shall be entertained by the NLRC.

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 November 13, 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 10.0% 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 November 13, 2020, STI ESG has yet to receive a motion for reconsideration by the petitioners of the decision dated November 21, 2018.

iv. This is a case for illegal dismissal (constructive), underpayment of salary/wages, non-payment of salary/wages, separation pay, moral and exemplary damages and attorney's fees filed by a former school nurse of STI College Fairview Branch.

Complainant was cited in several instances for her excessive tardiness, negligence, and other violations of the school's Code of Conduct. On January 15, 2016, she submitted her resignation letter effective immediately and processed her clearance. On the same day, she proceeded to the NLRC and filed a request for assistance.

Complainant claimed that she was forced to resign when her benefits were reduced, she was deliberately given difficult work assignments, she was cited for several violations of the company's code of conduct to build-up a case against her and was given poor working conditions.

The labor arbiter dismissed her complaint for lack of merit saying that resignation due to the enforcement of disciplinary measures for violations does not constitute unbearable working condition, hence, her resignation does not constitute constructive dismissal.

Complainant appealed the decision of the labor arbiter to the NLRC.

On April 21, 2017, STI College Fairview received the Decision dated March 31, 2017 of the 4th Division, NLRC, denying her appeal and affirming the labor arbiter's decision but with modification by awarding ₱75.0 thousand as financial assistance based on the higher interest of equity, social and compassionate justice.

On May 2, 2017, STI ESG filed its Motion for Partial Reconsideration of the decision of the NLRC, particularly, on the award of financial assistance in the amount of ₱75.0 thousand on the basis that she is not entitled to any financial assistance since there was no dismissal to speak of. Moreover, her failure to comply with the 30-day notice requirement in case of resignation makes her even liable for damages instead of financial assistance.

However, on June 1, 2017, STI ESG received a copy of the resolution dated May 30, 2017 of the 4th Division, NLRC denying the motion for reconsideration.

On July 28, 2017, STI ESG filed its Petition for Certiorari with prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. On August 19, 2017, STI ESG received a copy of the resolution of the Court of Appeals dated August 9, 2017 directing complainant to comment on STI ESG's petition while holding in abeyance the action on the prayer for injunctive relief. Pending resolution of the STI ESG's prayer for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals, on August 31, 2017, STI ESG received a copy of the Motion for Execution filed by complainant. On September 4, 2017, a notice of pre-execution conference was received by STI ESG setting the same on September 14, 2017 before the labor arbiter. On September 11, 2017, STI ESG filed an Opposition to the Motion for Execution. STI ESG, likewise, filed an Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction. In the pre-execution conference, STI ESG reiterated its opposition to the motion for execution of complainant and manifested that it has a pending application for the issuance of a restraining order and a writ of preliminary injunction with the Court of Appeals. In a Notice of Order of Execution dated October 11, 2017, the labor arbiter issued a Writ of Execution against STI ESG since no temporary restraining order was issued by the Court of Appeals for the amount of ₱76.2 thousand. On November 2, 2017, a check in the said amount was then deposited to the account of the National Labor Relations Commission for the satisfaction of the writ of execution. As per Order dated November 17, 2017 of the labor arbiter, the said amount was released to Complainant as full satisfaction of the judgment award.

On February 28, 2018, STI ESG received a Resolution dated January 5, 2018 of the Court of Appeals noting STI ESG's Omnibus Motion for Immediate Resolution of Application for Issuance of a Restraining Order and Writ of Preliminary Injunction and informing STI ESG that its Resolution dated August 9, 2017 addressed to complainant returned to the court with the annotation "RTS-No One to Receive" and directed STI ESG to inform the court of complainant's correct and current complete address. In a manifestation of compliance dated April 12, 2018, STI ESG informed the Court of Appeals that the only record of complainant's address in its possession is that which is stated in its petition which is the same as what is found in the pleadings filed relative to the case. In a Resolution dated June 21, 2018 received by STI ESG on July 5, 2018, the Court of Appeals dismissed the petition of STI ESG on the ground that it failed to include in its petition the current address of complainant.

A motion for reconsideration of the subject resolution of the Court of Appeals was filed by STI ESG on July 20, 2018. On October 31, 2018, STI ESG received a copy of the Resolution of the Court of Appeals (Former Eleventh Division) granting the motion for reconsideration. However, STI ESG was given a period of ten (10) days from notice to submit proof of actual receipt by complainant of its petition and to furnish the court with her correct, actual and present address, otherwise, the petition will be dismissed. On November 12, 2018, STI ESG filed its manifestation with the Court of Appeals and Motion for Extension to Submit Proof of Service.

On February 20, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Fifth Division) dated January 29, 2019 granting the Motion for Extension to Submit Proof of Service. However, STI ESG was also required to show cause why its petition shall not be dismissed for failure to comply with the Resolution dated October 18, 2018. On March 4, 2019, STI ESG filed its Manifestation of Compliance manifesting that it was able to serve a copy of the petition to complainant by personal service.

On May 27, 2019, STI ESG received a copy of the Resolution dated April 29, 2019 of the Court of Appeals (Fifth Division) finding the Manifestation of Compliance filed by STI ESG to be sufficient and directed the complainant to file her comment to STI ESG's petition.

As at November 13, 2020, STI ESG has yet to receive a copy of the comment of the complainant to its petition.

v. 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.

As at November 13, 2020, STI ESG has yet to receive any action by the Court of Appeals on the motion for reconsideration filed by complainants.

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

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

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

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

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

Meanwhile, the Defendants presented the Defendant Finance Officer, to testify, among others, that (a) he acted as liaison of the STI Cebu and 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 the Defendants presented their external counsel's accountant to testify on their counterclaim for legal cost/fees incurred for the case the Defendants terminated the presentation of their evidence on January 17, 2020.

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

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

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

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of six percent (6.0%) per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

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

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

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

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

e. *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.

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

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

On February 4, 2020, 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.

f. *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 November 13, 2020, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

g. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. ("MOBEELITY") to deploy its digital classroom pilot, also known as 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. However, STI ESG needs to identify any assets of MOBEELITY in order for the motion for execution to be effective.

h. *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 ₱1.7 million 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 November 13, 2020, the Office of the City Prosecutor of Makati City has yet to issue a resolution in the said complaint.

i. 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.

j. 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.

k. 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 November 13, 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 unaudited interim condensed consolidated financial statements.

Commitments

a. Financial Commitments

STI ESG has a ₱15.0 million domestic bills purchase lines from various local banks as at September 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 September 30, 2020 and June 30, 2020, STI WNU's long-term loan amounted to ₱19.6 million and ₱39.4 million. The ₱5.0 million credit line has never been availed and has not been renewed.

On September 16, 2020, a Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank in relation to the approved Rediscounting Agreement with the said Bank. This credit facility has not been availed as of November 13, 2020.

b. Capital Commitments

As at September 30, 2020 and June 30, 2020, STI ESG has contractual commitments and obligations for the construction of the building for STI Legazpi with an aggregate project cost of ₱251.8 million of which ₱211.9 million and ₱170.5 million have been paid as at September 30, 2020 and June 30, 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 September 30, 2020 and June 30, 2020. Of these, ₱13.7 million have been paid as at September 30, 2020 and June 30, 2020.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.9 million as at September 30, 2020 and June 30, 2020. Of these, ₱981.4 million have been paid as at September 30, 2020 and June 30, 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 funded through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

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

On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of the corporation from ₱1.0 million divided into 10,000 shares with a par value of ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0 The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

On January 24, 2018, STI ESG subscribed to and fully paid for 35,000 shares at a subscription price of ₱495.0 per share for a total of ₱17.3 million.

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

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

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

(i) On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (“UniFAST”) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (“TES”) and Student Loan Program (“SLP”) for its students under the Universal Access to Quality Tertiary Education Act (“UAQTEA”) and its Implementing Rules and Regulations (“IRR”). Republic Act No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (“PWDs”) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

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

a. Establish a culinary school offering modular culinary courses which shall prepare the students to work on board cruise vessels and to jointly oversee the preparation and implementation of modular culinary and catering courses.

b. To jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW").

c. To engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

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

27. **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 September 30, 2020 and June 30, 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 as at September 30, 2020.

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

Cash and Cash Equivalents, Receivables and Accounts Payable and Other Current Liabilities. Due to the short-term nature of transactions, the fair values of these instruments approximate the carrying amounts as at September 30, 2020.

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Equity Instruments 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 is based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Obligation under Finance Lease. The fair values of obligations under finance lease are computed based on the discounted present value of lease payments with discount rate ranging from 5.59% to 6.18% as at September 30, 2019.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Management believes that the fair values of deposits, obligations under finance lease, bonds payable and other noncurrent liabilities as at September 30, 2020 do not significantly differ from the fair values of these financial instruments as at June 30, 2020.

28. Note to Consolidated Statements of Cash Flows

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

a. Noncash additions to ROU assets presented under "Property and equipment" amounting to ₱14.3 million for the three-month period ended September 30, 2020.

b. Unpaid progress billing for construction-in-progress amounting to ₱16.2 million and ₱7.1 million as at September 30, 2020 and 2019, respectively.

c. Acquisitions of property and equipment under finance lease presented as part of "Property and equipment" account in the unaudited interim condensed consolidated statements of financial position amounting to nil and ₱3.3 million for the three-month periods ended September 30, 2020 and 2019.

29. Changes in Liabilities Arising from Financing Activities

	July 1, 2020	Cash flows	Reclassified as current	Lease Modifications (Notes 2 and 10)	Disposal (Notes 2 and 10)	New leases	Capitalized borrowing cost (Note 10)	Interest expense	September 30, 2020
Current interest-bearing loans and borrowings	₱358,566,076	₱120,200,000	₱120,000,000	₱–	₱–	₱–	₱–	₱20,478	₱598,786,554
Bonds payable	2,966,097,772	–	–	–	–		–	1,705,862	2,967,803,634
Interest-bearing loans and borrowings - net of current portion	1,432,045,165	397,000,000	(120,000,000)	–	–	–	–	344,466	1,709,389,631
Lease liabilities	552,590,291	(38,818,340)	–	(5,080,677)	(622,095)	14,664,924	–	8,492,094	531,226,200
Dividends payable	25,930,201	(228)	–	–	–	–	–	–	25,929,973
Interest payable	35,221,629	(102,612,157)	–	–	–	–	1,734,539	75,698,239	10,042,250
Total liabilities from financing activities	₱5,370,451,134	₱375,769,275	₱–	(₱5,080,677)	(₱622,095)	₱14,664,924	₱ 1,734,539	₱86,261,139	₱5,843,178,242

	July 1, 2019	Cash flows	Reclassified as current	Lease Modifications (Notes 2 and 10)	Disposal (Notes 2 and 10)	New leases	Dividends declared	Interest expense	September 30, 2019
Current interest-bearing loans and borrowings	₱299,600,000	(₱552,800,000)	₱552,800,000	₱–	₱–	₱–	₱–	₱–	₱299,600,000
Current obligations under finance leases	6,291,470	(2,555,037)	2,659,582	–	–	416,061	–	–	6,812,076
Bonds payable	2,959,532,836	–	–	–	–	–	–	1,603,253	2,961,136,089
Interest-bearing loans and borrowings - net of current portion	1,213,459,832	540,375,000	(552,800,000)	–	–	–	–	355,868	1,201,390,700
Noncurrent obligations under finance leases	10,476,484	–	(2,659,582)	–	–	2,920,722	–	–	10,737,624
Dividends payable	24,566,795	(57)	–	–	–	–	2,475,248	–	27,041,986
Interest payable	41,732,034	(104,572,808)	–	–	–	–	–	74,751,153	11,910,379
Total liabilities from financing activities	₱4,555,659,451	(₱119,552,902)	₱–	₱–	₱–	₱3,336,783	₱2,475,248	₱76,710,274	₱4,518,628,854

30. **Other Matter**

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, 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.

On September 7, 2020 the IATF approved the recommendation of the National Chief Implementer of the Philippines' Declared National Policy Against COVID-19 to place Lanao del Sur and the City of Bacolod under MECQ from 8 September 2020 until 30 September 2020 under IATF Resolution No. 69-A.

On September 16, 2020, the President issued Proclamation No. 1021 (s.2020) extending the period of the State of Calamity throughout the Philippines due to Coronavirus Disease 2019 declared under Proclamation No. 929, (s.2020) IATF Resolution No. 74 on September 24, 2020 placed the City of Iloilo under MECQ from September 25 to October 9, 2020. Its community quarantine classification after the said date shall be decided upon by the IATF, based on the COVID-19 situation of the locality.

On September 28, 2020, the IATF issued Resolution No. 75-A declaring until October 31, 2020 the GCQ status on all HUCs of the NCR and municipality of Pateros, Batangas, Bacolod City, Tacloban City, Iligan City and Lanao del Sur. The MGCQ status for the rest of the country was likewise extended until October 31, 2020, without prejudice to the declaration of localized ECQ in critical areas. The City of Iloilo shall be placed under GCQ beginning October 1, 2020, notwithstanding IATF Resolution No. 74 s. 2020.

On October 26, 2020, the President of the Philippines approved the recommendation of the IATF to keep the NCR, Bacolod City, Iloilo City, Tacloban City, Iligan City, Batangas and Lanao del Sur under GCQ until November 30, 2020. The community quarantine classifications are still subject to appeal from concerned LGUs. Metro Manila mayors favored retaining the GCQ status of their jurisdictions until year-end to contain COVID-19, although with eased restrictions on mobility, transport, and business. With the latest announcement of quarantine classification, no region in the country is subject to the strictest quarantine classifications of ECQ and MECQ for November.

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 September 30, 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.

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

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**1,260,999,374**	**966,722,269**	**18,352,466**	**8,172,995**	**267,751,644**
	1,260,999,374	**966,722,269**	**18,352,466**	**8,172,995**	**267,751,644**

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 School Year ("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.

  In September 2020, 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. As at September 30, 2020, STI ESG's network of schools 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 would 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 of the 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 Securities and Exchange Commission ("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.

  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 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. 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 iACADEMY 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 was valid up to April 26, 2018 and was applicable 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 August 31, 2020, iACADEMY was invited to participate in the Global Brand Awards 2020 for the Award Title of "Most Innovative Education Provider - Philippines 2020 under the category of Education Awards". On September 23, 2020, iACADEMY received a notice stating that iACADEMY is included in the final round of assessment to win the award for the "Most Innovative Education Provider - Philippines 2020."

On October 14, 2020, iACADEMY won the international award from the UK-based publications company Global Brands along with other top-tier schools, including Harvard, Massachusetts Institute of Technology ("MIT") and Nanyang Technological University. iACADEMY has bagged the award against other international schools across the world and became the only Philippine school to get this distinction from the international award-giving body.

- 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. 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 2020-2021	SY 2019-2020	Increase (Decrease)	
			Enrollees	Percentage
STI ESG				
Owned schools	39,890	44,811	(4,921)	(11%)
Franchised schools	22,600	29,987	(7,387)	(25%)
	62,490	74,798	(12,308)	(16%)
iACADEMY	2,149	2,566	(417)	(16%)
STI WNU	5,584	6,603	(1,019)	(15%)
Total Enrollees	**70,223**	**83,967**	**(13,744)**	**(16%)**

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 2020-2021			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	35,412	1,036	26,042	62,490
iACADEMY	1,383	-	766	2,149
STI WNU	3,381	-	2,203	5,584
Total	**40,176**	**1,036**	**29,011**	**70,223**
Proportion of CHED:TESDA:DepEd	**57%**	**2%**	**41%**	**100%**

	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%**

* *STI ESG DepEd count includes 25,801 SHS students and the 241 students of NAMEI who are enrolled in basic education in SY2020-2021 and 31,455 SHS students and the 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 1,470 SHS students and the 733 students enrolled in basic education in SY 2020-2021 and 1,874 SHS students and the 985 students enrolled in basic education in SY 2019-2020.*

To contain the outbreak of the Novel Coronavirus Disease 2019 ("COVID-19"), the Office of the President of the Philippines issued a Memorandum on March 13, 2020 to impose, adopt and implement the guidelines on the stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, imposition of community quarantine, among others, in the National

Capital Region ("NCR") and in other parts of the country effective March 15, 2020. These measures have caused disruptions to businesses and economic activities, and their impact on businesses continue to evolve.

For SY 2019-2020, the school calendars of STI ESG and STI WNU for SHS and Tertiary students were from June 2019 to March 2020 and July 2019 to April 2020, respectively. With the imposition of the Enhanced Community Quarantine ("ECQ") throughout Luzon, classes in all levels were suspended on March 17, 2020. Classes of SHS students of STI ESG and STI WNU were completed by the end of March 2020. For the tertiary level, STI ESG and STI WNU suspended the classes in all campuses nationwide for the safety and welfare of the students.

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. Classes of both SHS and tertiary started on September 7, 2020.

For iACADEMY, the school calendars for SY 2019-2020 of SHS and Tertiary enrollees were 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.

iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning ("GOAL") for SY 2020-2021. 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. In this setup, all activities or modules are delivered 100% online with eLMS, Google Meet, and Microsoft Teams. Classes for SHS and tertiary students started on August 24, 2020 and August 28, 2020, respectively.

Face-to-face classes remain suspended and thus the Group continues to conduct classes online as at September 30, 2020. The Group uses a world-class and award-winning learning management system for schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress among others. The concept of online learning is not new to the Group, as the schools in the network already implemented a blended learning mode for the past five years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

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.

The Group's enrollment in SY 2020-2021 declined compared to SY 2019-2020 due to the impact of the COVID-19 pandemic.

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 Unaudited Interim Condensed Consolidated Financial Statements, attached as part of "Annex A". Both the SEC and the BIR approved the change in the fiscal year.

This discussion summarizes the significant factors affecting the operating results for the three–month periods ended September 30, 2020 and 2019 and financial condition as at September 30, 2020 and June 30, 2020 of STI Education Systems Holdings, Inc. and its subsidiaries (hereafter collectively referred to as the "Group"). The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended September 30, 2020. 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 period ended September 30, 2020 and for all the other periods presented.

I. RESULTS OF OPERATIONS

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

For the three-month period ended September 30, 2020, the Group generated gross revenues of ₱296.6 million, lower by 63% or ₱500.8 million from same period last year of ₱797.4 million. Gross profit likewise decreased by ₱424.7 million or 79% year-on-year.

All classes in STI ESG and STI WNU started on September 7, 2020 while SHS classes in iACADEMY started on August 24, 2020 and tertiary classes started on August 28, 2020. Thus, there is only one month of revenues recognized in the three-month period ended September 30, 2020 compared with three months of revenues recognized in the same period last year.

Opening of classes was moved from the usual July start of school year to comply with the protocol requirements to control the spread of COVID-19.

As a result, the Group recorded an operating loss of ₱166.9 million for the three-month period ended September 30, 2020 as against same period last year's operating income of ₱203.6 million.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net income (losses) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses), was registered at ₱4.1 million for the three-month period ended September 30, 2020 resulting to a difference of ₱386.7 million from same period last year's ₱390.8 million. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2020 is at 1% compared to 49% for the same period last year.

II. FINANCIAL CONDITION

The Group's total assets as at September 30, 2020 amounted to ₱16,140.2 million, 9% or ₱1,309.9 million higher than the balance as at June 30, 2020. This was largely due to the ₱561.5 million increase in cash and cash equivalents mostly arising from collections received and the proceeds of STI ESG's drawdowns from its credit line and from its Term Loan Facility and the ₱706.0 million increase in receivables, composed substantially of receivables from students for tuition and other school fees and from DepEd for SHS vouchers.

Cash and cash equivalents increased by 67% or ₱561.5 million representing the proceeds from STI ESG's drawdowns from its credit line with Bank of the Philippine Islands ("BPI") and from its Term Loan Facility with China Banking Corporation ("China Bank") and collection of tuition and other school fees. The increase in cash is net of principal and interest payments made by STI ESG and STI WNU on their Corporate Notes Facility and by iACADEMY on its Term Loan Facility.

Total receivables amounted to ₱1,261.0 million, up by ₱706.0 million from ₱555.0 million as at June 30, 2020, since the September 30, 2020 balance is composed mostly of amounts expected to be collected from students as payment for tuition and other school fees and from DepEd for the SHS vouchers applicable to the remaining months of the related school term(s). Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Inventories increased by 19% or ₱26.4 million to ₱166.8 million largely due to the purchase of school uniforms for SY 2020-2021. Orders for the purchase of these uniforms were made way before the implementation of the protocol requirements to control the spread of COVID-19.

Prepaid expenses increased by ₱22.5 million or 32% from ₱71.4 million to ₱93.9 million substantially due to prepayments made for Microsoft license subscriptions, data connectivity assistance for the students and insurance coverage of the Group.

Deferred tax assets ("DTA") rose by ₱6.2 million from ₱77.5 million to ₱83.7 million as at September 30, 2020 representing taxes due on tuition and other school fees collected in advance.

Total current liabilities increased by ₱1,283.0 million to ₱2,712.9 million as at September 30, 2020 from ₱1,429.9 million as at June 30, 2020, mainly due to the ₱1,029.0 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the school year.

Total equity decreased by ₱203.0 million substantially due to the net loss incurred for the three-month period ended September 30, 2020.

III. TOP 5 KEY PERFORMANCE INDICATORS

The top five key performance indicators ("KPIs") of the Group include tests of profitability, liquidity and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts as and when they fall due, whether such liabilities are current or noncurrent.

		Three months ended September 30		
		2020	**2019**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	1%	49%	EBITDA margin declined in 2020 as compared to the same period in 2019 mainly due to lower revenues arising from the shift in the school calendar and the economic impact of the COVID-19 pandemic.
Gross profit margin	Gross profit divided by total revenues	39%	68%	Gross profit margin declined as revenues decreased due to the reasons cited above.
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	(10%)	7%	Return on equity was lower in 2020 due to the reasons cited above.
Debt service cover ratio ("DSCR")	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	0.71	1.68	Debt service cover ratio had been compliant with the minimum set by management, the lender bank and 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. Recognizing the economic effects of the outbreak of COVID 19, STI ESG and STI WNU requested, and China Bank granted the temporary waiver of the DSCR requirement on its long-term loan agreements for the period ended September 30, 2020 and period ending March 31, 2021 for STI ESG and the one-time waiver of the DSCR testing for STI WNU for the period ended September 30, 2020. STI ESG also obtained the approval of majority of the Record Bondholders for the waiver of the DSCR requirement up to June 30, 2023.

		Three months ended September 30		
		2020	2019	Remarks
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.89	0.66	Debt-to-equity ratio increased due to loan drawdowns made by STI ESG from its credit line and from its Term Loan Facility.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 67% or ₱561.5 million representing the proceeds from STI ESG's drawdowns from its credit line with BPI and from its Term Loan Facility with China Bank and collection of tuition and other school fees, net of the principal and interest payments made by STI ESG and STI WNU on their Corporate Notes Facility and by iACADEMY on its Term Loan Facility.

Total receivables amounted to ₱1,261.0 million, up by ₱706.0 million from ₱555.0 million as at June 30, 2020. Receivables from students increased by ₱453.7 million from ₱415.3 million as at June 30, 2020 to ₱869.0 million as at September 30, 2020, largely pertaining to tuition and other school fees. The receivables from students are expected to be collected over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱300.1 million as at September 30, 2020, ₱263.1 million higher than the June 30, 2020 balance of ₱37.0 million. The vouchers are expected to be collected within 8-12 weeks from the date of submission of billing statements. The receivables balance as at June 30, 2020 includes accounts receivable from CHED amounting to ₱38.2 million which was slightly reduced as at September 30, 2020 to ₱37.7 million.

Inventories increased by 19% or ₱26.4 million, largely attributed to the purchase of school uniforms in preparation for SY 2020-2021 which were ordered even before the COVID-19 outbreak started.

Prepaid expenses increased by ₱22.5 million or 32% from ₱71.4 million to ₱93.9 million representing prepayments for the Microsoft license subscriptions for SY 2020-2021 and insurance coverage for the fiscal year ending June 30, 2021. Prepaid insurance increased by ₱3.6 million from ₱4.7 million to ₱8.3 million due to renewal of fire insurance coverage of completed buildings, including equipment and furniture, and health insurance coverage of employees. These insurance payments are recognized as expense over the period of their respective insurance coverage, which is normally within one year from the beginning of the current fiscal year.

The Group recognizes the importance of a reliable internet connection in the implementation of ONE STI Learning Model and thus, STI ESG collaborated with SMART Communications ("SMART") to provide students with a SMART SIM with a 35 gigabyte per month data plan. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime with no extra charge to the students. STI ESG subscribed to SMART's Plan ₱240 per student per month. These costs are covered by the existing tuition, other school and miscellaneous fees. Students may also elect to use GLOBE sim cards subject to extra fee. As at September 30, 2020, the prepaid internet cost amounted to ₱8.1 million. This represents the cost of assistance to students for data connectivity for October 2020.

Deferred tax assets rose by 8% or ₱6.2 million due to taxes applicable to tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Accounts payable and other current liabilities increased by ₱35.2 million or 5% largely due to the ₱60.7 million increase in obligations to suppliers related to the building construction for STI Legazpi. Meanwhile, interest payable as at September 30, 2020 decreased by ₱25.2 million from the June 30, 2020 balance as STI ESG and iACADEMY made interest payments in July and September 2020.

Unearned tuition and other school fees increased substantially by ₱1,029.0 million from ₱157.8 million as at June 30, 2020 to ₱1,186.8 million as at September 30, 2020. The unearned revenue will be recognized as income over the remaining months of the school year.

Current portion of lease liabilities decreased by ₱13.0 million from ₱90.8 million as at June 30, 2020 to ₱77.8 million as at September 30, 2020 representing payments made during the three-month period ended September 30, 2020. Noncurrent portion of lease liabilities decreased by ₱8.3 million from ₱461.8 million as at June 30, 2020 to ₱453.5 million as at September 30, 2020. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated financial statements of the Group following the adoption of Philippine Financial Reporting Standards ("PFRS") 16, *Leases*.

Income tax payable is nil and ₱8.3 million as at September 30, 2020 and June 30, 2020, respectively, as the income tax due for the three-month period ended September 30, 2020 was adequately covered by creditable withholding taxes.

Total of the current and noncurrent portions of interest-bearing loans and borrowings increased by ₱517.6 million from ₱1,790.6 million to ₱2,308.2 million as at June 30, 2020 and September 30, 2020, respectively. In July 2020, STI ESG made drawdowns from its Term Loan Facility aggregating to ₱400.0 million subject to interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% effective September 19, 2020. On August 24, 2020, STI ESG availed a ₱300.0 million one year loan from its credit line with BPI, at an interest rate of 4.25% subject to quarterly repricing. The proceeds from these loans were used to settle the construction costs of the building for STI Legazpi and for working capital requirements. In July 2020, STI ESG and STI WNU made principal payments totaling to ₱139.8 million on its Corporate Notes Facility. iACADEMY made ₱40.0 million principal payment on its Term Loan Facility with China Bank.

Other noncurrent liabilities decreased by ₱40.9 million representing reclassification to current liability of STI Novaliches' payable to STI Diamond that is due within one year from September 30, 2020 and application of advance rent and refundable deposit of an iACADEMY lessee to its unpaid rental.

Retained earnings decreased by ₱202.6 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended September 30, 2020.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱296.6 million during the three-month period ended September 30, 2020, a decrease of ₱500.8 million from the same period last year.

Tuition and other school fees amounted to ₱231.9 million for the three-month period ended September 30, 2020, a difference of ₱487.8 million or 68% from same period last year substantially due to the delayed start of the school calendar as well as the lower number of enrollees brought about by the impact of the COVID-19 pandemic. STI ESG and STI WNU moved the start of the school calendar for SHS and Tertiary classes from June and July, respectively, in SY 2019-2020, to September in SY 2020-2021 due to the imposition of ECQ in certain parts and GCQ in most parts of the country. In the case of iACADEMY, classes for SHS started on August 24, 2020 and classes for the tertiary started on August 28, 2020 compared with last year's start of classes on August 5, 2019 for SHS and July 15, 2019 for Tertiary. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the corresponding school term to which they pertain. Accordingly, revenues related to the SHS and tertiary enrollees were recognized beginning September 2020 compared to last year when SHS classes commenced in June 2019 and tertiary classes commenced in July 2019 and thus related revenues were recognized beginning June and July 2019, respectively.

Revenues from educational services and royalty fees decreased by 4% and 3%, 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.

Other revenues increased by ₱4.4 million or 36% compared to same period last year or from ₱12.2 million to ₱16.6 million for the three-month period ended September 30, 2020 largely due to revenues generated from Microsoft licenses and eLMS subscriptions of the licensees of STI ESG for SY 2020-2021, which were recognized in September 2020 compared to last year when the related revenues were recognized in June 2019.

Sale of educational materials and supplies decreased by 53% or ₱16.0 million year-on-year. The Group reported a decline in sale of the students' school uniforms due to the shift in the start of the school calendar and the effect of the transition from face-to-face learning to online-learning brought about by the COVID-19 pandemic.

Cost of educational services decreased by 28% or ₱66.7 million from ₱235.3 million for the three-month period ended September 30 last year to ₱168.6 million for the same period this year. The cost of instructors' salaries and benefits decreased by ₱61.0 million due to the delay in the start of the school calendar and as a result of the optimization of faculty loading in the conduct of synchronous meetings with the students under the new learning modality. Rent expense decreased by ₱12.2 million due to the adoption of PFRS 16. Depreciation expense increased by ₱6.8 million primarily due to depreciation expense recognized on the right-of-use ("ROU") assets following 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 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.

Cost of educational materials and supplies sold decreased by 43% corresponding to the lower volume of sales.

General and administrative expenses decreased by 16% from ₱336.9 million to ₱282.8 million for the three-month periods ended September 30, 2019 and 2020, respectively. The highest decline was registered by light and water expenses which decreased by ₱27.2 million. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraced work-from-home arrangements to the maximum extent possible. Salaries and benefits of non-teaching personnel as well as security and janitorial expenses thus decreased by ₱17.9 million and ₱14.1 million, respectively, for the three-month period ended September 30, 2020 compared to the same period last year. Rent expense declined by ₱13.8 million due to the adoption of PFRS 16. Depreciation expense increased by ₱9.1 million due to depreciation expense recognized for the recently completed buildings and depreciation expense on the ROU assets, which were recognized in relation to the adoption of PFRS 16. Provision for expected credit losses increased by ₱5.5 million representing estimated expected credit losses for the three-month period ended September 30, 2020 in accordance with PFRS 9. The marketing activities and programs for SY 2019-2020 coincided with the three-month period ended June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, most marketing activities happened during the three-month period ended September 30, 2020 which resulted in the ₱19.2 million increase in advertising and promotions expense.

The Group's operating loss for the three-month period ended September 30, 2020 amounted to ₱166.9 million from same period last year's operating income of ₱203.6 million, substantially due to lower revenues caused by the delayed start of the school year as a result of the pandemic.

Equity in net loss of associates amounted to ₱2.2 million and ₱0.2 million for the three-month periods ended September 30, 2020 and 2019, respectively.

Interest expenses increased by ₱9.4 million from ₱76.7 million for the three-month ended September 30, 2019, to ₱86.1 million for the same period this year, due to interest expense incurred by STI ESG on its drawdowns from the credit line with BPI and from the Term Loan Facility with China Bank subject to interest rates ranging from 4.25% to 6.31%.

Interest income declined by ₱3.2 million from last year's ₱4.9 million to ₱1.7 million for the three-month period ended September 30 this year as cash balances were used to pay suppliers and contractors.

Rental income decreased by ₱2.4 million year-on-year.

Benefit from income tax amounting to ₱6.1 million was recognized for the three-month period ended September 30, 2020 due to the net loss recognized for the period.

Net loss of ₱203.0 million was recorded for the first three months this year, as against ₱157.8 million net income for the same period last year.

Fair values of the Group's investment in equity instruments at fair value through other comprehensive income ("FVOCI") increased by ₱0.2 million for the three-month period ended September 30, 2020. This represents fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

The Group recognized a remeasurement loss on pension liability amounting to ₱0.3 million, net of income tax effect, for the three-month period ended September 30, 2020 due to the decline in the value of equity shares forming part of STI ESG's pension assets.

Total comprehensive loss of ₱203.0 million was incurred for the three-month period ended September 30, 2020, compared to ₱155.3 million total comprehensive income for the same period last year due to the delayed start of classes and the economic effects of the pandemic.

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 ₱200.8 million for the three-month period ended September 30, 2020 compared to the positive core income of ₱157.9 million generated for the same period last year.

VI. FINANCIAL RISK DISCLOSURE

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

Liquidity risk – Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet its currently maturing commitments. The Group's liquidity profile is managed to be able to finance its operations and capital expenditures and other financial obligations. To cover its financing requirements, the Group uses internally-generated funds and interest-bearing loans and borrowings. As part of its liquidity risk management program, the Group regularly evaluates the projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives.

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide 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 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.

As at September 30, 2020 and 2019, the Group's debt service cover ratios are 0.71:1.00 and 1.68:1.00, respectively. As at June 30, 2020, the Group's debt service cover ratio is 1.66:1.00.

Recognizing the economic effects of the outbreak of COVID-19, STI ESG and STI WNU requested, and China Bank granted the temporary waiver of the DSCR requirement on its long-term loan agreements for the period ended September 30, 2020 and the period ending March 31, 2021 for STI ESG and the one-time waiver of the DSCR testing for STI WNU for the period ended September 30, 2020. STI ESG also obtained the approval of majority of the Record Bondholders for the waiver of the DSCR requirement on its bonds payable up to June 30, 2023.

Credit risk – Credit risk is the risk that the Group will incur a loss arising from students, franchisees or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties 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 bonds and the 10-year bonds.

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

<u>Capital risk</u> – 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 less unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the companies in the Group, to the lender bank and STI ESG's bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at September 30, 2020 and 2019, the Group's debt-to-equity ratio is 0.89:1.00 and 0.66:1.00, respectively. As at June 30, 2020, the Group's debt-to-equity ratio is 0.81:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

a. There are no changes in accounting estimates used in the preparation of unaudited interim condensed consolidated reports for the current and prior financial periods.

b. Except as provided in Note 26 of the Notes to the Unaudited Interim Condensed 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 26 of the Notes to the Unaudited Interim Condensed 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 16 and 17 of the Notes to the Unaudited Interim Condensed 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. 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 the last week of August 2020 while STI ESG and STI WNU have started classes in the first week of 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 Notes 1 and 3 of the Notes to the Unaudited Interim Condensed 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 Note 17 of the Unaudited Interim Condensed 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 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:

    1. 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.

    2. 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").

    3. To engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

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

Financial Highlights and Key Performance Indicators

(in millions except margins, financial ratios and earnings per share)	September 30, 2020 (Unaudited)	June 30, 2020 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	16,140.2	14,830.3	1,309.9	9
Current assets	3,338.5	2,022.1	1,316.4	65
Cash and cash equivalents	1,397.7	836.2	561.5	67
Equity attributable to equity holders of the parent company	7,812.6	8,015.4	(202.8)	(3)
Total liabilities	8,245.3	6,732.4	1,512.9	22
Current liabilities	2,712.9	1,429.9	1,283.0	90
Financial ratios				
Debt-to-equity ratio (1)	0.89	0.81	0.08	10
Current ratio (2)	1.23	1.41	(0.18)	(13)
Asset–to-equity ratio (3)	2.04	1.83	0.21	11

	(Unaudited)			
	Three months ended Sept. 30		Increase (Decrease)	
	2020	2019	Amount	%
Condensed Statements of Income				
Revenues	296.6	797.4	(500.8)	(63)
Direct costs (4)	180.8	256.8	(76.0)	(30)
Gross profit	115.8	540.6	(424.8)	(79)
Operating expenses	282.8	336.9	(54.1)	(16)
Operating income (loss)	(167.0)	203.7	(370.7)	(182)
Other expenses – net	(42.2)	(25.2)	(17.0)	67
Income (loss) before income tax	(209.1)	178.5	(387.6)	(217)
Net income (loss)	(203.0)	157.8	(360.8)	(229)
EBITDA (5)	4.1	390.8	(386.7)	(99)
Core income (loss) (6)	(200.8)	157.9	(358.7)	(227)
Net income (loss) attributable to equity holders of the parent company	(202.6)	156.0	(358.6)	(230)
Earnings (Loss) per share (7)	(0.020)	0.016	(0.036)	(228)

	(Unaudited)			
	Three months ended Sept. 30		Increase (Decrease)	
	2020	2019	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	304.5	104.0	200.5	193
Net cash used in investing activities	(118.8)	(221.8)	103.0	(46)
Net cash from (used in) financing activities	375.8	(119.5)	495.3	(414)

Financial Soundness Indicators

	(Unaudited)			
	As at/three months ended Sept 30		Increase (Decrease)	
	2020	2019	Amount	%
Liquidity Ratios				
Current ratio (2)	1.23	1.31	(0.08)	(6)
Quick ratio (8)	0.98	0.87	(0.11)	13
Cash ratio (9)	0.52	0.38	0.14	35
Solvency ratios				
Debt-to-equity ratio (1)	0.89	0.66	0.23	36
Asset-to-equity ratio (3)	2.04	1.75	0.29	17
Debt service cover ratio (10)	0.71	1.68	(0.97)	(58)
Interest coverage ratio (11)	(1.43)	3.33	(4.76)	(143)
Profitability ratios				
EBITDA margin (12)	1%	49%	(48)	(97)
Gross profit margin (13)	39%	68%	(29)	(43)
Operating profit (loss) margin (14)	(56%)	26%	(82)	(315)
Net profit (loss) margin (15)	(68%)	20%	(88)	(440)
Return on equity (annualized) (16)	(10%)	7%	(17)	(243)
Return on assets (annualized) (17)	(5%)	4%	(9)	(225)

(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) 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.

(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*