C O V E R   S H E E T

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

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

(Company's Full Name)

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal

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

ARSENIO C. CABRERA JR.

Contact Person

(632) 8813 7111

Company Telephone Number

0 6 **3 0**

Month *Day*

Fiscal Year

SEC FORM 17-Q For the Nine-month Period Ended 31 March 2021

FORM TYPE

1st Thursday of November

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
64	₱3 Billion bonds	**N/A**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the nine-month period ended	March 31, 2021
2.	SEC Identification Number	113156
3.	BIR Tax Identification Number	000-143-457-000
4.	Exact name of registrant as specified in its charter	STI EDUCATION SERVICES GROUP, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Metro Manila, Philippines
6.	Industry Classification Code (SEC Use Only)	
7.	Address of Principal Office	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
8.	Registrant's telephone number (including area code)	(632) 8812-17-84
9.	Former name, former address, former fiscal year, if changed since last report	N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱3,000,000,000.00 Outstanding

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

Yes [√]   No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulations Code (SRC) and SRC Rule 17 (a) - 1 there under and Sections 26 and 141 of the Corporation

Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	May 15, 2021
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	May 15, 2021
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	May 15, 2021

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2021 AND JUNE 30, 2020

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,281,584,352**	₱584,179,314
Receivables (Note 6)	**679,368,998**	489,982,620
Inventories (Note 7)	**182,935,661**	133,112,366
Prepaid expenses and other current assets (Note 8)	**69,998,846**	45,916,518
	2,213,887,857	1,253,190,818
Noncurrent asset held for sale (Note 9)	**–**	419,115,894
Total Current Assets	**2,213,887,857**	1,672,306,712
Noncurrent Assets		
Property and equipment - net (Note 10)	**7,802,533,641**	7,918,740,761
Investment properties - net (Note 11)	**464,743,139**	486,100,841
Investments in and advances to associates and joint ventures (Note 12)	**496,349,910**	501,846,375
Equity instruments designated at fair value through other comprehensive income (FVOCI) (Note 13)	**68,458,123**	67,261,243
Deferred tax assets - net	**51,721,773**	50,043,226
Goodwill, intangible and other noncurrent assets (Note 14)	**525,353,539**	531,579,086
Total Noncurrent Assets	**9,409,160,125**	9,555,571,532
TOTAL ASSETS	**₱11,623,047,982**	₱11,227,878,244
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱484,316,187**	₱598,994,620
Unearned tuition and other school fees	**503,452,340**	113,521,168
Current portion of interest-bearing loans and borrowings (Note 16)	**124,332,786**	240,000,000
Current portion of lease liabilities (Note 10)	**47,062,583**	59,783,396
Income tax payable	**95,527**	2,642,389
Total Current Liabilities	**1,159,259,423**	1,014,941,573
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,318,203,326**	914,693,192
Bonds payable (Note 17)	**2,971,295,765**	2,966,097,772
Lease liabilities - net of current portion (Note 10)	**306,896,032**	324,010,251
Pension liabilities - net	**60,254,168**	66,499,004
Other noncurrent liabilities (Note 18)	**18,717,625**	53,116,267
Total Noncurrent Liabilities	**4,675,366,916**	4,324,416,486
Total Liabilities *(Carried Forward)*	**5,834,626,339**	5,339,358,059

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Total Liabilities *(Brought Forward)*	**₱5,834,626,339**	₱5,339,358,059
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 19)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 19)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain (loss)	**4,912,831**	(7,889,345)
Other comprehensive income associated with noncurrent asset held for sale (Note 19)	**–**	91,876,446
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 13)	**11,865,650**	10,668,770
Other equity reserve	**(30,212,806)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**471,690**	471,690
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 12)	**(38,774)**	(30,848)
Retained earnings	**2,337,513,429**	2,357,529,814
Total Equity Attributable to Equity Holders of the Parent Company	**5,788,424,805**	5,885,597,857
Equity Attributable to Non-Controlling Interests	**(3,162)**	2,922,328
Total Equity	**5,788,421,643**	5,888,520,185
TOTAL LIABILITIES AND EQUITY	**₱11,623,047,982**	₱11,227,878,244

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2021 AND 2020

	Nine months ended March 31		Three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
REVENUES (Note 20)				
Sale of services:				
Tuition and other school fees	**₱1,000,181,826**	₱1,609,101,299	**₱391,334,994**	₱515,496,079
Educational services	**84,472,725**	100,638,381	**36,081,451**	22,996,891
Royalty fees	**8,294,048**	9,555,321	**2,930,325**	2,137,578
Others	**60,848,890**	53,005,412	**26,944,137**	27,709,251
Sale of goods-				
Sale of educational materials and supplies	**23,610,093**	67,299,434	**7,553,269**	6,296,391
	1,177,407,582	1,839,599,847	**464,844,176**	574,636,190
COSTS AND EXPENSES				
Cost of educational services (Note 21)	**456,601,029**	575,110,098	**176,250,161**	210,900,266
Cost of educational materials and supplies sold (Note 22)	**19,090,432**	48,580,767	**6,089,883**	2,002,165
General and administrative expenses (Note 23)	**642,549,388**	763,445,420	**187,855,697**	222,632,002
	1,118,240,849	1,387,136,285	**370,195,741**	435,534,433
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**59,166,733**	452,463,562	**94,648,435**	139,101,757
OTHER INCOME (EXPENSES)				
Interest expense	**(227,594,385)**	(217,101,023)	**(77,986,206)**	(94,300,850)
Rental income	**74,172,900**	91,169,729	**26,030,515**	35,322,503
Gain on sale of noncurrent asset held for sale	**61,424,106**	–	**–**	–
Capital gains tax on sale of Maestro shares	**(45,963,285)**	–	**–**	–
Foreign exchange gain	**3,850,199**	–	**3,850,199**	–
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**(3,636,937)**	5,553,876	**1,683,070**	1,502,274
Interest income (Notes 5 and 6)	**2,225,463**	3,085,478	**895,576**	1,318,431
Gain on disposal of property and equipment	**57,610**	–	**–**	–
Provision for impairment of noncurrent asset held for sale (Note 9)	**–**	(297,470,664)	**–**	(297,470,664)
Dividend income	**–**	1,983,434	**–**	–
	(135,464,329)	(412,779,170)	**(45,526,846)**	(353,628,306)
INCOME (LOSS) BEFORE INCOME TAX	**(76,297,596)**	39,684,392	**49,121,589**	(214,526,549)
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**902,827**	25,209,838	**506,707**	2,478,960
Deferred	**(3,110,751)**	6,279,926	**(3,467,502)**	5,368,147
	(2,207,924)	31,489,764	**(2,960,795)**	7,847,107
NET INCOME (LOSS) *(Carried Forward)*	**(74,089,672)**	8,194,628	**52,082,384**	(222,373,656)

	Nine months ended March 31		Three months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)	**2021 (Unaudited)**	2020 (Unaudited)
NET INCOME (LOSS) *(Brought Forward)*	**(₱74,089,672)**	₱8,194,628	**₱52,082,384**	(₱222,373,656)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent years:				
Remeasurement gain (loss) on pension liability	**14,234,380**	(10,257,724)	**10,545,476**	(3,885,157)
Tax effect on remeasurement gain (loss) on pension liability	**(1,432,204)**	1,036,024	**(1,063,313)**	398,768
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 13)	**1,196,880**	7,989,824	**561,200**	7,603,552
Share in associates' unrealized fair value adjustment on equity instruments designated at FVOCI (Note 12)	**(7,926)**	(2,097)	**(3,774)**	(1,468)
Share in associates' remeasurement loss on pension liabilities (Note 14)	–	(67,956)	**–**	(67,956)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**13,991,130**	(1,301,929)	**10,039,589**	4,047,739
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱60,098,542)**	₱6,892,699	**₱62,121,973**	(₱218,325,917)
Net Income (Loss) Attributable To				
Equity holders of the Parent Company	**(₱71,164,182)**	₱10,131,960	**₱52,197,731**	(₱220,803,996)
Non-controlling interests	**(2,925,490)**	(1,937,332)	**(115,347)**	(1,569,660)
	(₱74,089,672)	₱8,194,628	**₱52,082,384**	(₱222,373,656)
Total Comprehensive Income (Loss) Attributable To				
Equity holders of the Parent Company	**(₱57,173,052)**	₱8,830,031	**₱62,237,320**	(₱216,756,257)
Non-controlling interests	**(2,925,490)**	(1,937,332)	**(115,347)**	(1,569,660)
	(₱60,098,542)	₱6,892,699	**₱62,121,973**	(₱218,325,917)
Basic/Diluted Earnings (Loss) Per Share (EPS) on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.023)**	₱0.003	**(₱0.017)**	(₱0.072)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2021 AND 2020

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Stock (Note 19)	Cumulative Actuarial Gain (Loss)	Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI (Note 13)	Other Equity Reserve	Share in Associates' Unrealized Fair Value Adjustment on Equity Instruments Designated at FVOCI (Note 12)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 19)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balance at July 1, 2020	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**(₱7,889,345)**	**₱10,668,770**	**(₱30,941,455)**	**(₱30,848)**	**₱471,690**	**₱91,876,446**	**₱2,357,529,814**	**₱5,885,597,857**	**₱2,922,328**	**₱5,888,520,185**
Net loss	–	–	–	–	–	–	–	–	–	**(71,164,182)**	**(71,164,182)**	**(2,925,490)**	**(74,089,672)**
Other comprehensive income (loss)	–	–	–	**12,802,176**	**1,196,880**	–	**(7,926)**	–	–	–	**13,991,130**	–	**13,991,130**
Total comprehensive income (loss)	–	–	–	**12,802,176**	**1,196,880**	–	**(7,926)**	–	–	**(71,164,182)**	**(57,173,052)**	**(2,925,490)**	**(60,098,542)**
Dividend declaration	–	–	–	–	–	–	–	–	–	**(40,000,000)**	**(40,000,000)**	–	**(40,000,000)**
Disposal of noncurrent asset held for sale	–	–	–	–	–	**728,649**	–	–	**(91,876,446)**	**91,147,797**	–	–	–
Balance at March 31, 2021	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱4,912,831**	**₱11,865,650**	**(₱30,212,806)**	**(₱38,774)**	**₱471,690**	**₱–**	**₱2,337,513,429**	**₱5,788,424,805**	**(₱3,162)**	**₱5,788,421,643**
Balance at July 1, 2019, as previously stated	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,129,189	₱3,017,010	(₱30,941,455)	(₱28,290)	₱536,478	₱91,876,446	₱2,787,416,216	₱6,323,918,379	₱5,950,753	₱6,329,869,132
Effect of adoption of PFRS 16	–	–	–	–	–	–	–	–	–	(40,440,567)	(40,440,567)	–	(40,440,567)
Balance at July 1, 2019, as restated	3,087,829,443	386,916,479	(10,833,137)	8,129,189	3,017,010	(30,941,455)	(28,290)	536,478	91,876,446	2,746,975,649	6,283,477,812	5,950,753	6,289,428,565
Net income	–	–	–	–	–	–	–	–	–	10,131,960	10,131,960	–	10,131,960
Other comprehensive income (loss)	–	–	–	(9,221,700)	7,989,824	–	(2,097)	(67,956)	–	–	(1,301,929)	–	(1,301,929)
Total comprehensive income (loss)	–	–	–	(9,221,700)	7,989,824	–	(2,097)	(67,956)	–	10,131,960	8,830,031	–	8,830,031
Effect of business combination	–	–	–	–	–	–	–	–	–	–	–	1,090,678	1,090,678
Dividend declaration	–	–	–	–	–	–	–	–	–	(184,912,630)	(184,912,630)	–	(184,912,630)
Balance at March 31, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱1,092,511)	₱11,006,834	(₱30,941,455)	(₱30,387)	₱468,522	₱91,876,446	₱2,572,194,979	₱6,107,395,213	₱7,041,431	₱6,114,436,644

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2021 AND 2020

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱76,297,596)**	₱39,684,392
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11 and 14)	**366,243,102**	393,296,013
Interest expense	**227,594,385**	217,101,023
Gain on sale of noncurrent asset held for sale	**(61,424,106)**	–
Provision for impairment of:		
Investments in and advances to associates and joint ventures (Note 12)	**10,265,350**	–
Noncurrent asset held for sale (Note 9)	–	297,470,664
Movements in pension	**7,455,840**	9,574,140
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**3,636,937**	(5,553,876)
Interest income	**(2,225,463)**	(3,085,478)
Unrealized foreign exchange gain	**(1,453,150)**	–
Gain on disposal of property and equipment	**(57,610)**	–
Dividend income	–	(1,983,434)
Operating income before working capital changes	**473,737,689**	946,503,444
Decrease (increase) in:		
Receivables	**96,951,760**	(486,425,933)
Inventories	**(49,762,896)**	11,922,818
Prepaid expenses and other current assets	**(26,882,451)**	13,602,785
Increase (decrease) in:		
Accounts payable and other current liabilities	**(110,181,962)**	(50,553,597)
Unearned tuition and other school fees	**102,085,629**	(80,752,294)
Other noncurrent liabilities	**(34,398,642)**	(32,590,471)
Net cash generated from operations	**451,549,127**	321,706,752
Interest received	**2,225,463**	3,085,478
Income and other taxes paid	**(103,029)**	(10,909,697)
Net cash from operating activities	**453,671,561**	313,882,533
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 10 and 29)	**(202,674,219)**	(334,642,645)
Equity instruments designated at FVOCI	**–**	(10,000,000)
Decrease (increase) in intangible assets and other noncurrent assets	**5,284,557**	(23,966,873)
Increase in investments in and advances to associates and joint ventures	**(10,265,350)**	–
Proceeds from:		
Sale of noncurrent asset held for sale	**480,540,000**	–
Sale of property and equipment	**64,230**	–
Disposal of net assets	**–**	3,500,000
Dividends received (Note 12)	**1,851,602**	11,778,168
Net cash from (used in) investing activities	**274,800,820**	(353,331,350)

(Forward)

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans (Note 16)	**₱400,000,000**	₱468,000,000
Availment of long-term loans (Note 16)	**400,000,000**	800,000,000
LandBank ACADEME Program (Note 16)	**10,040,559**	–
Payments of:		
Short-term loans (Note 16)	**(400,000,000)**	(468,000,000)
Interests	**(226,501,109)**	(201,376,330)
Long-term loans	**(120,000,000)**	(240,000,000)
Lease liabilities	**(53,061,857)**	(83,002,811)
Dividends	**(39,998,086)**	(183,585,711)
Term loan issuance cost	**(3,000,000)**	(6,000,000)
Obligations under finance lease	–	1,546,016
Net cash from (used in) financing activities	**(32,520,493)**	87,581,164
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,453,150**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**697,405,038**	48,132,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**584,179,314**	569,549,691
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱1,281,584,352**	₱617,682,038

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, tourism, hotel and restaurant management, engineering, communication and multimedia arts, accountancy and business studies. The Group is also offering Senior High School (SHS).

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

As at March 31, 2021 and June 30, 2020, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership			
		March 31, 2021		June 30, 2020	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**100**	**–**	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–
STI Training Academy, Inc. (STI Training Academy) [(b)]	Educational Institution	**100**	**–**	100	–
NAMEI Polytechnic Institute of Mandaluyong, Inc.[(c)]	Educational Institution	**100**	**–**	100	–
NAMEI Polytechnic Institute, Inc.[(c)]	Educational Institution	**94**	**–**	94	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(d)]	Educational Institution	**52**	**–**	52	–
STI College Quezon Avenue, Inc. (STI QA) [(e)]	Educational Institution	**–**	**52**	–	52

[(a)] A subsidiary 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 the 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 at March 31, 2021 (see Note 14).
[e] A wholly-owned subsidiary of De Los Santos-STI College

STI ESG is 98.7%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed in the Philippine Stock Exchange (PSE).

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

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

b. Merger with several majority and wholly-owned subsidiaries

On December 9, 2010, STI ESG's stockholders approved the following mergers:

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the Commission on Higher Education (CHED) and 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 SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG's Board of Directors (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 May 15, 2021, the amendment is pending approval by the SEC.

As at May 15, 2021, STI ESG's request for a confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

On September 5, 2019, the BOD of STI ESG approved the amendment of the following provisions to its By-Laws: (1) change of the principal address from Makati, Metro Manila to STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal 1900; (2) change the Nominations Committee to Corporate Governance Committee; (3) change of the fiscal year from starting April 1 of each year ending on March 31 of the following year to starting July 1 of each year ending on June 30 of the following year; and, (4) change of the date of its annual stockholders' meeting from every first Thursday of September of each year to every first Thursday of November of each year. The SEC approved the amendments on November 4, 2019. The BIR approved STI ESG's application for the change in accounting period on August 27, 2020.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy 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 the laws of the Philippines and various international rules 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 programs, stewarding and culinary studies.

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 enrollment turnout and/or the high cost of rental of facilities. As at March 31, 2021, STI ESG has a network of 64 active schools comprising of 60 colleges and 4 education centers. Of the total, STI ESG owns 35 schools while franchisees operate 29 schools.

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 to the Group.

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).

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

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 designated 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 nine-month periods ended March 31, 2021 and 2020 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited consolidated financial statements of STI ESG 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 and amended Philippine Financial Reporting Standards (PFRS) that became effective beginning on July 1, 2020. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated:

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

  The amendments to PFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter 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, Coronavirus Disease 2019 (*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.

  Some of the rent concessions granted to the Group met the aforementioned criteria. The substantial portion of the rent concessions however did not meet all the aforementioned criteria, hence, the Group did not apply the practical expedient approach. 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 ₱1.0 million and nil as at March 31, 2021 and June 30, 2020, respectively. The lease modifications include termination of the right to use the underlying assets which also resulted in the reversal of ROU assets and lease liabilities amounting to ₱21.5 million and ₱23.0 million, respectively, as at March 31, 2021. The net effect of the reversal of ROU assets and lease liabilities amounting to ₱1.5 million was recognized as other income in the unaudited interim condensed consolidated statement of comprehensive income for the nine-month period ended March 31, 2021. The lease modifications were not accounted for as separate leases (see Notes 10 and 29).

<u>Standards Issued but Not Yet Effective</u>
The standards and interpretations that are issued but not yet effective as at March 31, 2021 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the 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 deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2021 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, STI ESG started the school calendar of tertiary students in mid-July 2019 and ended in April 2020 while classes for the basic education and SHS started in June 2019 and ended in March 2020. With the imposition of the Enhanced Community Quarantine (ECQ) and the General Community Quarantine (GCQ) in certain areas around the country, as discussed in Note 31, 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 the SY 2019-2020 were all completed by end of March 2020.

The tertiary students 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 were provided to the students; or (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. Classes of students who opted for online and offline studies resumed in the third week of May 2020 and were completed as at July 30, 2020.

For SY 2020-2021, STI ESG introduced the ONline and ONsite Education (ONE) STI Learning Model. The ONE STI Learning Model is an innovative approach in 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. The Group uses a world-class and award-winning learning management system that is being used by 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 have already implemented a blended learning model for the past five years in order that the students may continue their studies at home uninterrupted despite the physical classroom disruptions.

Onsite learning refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DepEd for SHS, TESDA and CHED for tertiary. 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. Face-to-face classes remain suspended and thus the Group has continued to conduct classes online as at March 31, 2021.

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 revenues of the Group are 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.

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 the 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 net income (loss) for the nine-month periods ended March 31, 2021 and 2020 and EBITDA, defined as earnings (losses) before depreciation and amortization, interest expense, interest income, equity in net losses (earnings) of associates and joint ventures, provision for (benefit from) income tax, provision for impairment of noncurrent asset held for sale, capital gains tax on sale of noncurrent asset held for sale, and nonrecurring gains such as gain on sale of noncurrent asset held for sale and gain on foreign exchange differences. 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 nine-month periods ended March 31, 2021 and 2020:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Consolidated net income (loss)	**(₱74,089,672)**	₱8,194,628
Depreciation and amortization*	**321,183,452**	328,023,987
Interest expense*	**212,234,916**	189,548,691
Gain on sale of noncurrent asset held for sale	**(61,424,106)**	–
Capital gains tax on sale of noncurrent asset held for sale	**45,963,285**	–
Foreign exchange gain	**(3,850,199)**	–
Equity in net losses (earnings) of associates and joint ventures	**3,636,937**	(5,553,876)
Interest income	**(2,225,463)**	(3,085,478)
Provision for (benefit from) income tax	**(2,207,924)**	31,489,764
Provision for impairment of noncurrent asset held for sale	**–**	297,470,664
Consolidated EBITDA	**₱439,221,226**	₱846,088,380

**Depreciation and interest expenses exclude those related to ROU assets and lease liabilities, respectively.*

Inter-Segment Transactions

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

	March 31, 2021 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱640,061,842**	**₱100,258,753**	**₱377,816,587**	**₱23,434,955**	**₱35,835,445**	**₱1,177,407,582**
Results						
Income (loss) before other income (expenses) and income tax	**(89,608,561)**	**(2,420,195)**	**151,523,438**	**2,819,142**	**(3,147,091)**	**59,166,733**
Equity in net losses of associates and joint ventures	**(3,636,937)**	–	–	–	–	**(3,636,937)**
Interest expense	**(217,900,617)**	**(2,470,065)**	**(4,857,620)**	**(552,332)**	**(1,813,751)**	**(227,594,385)**
Interest income	**2,046,841**	**32,092**	**127,806**	**13,185**	**5,539**	**2,225,463**
Other income – net[(a)]	**93,440,074**	**9,060**	**34,786**	**42,818**	**14,792**	**93,541,530**
Benefit from income tax	**2,207,924**	–	–	–	–	**2,207,924**
Net Income (Loss)	**(₱213,451,276)**	**(₱4,849,108)**	**₱146,828,410**	**₱2,322,813**	**(₱4,940,511)**	**(₱74,089,672)**
EBITDA						**₱439,221,226**
Assets and Liabilities						
Segment assets[(b)]	**₱8,610,625,198**	**₱859,478,401**	**₱1,139,493,460**	**₱69,890,371**	**₱165,738,533**	**₱10,845,225,963**
Goodwill (see Note 14)	**229,750,336**	–	–	–	–	**229,750,336**
Investments in and advances to associates and joint ventures (see Note 12)	**496,349,910**	–	–	–	–	**496,349,910**
Deferred tax assets - net	**48,451,244**	**1,694,561**	**1,441,747**	**133,952**	**269**	**51,721,773**
Total Assets	**₱9,385,176,688**	**₱861,172,962**	**₱1,140,935,207**	**₱70,024,323**	**₱165,738,802**	**₱11,623,047,982**
Segment liabilities[(c)]	**₱638,646,815**	**₱74,794,883**	**₱232,849,653**	**₱18,247,401**	**₱42,042,927**	**₱1,006,581,679**
Interest-bearing loans and borrowings (see Note 16)	**1,442,536,112**	–	–	–	–	**1,442,536,112**
Bonds payable (see Note 17)	**2,971,295,765**	–	–	–	–	**2,971,295,765**
Pension liabilities	**41,725,331**	**5,111,113**	**11,460,319**	**47,246**	**1,910,159**	**60,254,168**
Lease liabilities	**122,844,133**	**74,314,769**	**105,739,144**	**8,929,491**	**42,131,078**	**353,958,615**
Total Liabilities	**₱5,217,048,156**	**₱154,220,765**	**₱350,049,116**	**₱27,224,138**	**₱86,084,164**	**₱5,834,626,339**
Other Segment Information						
Capital expenditures for property and equipment						**₱218,730,364**
Depreciation and amortization[(d)]						**321,183,452**
Noncash expenses other than depreciation and amortization						**74,525,320**

[(a)] *Other income – net excludes equity in net losses of associates and joint ventures, interest expense and interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*
[(d)] *Depreciation and amortization exclude those related to ROU assets.*

	March 31, 2020 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,041,952,859	₱139,473,912	₱578,219,355	₱31,291,406	₱48,662,315	₱1,839,599,847
Results						
Income (loss) before other income (expenses) and income tax	221,172,764	(1,473,382)	242,715,583	1,044,078	(10,995,481)	452,463,562
Interest expense	(198,286,271)	(5,866,114)	(7,671,854)	(1,650,711)	(3,626,073)	(217,101,023)
Other income (expenses) – net[(a)]	(205,163,674)	376,089	1,287,141	(930,030)	112,973	(204,317,501)
Provision for income tax	(31,489,764)	–	–	–	–	(31,489,764)
Equity in net earnings of associates and joint ventures	5,553,876	–	–	–	–	5,553,876
Interest income	2,394,727	48,602	615,039	16,298	10,812	3,085,478
Net Income (Loss)	(₱205,818,342)	(₱6,914,805)	₱236,945,909	(₱1,520,365)	(₱14,497,769)	₱8,194,628
EBITDA						₱846,088,380

	June 30, 2020 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(b)]	₱8,009,819,915	₱835,073,144	₱959,895,983	₱73,540,482	₱148,792,889	₱10,027,122,413
Goodwill (see Note 14)	229,750,336	–	–	–	–	229,750,336
Investments in and advances to associates and joint ventures (see Note 12)	501,846,375	–	–	–	–	501,846,375
Noncurrent asset held for sale (see Note 9)	419,115,894	–	–	–	–	419,115,894
Deferred tax assets - net	47,098,516	906,468	1,701,851	256,259	80,132	50,043,226
Total Assets	₱9,207,631,036	₱835,979,612	₱961,597,834	₱73,796,741	₱148,873,021	₱11,227,878,244
Segment liabilities[(c)]	₱586,840,501	₱45,962,613	₱88,543,503	₱15,534,353	₱31,393,474	₱768,274,444
Interest-bearing loans and borrowings (see Note 16)	1,154,693,192	–	–	–	–	1,154,693,192
Bonds payable (see Note 17)	2,966,097,772	–	–	–	–	2,966,097,772
Pension liabilities	49,603,591	4,699,923	10,403,110	45,508	1,746,872	66,499,004
Lease liabilities	127,280,519	82,870,413	102,454,338	21,752,743	49,435,634	383,793,647
Total Liabilities	₱4,884,515,575	₱133,532,949	₱201,400,951	₱37,332,604	₱82,575,980	₱5,339,358,059
Other Segment Information						
Capital expenditures for property and equipment						₱34,016,272
Depreciation and amortization[(d)]						110,068,216
Noncash expenses other than depreciation and amortization						4,813,649

[(a)] *Other income (expenses) – net exclude equity in net earnings of associates and joint ventures, interest expense, interest income.*
[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint ventures, noncurrent asset held for sale and net deferred tax assets.*
[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*
[(d)] *Depreciation and amortization exclude those related to ROU assets.*

5. Cash and Cash Equivalents

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Cash on hand and in banks	**₱774,411,582**	₱508,963,843
Cash equivalents	**507,172,770**	75,215,471
	₱1,281,584,352	₱584,179,314

Cash in banks earn interest at their respective deposit rates. Cash equivalents consist mainly of Unit Investment Trust Funds (UITF) which are redeemable anytime and short-term investments which are placed for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at their respective short-term investment rates.

Interest earned from cash in banks and cash equivalents amounted to ₱1.5 million and ₱2.7 million for the nine-month periods ended March 31, 2021 and 2020, respectively.

6. Receivables

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Tuition and other school fees	**₱596,268,022**	₱373,058,586
Educational services	**141,826,323**	94,297,658
Rent, utilities and other related receivables	**29,651,711**	50,408,791
Advances to officers and employees (see Note 24)	**17,104,533**	22,849,022
Others	**94,476,873**	94,504,240
	879,327,462	635,118,297
Less allowance for expected credit losses (ECL)	**199,958,464**	145,135,677
	₱679,368,998	₱489,982,620

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees 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.

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

   Interest earned from past due accounts amounted to ₱0.8 million and ₱0.4 million for the nine-month periods ended March 31, 2021 and 2020, respectively.

c. Rent, utilities and other related receivables are normally collected within the next financial year.

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

e. Other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay) 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 total 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 loan of STI Tanay is secured by real estate mortgages over the following properties: 1) the land and building where STI Tanay is situated, including all improvements therein, and registered in the name of STI College Tanay, Inc., and 2) a third-party mortgage over a land and building including improvements therein, located in Pasig City.

   STI ESG is currently in the process of having the Deed of Assignment and Addendum annotated on the Transfer Certificates of Title (TCTs) covering the property in Tanay and the property in Pasig City.

   STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

   The Extrajudicial Foreclosure Sale for the property located in Pasig City was conducted on March 16, 2021 by the Office of the Clerk of Court of Pasig City. At the conclusion of the Extrajudicial Foreclosure Sale, STI ESG was declared as the winning bidder for the said Pasig City property. STI ESG is waiting for the issuance of the Certificate of Sale by the Office of the Clerk of Court of the Regional Trial Court of Pasig City.

   STI ESG has filed a Petition for Extrajudicial Foreclosure for the property located in Tanay with the Office of the Clerk of Court of the Regional Trial Court of Morong. The Notice of Foreclosure Sale shall be issued by the Office of the Clerk of Court of the Regional Trial Court of Morong upon showing proof of the annotation of the Deed of Assignment and Addendum on the TCT covering the property in Tanay.

   Other receivables also include outstanding balances from a former franchisee, vendors and Social Security System amounting to ₱1.6 million, ₱6.3 million and ₱5.7 million, respectively, as at March 31, 2021 and June 30, 2020. These receivables are expected to be collected within the year.

7. Inventories

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
At net realizable value:		
Uniforms	**₱147,683,913**	₱105,771,285
Textbooks and other education-related materials	**16,076,160**	10,793,447
Educational materials	**163,760,073**	116,564,732
Proware materials	**12,063,474**	10,302,936
Marketing materials	**3,567,807**	3,029,945
Promotional materials	**15,631,281**	13,332,881
School materials and supplies	**3,544,307**	3,214,753
	₱182,935,661	₱133,112,366

The cost of inventories carried at net realizable values amounted to ₱198.7 million and ₱148.9 million as at March 31, 2021 and June 30, 2020, respectively. Allowance for inventory obsolescence amounted to ₱15.8 million as at March 31, 2021 and June 30, 2020.

Inventories charged to cost of educational materials and supplies sold amounted to ₱19.1 million and ₱48.6 million for the nine-month periods ended March 31, 2021 and 2020, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Prepaid taxes	**₱29,235,879**	₱19,081,770
Input VAT – net	**14,819,419**	17,423,572
Prepaid subscriptions and licenses	**12,680,484**	139,699
Excess contributions to CEAP	**3,935,638**	3,005,913
Software maintenance cost	**3,848,332**	1,149,237
Prepaid internet cost	**2,924,475**	–
Prepaid rent	**1,437,394**	774,900
Prepaid insurance	**165,061**	2,789,307
Others	**952,164**	1,552,120
	₱69,998,846	₱45,916,518

Prepaid taxes are substantially attributed to creditable taxes withheld by lessees. These taxes will be applied against income tax due for the following periods. This account also includes prepayments for business and real property taxes which will be recognized as expense over the period covered.

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 largely pertain to Microsoft, Adobe and eLMS subscriptions for SY 2020-2021.

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 sixty when they left the service or when De Los Santos-STI College or STI QA has already advanced the benefits of qualified employees. The excess contributions will be offset against De Los Santos-STI College's and STI QA's future required contributions to CEAP.

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

Prepaid internet cost represents the cost of data connectivity for the students for April 2021. STI ESG partnered with SMART Communications, Inc. (SMART) to provide students with a SMART SIM with a 34GB 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.

Prepaid rent pertains to advance rent paid for the lease of land and building spaces which are applied to the monthly rental in accordance with the terms of the lease agreements.

Prepaid insurance represents fire insurance 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 throughout their respective insurance coverage.

9. **Noncurrent Asset Held for Sale**

Maestro Holdings

Noncurrent asset held for sale amounting to nil and ₱419.1 million as at March 31, 2021 and June 30, 2020, respectively, 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 owned 65% of Rosehills Memorial Management, Inc., a company engaged in the operation and management of a memorial park, memorial and interment services and sale of memorial products, until the sale of its stake to Maestro Holdings in February 2021. PhilCare is a Health Maintenance Organization (HMO) that provides its members with integrated medical and preventive healthcare services through its own facilities and medical specialists and through affiliated 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 the 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. 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.

On December 11, 2020, the BOD of STI ESG approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio (Chita SPC Limited), for a purchase price of Ten Million US Dollars (US$10.0 million), subject to such terms and conditions as are beneficial to the interest of STI ESG.

On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale wherein the latter offered to purchase all 1,281,484 shares of STI ESG in Maestro Holdings representing 20% ownership, for a total consideration of US$10.0 million. This transaction resulted in a gain on sale amounting to ₱61.4 million which is presented in the unaudited interim condensed consolidated statements of comprehensive income for the nine-month period ended March 31, 2021. This also resulted in the reclassification of other comprehensive income associated with noncurrent asset held for sale to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively (see Note 19). The initial payment of US$3.0 million representing 30% of the selling price was received by STI ESG from Chita SPC Limited on January 6, 2021. Further, STI ESG received US$3.0 million on February 1, 2021 and US$4.0 million on March 3, 2021, representing full payment for the aforementioned transaction.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

	March 31, 2021 (Unaudited)												
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction-in-Progress**	**Right-of Use asset-Land**	**Right-of Use asset-Building**	**Right-of Use asset-Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	**₱2,303,062,317**	**₱4,704,479,911**	**₱202,100,780**	**₱60,431,467**	**₱67,772,908**	**₱739,198**	**₱49,804,523**	**₱15,519,876**	**₱198,632,318**	**₱132,663,457**	**₱170,065,898**	**₱13,468,108**	**₱7,918,740,761**
Additions	–	**71,895,003**	**40,613,518**	**7,581,484**	**7,114,296**	**189,890**	**2,682,770**	**5,599,716**	**83,053,687**	–	**28,322,036**	**1,671,200**	**248,723,600**
Disposal	–	–	**(86)**	**(6,456)**	–	–	**(44)**	**(15)**	–	–	–	–	**(6,601)**
Effect of business combination	–	–	**717,716**	**153,987**	**135,322**	–	–	**55,866**	–	–	–	–	**1,062,891**
Effect of lease modifications (see Note 2)	–	–	–	–	–	–	–	–	–	–	**(20,525,823)**	**(736,735)**	**(21,262,558)**
Depreciation and amortization (see Notes 21 and 23)	–	**(185,906,545)**	**(52,254,160)**	**(15,627,768)**	**(18,422,997)**	**(605,842)**	**(22,620,899)**	**(4,226,591)**	–	**(5,953,969)**	**(34,268,204)**	**(4,837,477)**	**(344,724,452)**
Balance at end of period	**₱2,303,062,317**	**₱4,590,468,369**	**₱191,177,768**	**₱52,532,714**	**₱56,599,529**	**₱323,246**	**₱29,866,350**	**₱16,948,852**	**₱281,686,005**	**₱126,709,488**	**₱143,593,907**	**₱9,565,096**	**₱7,802,533,641**
At March 31, 2021													
Cost	**₱2,303,062,317**	**₱6,091,368,910**	**₱729,148,224**	**₱316,519,163**	**₱268,209,600**	**₱6,829,987**	**₱379,676,945**	**₱127,302,953**	**₱281,686,005**	**₱142,394,578**	**₱225,790,181**	**₱57,892,675**	**₱10,929,881,538**
Accumulated depreciation and amortization	–	**1,500,900,541**	**537,970,456**	**263,986,449**	**211,610,071**	**6,506,741**	**349,810,595**	**110,354,101**	–	**15,685,090**	**82,196,274**	**48,327,579**	**3,127,347,897**
Net book value	**₱2,303,062,317**	**₱4,590,468,369**	**₱191,177,768**	**₱52,532,714**	**₱56,599,529**	**₱323,246**	**₱29,866,350**	**₱16,948,852**	**₱281,686,005**	**₱126,709,488**	**₱143,593,907**	**₱9,565,096**	**₱7,802,533,641**

	June 30, 2020 (Audited)												
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of Use asset-Land	Right-of Use asset-Building	Right-of Use asset-Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	₱2,303,062,317	₱4,763,439,457	₱217,160,054	₱65,910,607	₱73,753,748	₱976,762	₱58,190,505	₱16,519,086	₱170,945,273	₱134,609,681	₱183,345,634	₱15,047,189	₱8,002,960,313
Additions	–	2,509,426	2,401,709	37,221	–	–	955,055	425,816	27,687,045	–	–	–	34,016,272
Depreciation and amortization (see Notes 21 and 23)	–	(61,468,972)	(17,460,983)	(5,516,361)	(5,980,840)	(237,564)	(9,341,037)	(1,425,026)	–	(1,946,224)	(13,279,736)	(1,579,081)	(118,235,824)
Balance at end of period	₱2,303,062,317	₱4,704,479,911	₱202,100,780	₱60,431,467	₱67,772,908	₱739,198	₱49,804,523	₱15,519,876	₱198,632,318	₱132,663,457	₱170,065,898	₱13,468,108	₱7,918,740,761
At June 30, 2020													
Cost	₱2,303,062,317	₱6,019,529,906	₱692,672,484	₱309,814,677	₱280,930,801	₱7,372,919	₱384,313,429	₱124,100,464	₱198,632,318	₱142,394,578	₱234,630,629	₱58,937,475	₱10,756,391,997
Accumulated depreciation and amortization	–	1,315,049,995	490,571,704	249,383,210	213,157,893	6,633,721	334,508,906	108,580,588	–	9,731,121	64,564,731	45,469,367	2,837,651,236
Net book value	₱2,303,062,317	₱4,704,479,911	₱202,100,780	₱60,431,467	₱67,772,908	₱739,198	₱49,804,523	₱15,519,876	₱198,632,318	₱132,663,457	₱170,065,898	₱13,468,108	₱7,918,740,761

There were no idle property and equipment as at March 31, 2021 and June 30, 2020.

Additions

Property and Equipment under Construction. As at March 31, 2021 and June 30, 2020, the construction-in-progress account pertains substantially to the construction of STI Academic Center Legazpi. The related contract costs amounted to ₱379.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. Located at Rizal St., Cabangan 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 SHS and tertiary students. The construction works for STI Legazpi are expected to be completed within the SY 2020-2021.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱2.7 million for the nine-month period ended March 31, 2021 and ₱13.8 thousand for the three-month period ended June 30, 2020. The average interest capitalization rates were 5.55% for the nine-month period ended March 31, 2021 and 5.90% for the three-month period ended June 30, 2020, which were the effective rates of the borrowings.

Lease modifications

The Group leases land and building spaces where some schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate.

As a consequence of the COVID-19 pandemic, some lessors of the Group provided rent concessions such as discounts ranging from 25% to 50% of rental payments, waiver of rent for a certain month, or 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 ₱1.0 million and nil as at March 31, 2021 and June 30, 2020, respectively. The lease modifications include termination of the right to use the underlying assets which also resulted in the reversal of ROU assets and lease liabilities amounting to ₱21.5 million and ₱23.0 million, respectively, as at March 31, 2021. The net effect of the reversal of ROU assets and lease liabilities amounting to ₱1.5 million was recognized as other income in the unaudited interim condensed consolidated statements of comprehensive income for the nine-month period ended March 31, 2021. The lease modifications were not accounted for as separate leases (see Note 2).

The rollforward analyses of lease liabilities are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Beginning balance	**₱383,793,647**	₱395,908,486
Additions	**30,486,035**	−
Lease modifications	**(22,618,679)**	−
Interest expense	**15,359,469**	6,483,346
Payments	**(53,061,857)**	(18,598,185)
Ending balance	**353,958,615**	383,793,647
Less current portion	**47,062,583**	59,783,396
Noncurrent portion	**₱306,896,032**	₱324,010,251

Collaterals

Transportation equipment which were acquired under finance lease are pledged as security for the related lease liabilities as at March 31, 2021 and June 30, 2020.

11. **Investment Properties**

The rollforward analyses of this account are as follows:

	March 31, 2021 (Unaudited)		
	Land	**Condominium Units and Buildings**	**Total**
Cost:			
Balance at beginning and end of period	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of period	**–**	**174,119,133**	**174,119,133**
Depreciation (see Notes 21 and 23)	**–**	**21,357,702**	**21,357,702**
Balance at end of period	–	**195,476,835**	**195,476,835**
Net book value	**₱23,986,424**	**₱440,756,715**	**₱464,743,139**

	June 30, 2020 (Audited)		
	Land	Condominium Units and Buildings	Total
Cost:			
Balance at beginning and end of period	₱23,986,424	₱636,233,550	₱660,219,974
Accumulated depreciation:			
Balance at beginning of period	–	166,999,898	166,999,898
Depreciation (see Notes 21 and 23)	–	7,119,235	7,119,235
Balance at end of period	–	174,119,133	174,119,133
Net book value	₱23,986,424	₱462,114,417	₱486,100,841

12. **Investments in and Advances to Associates and Joint Ventures**

The details and movements of this account are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of period	**(48,461,719)**	(46,678,600)
Equity in net losses of associates and joint ventures	**(3,636,937)**	(1,783,119)
Dividend income (see Note 24)	**(1,851,602)**	–
Balance at end of period	**(53,950,258)**	(48,461,719)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**440,842**	438,135
Remeasurement gain on pension liability	**–**	3,168

(Forward)

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Unrealized fair value adjustment on equity investments designated at FVOCI	**(7,926)**	(461)
Balance at end of period	**432,916**	440,842
	496,349,910	501,846,375
Advances	**48,134,336**	37,868,986
Less allowance for impairment loss	**48,134,336**	37,868,986
	–	–
	₱496,349,910	₱501,846,375

The carrying values of the Group's investments in and advances to associates and joint ventures are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Associates:		
STI Holdings	**₱458,745,896**	₱458,509,710
STI Accent	**48,134,336**	37,868,986
STI Alabang	**20,970,887**	24,873,546
GROW	**13,348,942**	14,109,539
Joint venture - PHEI	**3,284,185**	4,353,580
	544,484,246	539,715,361
Less allowance for impairment loss	**48,134,336**	37,868,986
	₱496,349,910	₱501,846,375

13. Equity Instruments designated at Fair Value through Other Comprehensive Income

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Quoted equity shares	**₱4,605,760**	₱3,408,880
Unquoted equity shares	**63,852,363**	63,852,363
	₱68,458,123	₱67,261,243

a. Quoted Equity Shares
The quoted equity shares above pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with the cumulative changes in fair values presented as a separate component of equity under the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account in the 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 March 31, 2021 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**

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Goodwill	**₱229,750,336**	₱229,750,336
Deposits for asset acquisitions	**183,051,923**	185,951,923
Advances to suppliers	**36,444,846**	50,395,925
Intangible assets	**30,363,221**	30,524,169
Rental and utility deposits	**28,494,468**	31,612,543
Deposits for acquisition of shares of stock	**11,974,596**	–
Others (see Note 30)	**5,274,149**	3,344,190
	₱525,353,539	₱531,579,086

Goodwill

As at March 31, 2021 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. No provision for impairment on goodwill was recognized for the nine-month periods ended March 31, 2021 and 2020.

Deposits for Asset Acquisitions

This account includes deposits for the purchase of a property in Iloilo aggregating to ₱183.1 million as at March 31, 2021 and June 30, 2020. The property has a total area of 2,615 square meters and is intended to be the new site for STI Iloilo. On April 23, 2021, Heva Management & Development Corporation and STI ESG executed a Deed of Absolute Sale for the aforementioned property.

Advances to Suppliers

Advances to suppliers substantially pertain to advance payments made in relation to the acquisition of simulator and other maritime equipment for NAMEI and equipment and furniture for the new 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 pertain to the cost of the Group's accounting and school management software which are being amortized over their estimated useful lives.

The rollforward analyses of this account are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Cost, net of accumulated amortization:		
Balance at beginning of period	**₱30,524,169**	₱31,774,511
Additions	**–**	267,857
Amortization (see Notes 21 and 23)	**(160,948)**	(1,518,199)
Balance at end of period	**₱30,363,221**	₱30,524,169
Cost	**₱70,957,729**	₱70,957,729
Accumulated amortization	**(40,594,508)**	(40,433,560)
Net carrying amount	**₱30,363,221**	₱30,524,169

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

Deposits for Acquisition of Shares of Stock
In November 2020, STI ESG paid an aggregate amount of ₱12.0 million representing deposits for the acquisition of shares of stock in De Los Santos-STI College held by shareholders owning 48% of the outstanding capital stock. To date, the sale has not been consummated pending completion of certain closing conditions.

Others
This account includes the excess of consideration amounting to ₱1.3 million and ₱0.6 million arising from the purchase of STI Calbayog and STI Dumaguete, respectively. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at March 31, 2021 were based on provisional assessment of the fair value of these assets and liabilities at the time of acquisition. Further, the Group is still assessing the valuation of the intangible assets acquired (see Note 30).

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

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Accounts payable	**₱256,889,794**	₱346,302,281
Accrued expenses:		
Contracted services	**30,716,555**	35,895,421
School-related expenses	**21,031,569**	20,416,313
Rent	**18,214,523**	17,626,933
Salaries, wages and benefits	**13,326,587**	15,554,042
Utilities	**8,637,865**	19,722,025
Interest	**8,486,431**	26,063,296
Advertising and promotion	**6,268,286**	2,269,007
Others	**3,530,932**	4,168,473
Current portion of payable to STI Diamond (see Note 18)	**44,140,773**	22,639,257

(Forward)

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Statutory payables	**19,796,784**	20,062,954
Dividends payable	**13,760,099**	13,758,185
Network events fund	**11,578,125**	6,850,237
Current portion of advance rent	**11,366,056**	24,179,810
Student organization fund	**10,616,033**	8,599,132
Current portion of refundable deposits (see Note 18)	**320,488**	8,469,032
Others	**5,635,287**	6,418,222
	₱484,316,187	₱598,994,620

The terms and conditions of the liabilities are as follows:

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

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

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

d. Dividends payable pertains to dividends declared in the previous periods which are unclaimed as at report date and are due on demand.

e. Advance rent pertains to amount received by the Group which will be earned and applied within the year.

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

g. Terms and conditions of payables to related parties are disclosed in Note 24.

16. Interest-bearing Loans and Borrowings

This account consists of:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Term loan facility	**₱1,192,495,553**	₱794,693,192
Corporate notes facility	**240,000,000**	360,000,000
LandBank ACADEME Program	**10,040,559**	–
	1,442,536,112	1,154,693,192
Less current portion	**124,332,786**	240,000,000
	₱1,318,203,326	₱914,693,192

**Net of unamortized deferred finance cost of ₱7.5 million and ₱5.3 million as at March 31, 2021 and June 30, 2020, respectively.*

Term Loan Agreement

On May 7, 2019, STI ESG and China Banking Corporation (China Bank) entered into a seven-year Term Loan Agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP Bloomberg Valuation Services (BVAL) rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns shall be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.5% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

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 an 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 is 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. Debt-to-equity ratio (D/E ratio) of not more than 1.5x, computed by dividing total liabilities by total equity. For purposes of this computation, total liabilities shall exclude unearned tuition and other school fees, and

2. Debt Service Cover Ratio (DSCR) of a minimum of 1.05x, which is the ratio of EBITDA to Debt Service.

The D/E ratios of STI ESG are 0.92:1.00 and 0.89:1.00 as at March 31, 2021 and June 30, 2020, respectively.

China Bank approved the temporary waiver of the DSCR requirement covering the period ended March 31, 2021 (see discussion on Waivers of Certain Covenants in this note). DSCR as at March 31, 2021 is 0.98:1.00. As at June 30, 2020, STI ESG has complied with the required ratio at 1.62:1.00.

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

	March 31, 2021 (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
Less current portion	**(120,000,000)**	–
	1,080,000,000	800,000,000
Deferred finance cost	**(7,504,447)**	(5,306,808)
Noncurrent portion	**₱1,072,495,553**	₱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 ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, and China Bank whereby STI WNU acceded to the Credit Facility Agreement 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 the second tranche of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

In 2015, STI ESG availed a total of ₱1,200.0 million loan with interest rates ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of the Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.56% effective February 1, 2021.

The Parent Company has made payments amounting to ₱120.0 million for the nine-month period ended March 31, 2021 and nil for the three-month period ended June 30, 2020.

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. The Parent Company 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.

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

a) change in the interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.5% per annum.

b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the unaudited interim condensed consolidated financial statements:

   (1) D/E ratio of not more than 1.5x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;

   (2) DSCR of a minimum of 1.05x.

China Bank approved the temporary waiver of the DSCR requirement covering the period ended March 31, 2021 (see discussion on the Waiver of Certain Covenants). As at June 30, 2020, STI ESG has complied with the above covenants.

On January 29, 2021, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement with an outstanding balance of ₱240.0 million. Significant changes to the terms and conditions of the Corporate Notes Facility of STI ESG are as follows:

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023;

b) amendment of the interest rate repricing date for the interest period commencing on January 31, 2021 while all succeeding interest rate repricing dates shall be on the interest payment date of the interest period ending on September 19 of every year, thereafter;

c) amendment of the interest period commencing on January 31, 2021 and each successive period of six months commencing from September 19, 2021 and ending on the relevant maturity date; and

d) amendment of the 1-year Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 5.50% per annum for the interest period covering January 31, 2021 to September 18, 2021 and 6.25% per annum for each succeeding interest period thereafter.

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

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Balance at beginning of period	**₱360,000,000**	₱360,000,000
Repayments	**120,000,000**	–
Balance at end of period	**240,000,000**	360,000,000
Less current portion	–	240,000,000
Noncurrent portion	**₱240,000,000**	₱120,000,000

These loans are unsecured and with the January 29, 2021 amendment, are due based on the following schedule:

Fiscal Year	Amount
2023	₱30,000,000
2024	60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱240,000,000

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 Corporate Notes Facility Agreement in connection with STI ESG's availment of the LandBank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

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

b. On July 23, 2020, China Bank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021.

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% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the 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/students are interest-free.

The ₱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. As at March 31, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱10.0 million, of which ₱4.3 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students and are due in August 2022 for the 20-month tenor and August 2023 for the 30-month tenor.

Short-term Loans

On August 24, 2020, STI ESG made a loan drawdown from its short-term credit line with Bank of the Philippine Islands (BPI) amounting to ₱300.0 million with a term of one year. The interest rate is 4.25% subject to quarterly repricing. The credit line is on a clean basis. This loan was fully settled as at March 31, 2021. The proceeds from this loan 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. These loans were fully settled as at September 30, 2019. The proceeds from these loans were used for working capital requirements.

On January 22, 2021, STI ESG availed of loan from Security Bank Corporation amounting to ₱100.0 million, subject to interest rate of 4.75%. This loan was fully settled as at March 31, 2021. The credit line is on a clean basis. The proceeds from this loan were used for working capital requirements.

Interest Expense

Starting February 1, 2016, the one-year PDST-F on the Credit Facility Agreement was changed to PDST-R2 as the basis for determining the interest rate.

On January 31, 2017, STI ESG elected to adopt the interest rate based on the 1-year Benchmark Rate plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% payable every January 31 and July 31 of each year.

On October 29, 2018, the Bankers Association of the Philippines launched the BVAL Reference Rates replacing the set of PDST Reference Rates (PDST-R1 & PDST-R2). Hence, starting the interest period January 31, 2019, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans amounted to ₱66.2 million and ₱44.3 million for the nine-month periods ended March 31, 2021 and 2020, respectively.

17. Bonds Payable

This account consists of:

	March 31, 2021 (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	**28,704,235**	33,902,228
	₱2,971,295,765	₱2,966,097,772

On March 23, 2017, the Parent Company issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which ended on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million were listed through the Philippine Dealing & Exchange Corp., with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by Philippine Rating Services Corporation (PhilRatings) in 2017. In January 2021, PhilRatings changed the Issue Credit Rating for STI ESG's outstanding bond issuance to PRS A plus, with a Negative Outlook, from PRS Aa, with a Stable Outlook. Obligations rated PRS A have favorable investment attributes and are considered as upper-medium grade obligations. Although these obligations are somewhat more susceptible to the adverse effects of changes in economic conditions, STI ESG's capacity to meet its financial commitments on the obligation is still strong. A 'plus' or 'minus' sign may be added to further qualify ratings. A Negative Outlook, on the other hand, indicates that there is a potential for the present credit rating to be downgraded in the next 12 months.

Proceeds of the issuance were used to finance the campus expansion projects, refinance the short-term loans incurred for the acquisition of land, and other general corporate requirements of the Group.

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

A summary of the terms of the Parent Company's issued bonds is as follows:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at March 31, 2021 (Unaudited)**	Carrying Value as at June 30, 2020 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,161,248,067**	₱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	**810,047,698**	809,054,679	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,971,295,765**	₱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. The Parent Company 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.

The Group's D/E and DSCR as at March 31, 2021 and June 30, 2020 are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Total liabilities [a]	**₱5,331,173,999**	₱5,225,836,891
Total equity	**5,788,421,643**	5,888,520,185
Debt-to-equity	**0.92:1.00**	0.89:1.00

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

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
EBITDA (Note 4) [b]	**₱383,245,987**	₱789,899,217
Total interest-bearing liabilities [c]	**390,227,414**	488,916,326
Debt service cover	**0.98:1.00**	1.62:1.00

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

STI ESG obtained the required consent of the holders of the Bonds (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 June 30, 2020, STI ESG has complied with the above covenants.

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 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 Record 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 DSCR 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, 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 DSCR 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 DSCR of not less than 1.05:1:00, provided that this Debt Service Coverage Ratio shall be waived up to 30 June 2023.

Bond Issuance Cost
In 2017, the Parent Company incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱28.7 million and ₱33.9 million as at March 31, 2021 and June 30, 2020, respectively. Amortization of bond issuance costs amounting to ₱5.2 million and ₱4.9 million for the nine-month periods ended March 31, 2021 and 2020 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 amounted to ₱139.4 million and ₱140.5 million for the nine-month periods ended March 31, 2021 and 2020, respectively.

18. Other Noncurrent Liabilities

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Refundable deposits - net of current portion (see Note 15)	**₱8,733,714**	₱12,255,852
Advance rent - net of current portion (see Note 15)	**7,452,590**	21,688,321
Deferred lease liability	**2,531,321**	2,531,321
Payable to STI Diamond - net of current portion (see Note 15)	–	16,640,773
	₱18,717,625	₱53,116,267

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 agreement. 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 deposits is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

Advance rent pertains to the payments received by the Group which will be earned and applied to future rentals for periods more than one year after the reporting date.

Payable to STI Diamond represents STI Novaliches' obligations to STI Diamond 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 that are beyond one year from the report date. The total carrying value of the unpaid purchase price amounted to ₱44.1 million and ₱39.3 million as at March 31, 2021 and June 30, 2020, respectively. The current portion of the payable amounting to ₱44.1 million and ₱22.6 million as at March 31, 2021 and June 30, 2020, respectively, is recorded under the "Accounts payable and other current liabilities" account (see Note 15).

19. **Equity**

Capital Stock

The details of the issued and outstanding number of common shares and amount as at March 31, 2021 follows:

	No. of Shares	Amount (at par)
Authorized - ₱1 par value	5,000,000,000	₱5,000,000,000
Issued and outstanding:		
Balance at beginning and end of period	3,087,829,443	3,087,829,443
Less: Treasury stock	(5,952,273)	(5,952,273)
Issued and outstanding at end of period	3,081,877,170	₱3,081,877,170

Treasury stock

Treasury stock balance as at March 31, 2021 and June 30, 2020 amounted to ₱10.8 million.

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale (Note 9)

As at March 31, 2021, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale was reclassified by STI ESG to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively, following the disposal of STI ESG's 20% share in the ownership of Maestro Holdings (see Note 9).

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

	June 30, 2020 (Audited)
Share in associates':	
Unrealized fair value adjustment on equity instruments designated at FVOCI	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

Retained Earnings

a. On November 18, 2020, the Parent Company's BOD approved the cash dividends declaration of ₱0.013 per share for a total amount of ₱40.0 million, in favor of the stockholders of record as at December 4, 2020. The dividends were paid on January 7, 2021.

b. On September 20, 2019, the Parent Company's BOD approved the cash dividends declaration of ₱0.06 per share for a total amount of ₱184.9 million, in favor of the stockholders of record as at September 30, 2019. Such dividends were paid on November 5, 2019.

Policy on Dividends Declaration

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

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

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

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

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

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

20. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the nine-month periods ended March 31, 2021 and 2020:

	Nine months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Tuition and other school fees	**₱1,000,181,826**	₱1,609,101,299
Educational services	**84,472,725**	100,638,381
Sale of educational materials and supplies	**23,610,093**	67,299,434
Royalty fees	**8,294,048**	9,555,321
Other revenues	**60,848,890**	53,005,412
Total consolidated revenue	**₱1,177,407,582**	₱1,839,599,847

Timing of revenue recognition

	Nine months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Services transferred over time	**₱1,153,797,489**	₱1,772,300,413
Goods and services transferred at a point in time	**23,610,093**	67,299,434
Total consolidated revenue	**₱1,177,407,582**	₱1,839,599,847

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 liability include the conduct of online classes in May 2020 up to July 2020 to complete the 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 to June 2021 for SY 2020-2021 (see Note 3) that resulted to change in the timing of revenue recognition.

Set out below is the amount of revenue recognized from:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Amounts included in contract liabilities at the beginning of the period	**₱89,640,717**	₱118,169,708

There is no revenue recognized from performance obligations satisfied in previous years for the nine-month periods ended March 31, 2021 and 2020.

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 March 31, 2021 and June 30, 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) are as follows:

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Within one year	**₱503,452,340**	₱113,521,168
More than one year	–	–

The remaining performance obligations as at March 31, 2021 substantially represent the obligations which are expected to be satisfied within the school year while the outstanding performance obligations as at June 30, 2020 pertain to the advance payments for tuition and other school fees for the school year commencing after the financial reporting date and were recognized as tuition and other school fees within the current school year. On the other hand, the Group does not have any performance obligation that is expected to be satisfied in more than one year.

21. **Cost of Educational Services**

This account consists of:

	Nine months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Depreciation and amortization	**₱214,352,033**	₱237,112,295
Faculty salaries and benefits	**126,106,542**	216,814,834
Student activities, programs and connectivity expenses	**85,320,405**	77,368,118
Rental	**15,481,131**	8,636,932
Software maintenance	**9,127,599**	9,876,367
School materials and supplies	**1,803,156**	12,987,947
Courseware development costs	**1,362,006**	10,206,053
Others	**3,048,157**	2,107,552
	₱456,601,029	₱575,110,098

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Nine months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Educational materials and supplies	**₱17,571,270**	₱37,632,991
Promotional materials	**1,519,162**	9,292,035
Others	**–**	1,655,741
	₱19,090,432	₱48,580,767

23. General and Administrative Expenses

This account consists of:

	Nine months ended March 31	
	2021 (Unaudited)	2020 (Unaudited)
Salaries, wages and benefits	**₱165,592,399**	₱196,693,644
Depreciation and amortization	**151,891,069**	156,183,718
Provision for:		
Expected credit losses (ECL)	**55,977,241**	43,072,930
Impairment of investments in and advances to associates and joint ventures	**10,265,350**	–
Inventory obsolescence	**–**	4,805,445
Professional fees	**56,387,702**	61,641,967
Outside services	**40,653,509**	70,948,491
Light and water	**31,674,035**	82,923,070
Advertising and promotions	**25,756,938**	18,137,333
Taxes and licenses	**23,894,976**	26,255,117
Transportation	**16,926,473**	19,985,363
Insurance	**10,901,265**	11,527,857
Repairs and maintenance	**9,788,783**	16,775,536
Meetings and conferences	**9,020,597**	10,520,066
Rental	**7,699,406**	5,268,442
Entertainment, amusement and recreation	**7,227,868**	10,918,323
Communication	**4,568,934**	5,298,012
Office supplies	**3,630,054**	7,330,224
Software maintenance	**2,572,126**	2,076,538
Association dues	**259,973**	231,063
Others	**7,860,690**	12,852,281
	₱642,549,388	₱763,445,420

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 Parent Company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**March 31, 2021 (Unaudited)**	March 31, 2020 (Unaudited)	**March 31, 2021 (Unaudited)**	June 30, 2020 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱10,265,350**	₱–	**₱48,134,336**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW						
Rental income and other charges	**879,940**	693,402	**6,987,623**	7,706,842	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**–**	–	**–**	435,000	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
STI Holdings						
Advisory fees	**10,800,000**	10,800,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**11,127**	770,363	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**39,464,558**	182,437,383	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividend income	**1,851,602**	10,008,658	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**7,749,301**	8,924,552	**13,358,588**	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	**6,946,624**	8,944,289	**273,324**	147,455	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividend income	**–**	1,983,434	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	**8,071,143**	8,088,863	**3,835,179**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**5,298,790**	23,829	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**–**	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)	Outstanding Receivable (Payable) March 31, 2021 (Unaudited)	June 30, 2020 (Audited)	Terms	Conditions
Phil First Insurance Co., Inc.						
Utilities and other charges	**₱–**	₱–	**₱–**	₱37,112	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**13,323,506**	2,036,467	**(25,326)**	(213,103)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**7,088,412**	7,866,270	**(3,454)**	(2,861,758)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilLife						
Rental income and related charges	**8,692,695**	10,135,771	**3,020,384**	5,494,842	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**140,996**	171,387	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**11,327,781**	11,242,374	**11,223,570**	4,043,379	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**4,160,662**	3,605,863	**4,360,945**	1,940,245	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY						
Reimbursement for various expenses and other charges	**–**	573,074	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**3,117,645**	10,177,966	**17,104,533**	22,849,022	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**–**	19,273	**1,671,187**	1,671,187	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱108,119,905	₱84,549,838		

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

Related party receivables and payables are generally settled in cash.

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

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)
Advances to associates and joint ventures (see Note 12)	**₱48,134,336**	₱37,868,986
Advances to officers and employees (see Note 6)	**17,104,533**	22,849,022
Rent, utilities and related receivables	**15,514,373**	15,344,983
Educational services and sale of educational materials and supplies	**29,216,427**	13,382,692
Accounts payable	**(1,849,764)**	(4,895,845)
	₱108,119,905	₱84,549,838

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**March 31, 2021 (Unaudited)**	March 31, 2020 (Unaudited)	**March 31, 2021 (Unaudited)**	June 30, 2020 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱53,727,967**	₱56,901,794	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**7,000,347**	2,511,508	**(216,185,571)**	(241,389,644)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
Rental income and other related charges	**37,717,200**	37,717,200	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**16,778,180**	20,677,026	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,211,533**	5,909,469	**(113,511,806)**	(145,730,413)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
Rental income and other related charges	**23,040,000**	23,040,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	**118,896**	700,941	**13,136,613**	13,015,744	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,305,568**	1,761,363	**4,149,537**	2,845,968	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI QA						
Educational services, sale of educational materials and supplies, management fees, and other charges	**1,172,852**	5,025,058	**749,455**	598,781	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**8,051**	–	**14,259,669**	14,251,618	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	**18,292,124**	17,005,930	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**6,887,867**	9,120,941	**8,797,702**	10,038,129	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,226,600**	11,226,600	**44,706,816**	33,530,112	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Educational services, sale of educational materials and supplies,	**503,725**	1,734,931	**8,243,419**	7,760,191	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period March 31, 2021 (Unaudited)	Amount of Transactions During the Period March 31, 2020 (Unaudited)	Outstanding Receivable (Payable) March 31, 2021 (Unaudited)	Outstanding Receivable (Payable) June 30, 2020 (Audited)	Terms	Conditions
Reimbursement for various expenses	**₱2,559,362**	₱2,300,815	**₱11,349,268**	₱9,025,727	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Educational services, sale of educational materials and supplies,	**90,067**	1,817,054	**5,426,444**	5,336,457	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**576,708**	2,898,850	**9,481,987**	8,906,780	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Subscription of common stock	–	–	**(15,000,000)**	(15,000,000)	Due and demandable, noninterest-bearing	Unsecured
STI Tanauan						
Educational services, sale of educational materials and supplies,	**6,348,053**	5,575,643	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**298,819**	364,656	**(9,719,443)**	(14,548,739)	30 days from billing or cut-off date; noninterest-bearing	Unsecured no impairment
STI Lipa						
Educational services, sale of educational materials and supplies,	**18,964,817**	18,827,736	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**47,389**	530,057	**3,069,436**	4,115,382	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**33,050,700**	33,050,700	**71,471,040**	42,680,208	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	**10,028,114**	10,023,291	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**465,873**	7,277,980	**56,793,141**	58,671,099	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**7,652,266**	8,363,843	**16,016,109**	8,363,843	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute of Mandaluyong Inc.						
Reimbursement for various expenses	**2,288,344**	3,633,188	**6,054,630**	6,426,711	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**4,122,376**	5,148,260	**9,982,118**	6,315,188	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)	Outstanding Receivable (Payable) March 31, 2021 (Unaudited)	June 30, 2020 (Audited)	Terms	Conditions
NAMEI Polytechnic Institute, Inc.						
Reimbursement for various expenses	**₱41,674,916**	₱55,999,726	**₱86,455,310**	₱53,032,577	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**5,301,866**	7,061,069	**13,751,699**	8,679,429	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

25. Basic and Diluted EPS on Net Income (Loss) Attributable to Equity Holders of the Parent Company

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of EPS:

	Nine months ended March 31 2021 (Unaudited)	2020 (Unaudited)
Net income (loss) attributable to equity holders of the Parent Company	**(₱71,164,182)**	₱10,131,960
Weighted average number of common shares outstanding	**3,087,829,443**	3,087,829,443
Basic and diluted earnings (losses) per share on net income (loss) attributable to equity holders of the Parent Company	**(₱0.023)**	₱0.003

The basic and diluted EPS are the same for the nine-month periods ended March 31, 2021 and 2020 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

a. *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 (the "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 the Parent Company's Motion for Reconsideration.

The parties participated in the pre-execution conference of the said SC Decision before a Labor Arbiter in order to determine the total monetary judgment award in favor of the former employee. During the same conference, both parties agreed that the former employee should receive separation pay in lieu of reinstatement. Consequently, the former employee would receive only a monetary award arising from the SC Decision.

Pursuant to STI ESG's computation of said award, it paid total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. Based on said payment, STI ESG moved for the Labor Arbiter to issue a resolution that STI ESG has fully paid the judgment award of the former employee. While the former employee admitted receiving the aforesaid amount, she manifested that the same was only partial payment of the judgment award.

The former employee maintains that the computation of STI ESG is incorrect because the latter deemed that the former's alleged waiver of reinstatement pending appeal by STI ESG on the Illegal Dismissal Case in October 2006 interrupted the running of backwages until present day. The former employee refused to acknowledge that there was such valid waiver on reinstatement pending appeal. Consequently, the former employee averred that she should receive the amount of ₱11.0 million, less payments already made by the Parent Company.

On September 9, 2020, the Labor Arbiter issued the Order, wherein he 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 Labor Arbiter further determined that the attorney's fees of 10% should be computed from the total monetary award of the former employee, including the separation pay in lieu of reinstatement.

Based on said findings, the 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, STI ESG is ordered to pay the former employee the balance of ₱200.0 thousand.

The former employee sought to appeal said findings by filing a Notice of Appeal with attached Memorandum instead of a Verified Petition under Rule XII of the NLRC Rules.
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 the same 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.

On November 25, 2020, STI ESG received a verified petition under Rule XII of the NLRC Rules (Petition) filed by the former employee to question the Order of the Labor Arbiter treating her appeal as "noted without action". In the Petition, the former employee sought for the NLRC to consider/allow her erroneous appeal as a Petition filed under Rule XII of the NLRC Rules in resolving the correct computation on the monetary award of the former employee.

STI ESG filed its Comment on the aforesaid Petition within period allowed under the NLRC Rules. In the Comment, STI ESG argued that the period to file the correct mode of appeal has already lapsed. Moreover, the former employee's appeal cannot be considered as a Petition filed under Rule XII of the NLRC Rules because the same fails to comply with the technical requirements for said remedy. Lastly, STI ESG defended the correct computation of the judgment award by the Labor Arbiter.

On December 29, 2020, the NLRC issued its Decision it denied the Petition filed by the former employee. The NLRC affirmed that the former employee failed to comply with the required mode of appeal on an order for execution issued by the Labor Arbiter.

The former employee has ten (10) days from receipt of the Decision to file her Motion for Reconsideration.

As at May 15, 2021, STI ESG has not received any Motion for Reconsideration filed by the former employee.

ii. A former IT Instructor who eventually became the IT Program Head of STI College Cagayan de Oro, a school owned by STI ESG, filed an illegal dismissal case against STI College Cagayan de Oro on the ground that she was constructively dismissed when upon returning from preventive suspension, she allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. For its part, STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The Labor Arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo, which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the Labor Arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. A Petition for Certiorari questioning the decision of the NLRC was filed before the Court of Appeals.

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

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

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

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

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

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

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

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

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

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

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

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

As at May 15, 2021, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

iii. Former part-time faculty members of STI College Legazpi who were erroneously issued employment contracts for regular employees filed an illegal dismissal case against STI College Legazpi, a school owned by STI ESG, following their stubborn refusal to sign their respective job offers as required by CHED. The labor arbiter rendered a Decision finding the complainants as regular employees of STI ESG; declaring the Parent Company as guilty of illegal dismissal; and ordering the Parent Company to pay them separation pay of ₱0.22 million, ₱0.18 million, ₱0.15 million, respectively, plus backwages, moral and exemplary damages of ₱0.2 million each, plus 10% attorney's fees.

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

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

Both parties here may have been mistaken in believing that the former faculty members have become regular faculty members by their length of service and seemingly satisfactory performance. Because of such incorrect grant of regular employment status, STI ESG, for years, has 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 sought to remedy its mistake by formulating its two-year compliance consideration program, wherein affected teachers such as complainants shall continue to receive the same benefits they are currently enjoying, subject to the completion of their master's degree within a period of two (2) years. Even complainants admitted that their job offers stipulated a higher monthly salary. In spite of all these, complainants chose not to sign the said job offers.

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

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

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

As at May 15, 2021, 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 STI ESG'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.

On October 12, 2020, STI ESG received a copy of the Resolution dated September 15, 2020 of the Court of Appeals noting the Court Management Information Systems (CMIS) verification report dated August 28, 2020 that no comment has been filed by complainant and deemed the complainant to have waived her right to file a comment. The Court then resolved to submit the case together with the prayer for Temporary Restraining Order/preliminary injunction for decision.

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 03, 2009, STI Davao filed a Motion to Dismiss before the Labor Arbiter and prayed for the dismissal of the Complaint for illegal dismissal on the ground that the Labor Arbiter and the NLRC have no jurisdiction over the case. STI Davao argued that Complainants are not mere employees, but are rather corporate officers, of STI Davao. As such, the controversy involving their removal involves an intra-corporate dispute which falls within the jurisdiction of the regular courts.

On December 16, 2009, the Labor Arbiter issued an Order which granted the Motion to Dismiss filed by STI Davao. The Labor Arbiter ruled that Complainants are corporate officers, and are not mere employees, of STI Davao.

Not satisfied with the ruling of the Labor Arbiter, Complainants filed an appeal before the NLRC. On September 30, 2010, the NLRC issued a Resolution affirming the Labor Arbiter's Order dated December 16, 2009 finding that Complainants are corporate officers whose removal from office is not within the ambit of the jurisdiction of the NLRC. While they subsequently filed a Motion for Reconsideration, such motion was denied by the NLRC.

Complainants then elevated the case to the Court of Appeals via a Petition for Certiorari. On February 14, 2014, the Court of Appeals rendered a Decision annulling the assailed Resolutions of the NLRC and found that Complainants are not corporate officers, but are rather mere employees, of STI Davao. The case was thus ordered to be remanded to the Labor Arbiter for reception of evidence. While STI Davao filed a Motion for Reconsideration, such motion was denied by the Court of Appeals.

STI Davao eventually elevated the case to the Supreme Court via a Petition for Review on Certiorari. Unfortunately, through a Resolution dated August 19, 2015, the Supreme Court denied the Petition. STI Davao's Motion for Reconsideration was likewise denied by the Supreme Court.

On August 23, 2017, STI Davao received a Notice of Hearing from the Office of Labor Arbiter for a preliminary conference set on September 18, 2017. STI Davao attended the said hearing. During the hearing, Complainants proposed for the amicable settlement of their claims the payment of their separation pay, backwages, monetary benefits, as well as damages with attorney's fees. STI Davao requested that Complainants provide the exact amount of what they are asking for the amicable settlement of their claims. Another hearing was made on October 26, 2017 for the continuation of the preliminary conference.

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

In the December 5, 2017 hearing, considering the substantial amount being demanded by Complainants for the amicable settlement of their claims, no amicable settlement was reached by the parties, hence, they were directed to file their respective position papers within ten days from the receipt of the order from the Office of the Labor Arbiter. The last day of the ten-day period to file STI Davao's position paper was on February 5, 2018. However, a Motion for Extension of Time to File Position Paper were filed by STI Davao on February 5, 2018.

On February 19, 2018, STI ESG filed its position paper by registered mail. In the Position Paper, the following important points were raised: (1) the complainants' termination from employment is clearly legal having been grounded on just and valid causes since (a) the adoption of the Parent Company's Basic Operations Manual and Code of Conduct providing, among others, disciplinary rules and regulations on willful disobedience of the lawful orders, instructions, policies and procedure of the Parent Company, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of the Parent Company's Basic Operations Manual and Code of Conduct providing guidelines and standards for employees to effectively go about their roles and prohibiting willful disobedience as well as failure to perform assigned tasks, constitute sufficient bases for termination of employment, (c) complainants' acts or omissions in willful disregard of the Parent Company's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of the Parent Company's operating procedures and systems amounted to serious misconduct, and (e) the Parent Company's evidence sufficiently established facts and incidents upon which the loss of confidence in the complainants may fairly be made to rest considering that (i) complainants held a position of trust and confidence, and (ii) complainants' termination was based on willful breach of trust and founded on clearly established facts; (2) the School observed the requirements of due process before effecting complainants' dismissal from employment; (3) complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees; and (4) complainants have no cause of action for illegal suspension and against individual respondent of STI ESG Mr. Fernandez.

On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG filed its Reply to the Position Paper of complainants. In said reply, STI ESG emphasized the following important points: (1) the Parent Company's prerogative to terminate the complainants' employment on just and valid causes does not run afoul with the enshrined right to security of tenure; (2) complainants' termination from employment was warranted by just and valid grounds as (a) the just and valid causes were proven with substantial evidence, and (b) the penalty of dismissal is warranted under the circumstances; (3) there is no necessity to dwell on the issue of whether the respondents observed and complied with the requirements of due process before effecting complainants' dismissal from employment; and (4) complainants are not entitled to their claim for reinstatement with payment of full backwages, and other monetary claims such as damages and attorney's fees.

In a decision dated June 28, 2018, the labor arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the NLRC. On August 28, 2018, STI ESG filed its Answer to Appeal with the Eighth Division of the NLRC in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence. In support of STI ESG's counter-arguments to the complainants' arguments, STI ESG stressed on the following important points: (a) the Appeal is just a 90% verbatim reproduction of the facts, arguments and discussion in their Position Paper; and (b) there was no such grave error shown in the case at bar considering that there is more than sufficient basis for the School to lose the trust and confidence it bestowed upon the complainants (i) as one of the complainants demonstrated, through repeated infractions, that complainant is not fit to continue undertaking the serious task and heavy responsibility of a CEO, and this holds true for the other complainant, being the COO of STI Davao, (ii) the willful act of disregarding the Operating Procedures and Systems equates to abuse of authority and, therefore, is sufficient basis for STI to lose its trust and confidence on the complainants, and (iii) the task of ensuring the integrity of the RFA by warranting the completeness and accuracy of the information and required supporting documents thereto, definitely falls within the complainants' scope of responsibilities.

In a Decision dated February 13, 2019, the Eighth Division of the NLRC in Cagayan De Oro City dismissed the Appeal filed by the complainants and hereby affirmed the earlier Decision of Labor Arbiter dated June 28, 2018. A motion for reconsideration dated March 4, 2019 was filed by the complainants. On March 25, 2019, STI ESG filed its Opposition to the Motion for Reconsideration filed by the complainants. In a Resolution dated March 26, 2019, the Eighth Division of the NLRC in Cagayan De Oro City denied the Motion for Reconsideration filed by the complainants.

On June 10, 2019, STI ESG received a copy of the Petition for Certiorari filed by complainants with the Court of Appeals in Cagayan De Oro City. On July 4, 2019, STI ESG received a copy of the Resolution dated June 25, 2019 of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari filed by complainants for failure to comply with the requirements for filing said petition.

A motion for reconsideration dated July 18, 2019 on the said resolution of the Court of Appeals in Cagayan De Oro City dismissing the Petition for Certiorari was filed by complainants. As at September 11, 2020, STI ESG filed its Comment to the motion for reconsideration of the complainants.

In a Resolution dated January 31, 2021, the Supreme Court dismissed the Petition for Certiorari filed by the complainants for being filed out of time.

On April 6, 2021, STI ESG received a copy of the Motion for Reconsideration filed by one of the complainants.

As at May 15, 2021, STI ESG is preparing its opposition to the Motion for Reconsideration filed by the complainant.

b. *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 basis 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 STI Cebu by STI ESG and (b) amendment of the Complaint and Answer, the case proceeded to trial proper.

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 Parent Company. There was no evidence showing that the Parent 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 an 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 Parent 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.

On December 1, 2020, STI ESG and the Defendant Finance Officer received the Notice, which requires the Appellants (Plaintiffs and the Defendant Finance Officer) to file their respective Appellant's Brief within 45 days from receipt of the Notice.

On January 25, 2021, STI ESG received the Appellant's Brief filed by the Plaintiffs.

On March 11, 2021, STI ESG filed its Appellee's Brief.

On May 6, 2021, STI ESG received the Reply Brief filed by the Plaintiffs.

Unless the Court of Appeals required additional pleadings, the appeal filed by the Plaintiffs is submitted for resolution.

c. *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 Parent 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 the 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.

On April 19, 2021, STI ESG received the Notice from the Court of Appeals, which required the Plaintiff to file its Appellant's Brief within 45 days from receipt thereof. STI ESG will have the same period to file its Appellee's Brief counted from its receipt of the Appellant's Brief.

d. *Criminal Case – Qualified Theft.* 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, the Parent Company alleged that said former supervisor/accountant manipulated the payroll registers of STI College Global City by including the name of a former faculty member of STI College Global City in the payroll registers and placing a corresponding salary and 13th month pay beside said faculty member's name. The salary of said former faculty member was deposited in a bank account belonging to the former supervisor/accountant. The total amount deposited to the bank account of the former supervisor/accountant through this scheme amounted to ₱0.2 million.
The complaint for qualified theft was filed with Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite 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 sixteen (16) months have elapsed since the matter was submitted for resolution.

As at May 15, 2021, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

e. *Criminal Case – Syndicated Estafa.* A complaint for syndicated estafa was filed against STI ESG and its director by the president of a franchisee of STI ESG with the Provincial Prosecution Office of Rizal. In the complaint, said officer alleged that STI ESG illegally took over the operations of STI College Tanay, and used the tuition fees it collected for its benefit.

On December 29, 2020, STI ESG, through its representative, filed its Counter-Affidavit and presented evidence/documents showing that STI ESG managed STI College Tanay (a) when said officer initially allowed the same while there was an ongoing negotiation for the purchase of STI College Tanay, and (b) the take-over provisions of the Licensing Agreement triggered by the violations committed by the franchisee on said agreement.

Moreover, STI ESG further asserted that the complaint should be dismissed because the aforesaid president failed to attach/present a written authority from the Corporation, which allowed him to file the complaint, and represent the Corporation in the proceedings.

Lastly, said president included as a respondent a director who was not involved in the operations and management of STI College Tanay during the take-over of STI ESG.

As at May 15, 2021, the Provincial Prosecution Office of Rizal has yet to issue a resolution in the instant case.

f. *Breach of contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. ("MOBEELITY") to deploy its digital classroom pilot, also known as 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.

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.

g. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Parent Company's consolidated financial position and results of operations.

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

   As at May 15, 2021, the cases are pending before the labor arbiter.

   Management and their legal counsels believe that the outcome of these cases will not have a significant impact on the unaudited interim condensed consolidated financial statements.

Commitments

a. Financial Commitments

The Parent Company has domestic bills purchase lines from various local banks amounting to ₱115.0 million as at March 31, 2021, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments

As at March 31, 2021 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 ₱238.3 million and ₱170.5 million have been paid as at March 31, 2021 and June 30, 2020, respectively.

c. Others

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

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

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

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

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

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

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

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

(i) On December 17, 2018, CHED, the 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). RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes 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 ESG will reimburse RAFT US$150,000, with 50% payable upon signing of the agreement while the remaining 50% will be payable within the calendar year 2020. Additionally, and as a 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 ESG 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.

In light of the effects of the pandemic in the operation of schools and in the economy as a whole, the parties agreed to hold the implementation of the foregoing paragraph in abeyance.

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 designated at FVOCI, interest-bearing loans and borrowings, accounts payable, bonds payable and other current liabilities, obligations under finance lease and other noncurrent 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 March 31, 2021 and June 30, 2020.

Cash and Cash Equivalents, Receivables, Accounts Payable and Other Current Liabilities. Due to the short-term nature of cash and cash equivalents, receivables, accounts payable and other current liabilities, their carrying values reasonably approximate their fair values as at March 31, 2021.

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

Equity instruments designated at FVOCI. The fair values of publicly-traded equity instruments designated at FVOCI, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same.

Interest-bearing Loans and Borrowings. The carrying value approximates its fair value because of recent and regular repricing based on market conditions.

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

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 March 31, 2021 do not significantly differ from the fair values of these financial instruments as at June 30, 2020.

28. Changes in Liabilities Arising from Financing Activities

	June 30, 2020	**Cash flows**	**Effect of Adoption of PFRS 16**	**Interest Expense**	**Capitalized borrowing cost (Note 10)**	**Dividends Declared (Note 19)**	**Reclassified as Current**	**Reclassified as Noncurrent**	**Effect of Lease Modification (Notes 2 and 10)**	**New Leases**	**March 31, 2021**
Current interest-bearing loans and borrowings	**₱240,000,000**	**(₱115,667,214)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱120,000,000**	**(₱120,000,000)**	**₱–**	**₱–**	**₱124,332,786**
Bonds payable	**2,966,097,772**	**–**	**–**	**5,197,993**	**–**	**–**	**–**	**–**	**–**	**–**	**2,971,295,765**
Noncurrent interest-bearing loans and borrowings	**914,693,192**	**402,707,773**	**–**	**(1,887,321)**	**2,689,682**	**–**	**(120,000,000)**	**120,000,000**	**–**	**–**	**1,318,203,326**
Lease liabilities	**383,793,647**	**(53,061,857)**	**–**	**15,359,469**	**–**	**–**	**–**	**–**	**(22,618,679)**	**30,486,035**	**353,958,615**
Dividends payable	**13,758,185**	**(39,998,086)**	**–**	**–**	**–**	**40,000,000**	**–**	**–**	**–**	**–**	**13,760,099**
Interest payable	**26,063,296**	**(226,501,109)**	**–**	**208,924,244**	**–**	**–**	**–**	**–**	**–**	**–**	**8,486,431**
Total liabilities from financing activities	**₱4,544,406,092**	**(₱32,520,493)**	**₱–**	**₱227,594,385**	**₱2,689,682**	**₱40,000,000**	**₱–**	**₱–**	**(₱22,618,679)**	**₱30,486,036**	**₱4,790,037,022**

	June 30, 2019	Cash flows	Effect of Adoption of PFRS 16	Interest Expense	Capitalized borrowing cost (Note 10)	Dividends Declared (Note 19)	Reclassified as Current	Reclassified as Noncurrent	Effect of Lease Modification	New Leases	March 31, 2020
Current interest-bearing loans and borrowings	₱240,000,000	(₱240,000,000)	₱–	₱–	₱–	₱–	₱240,000,000	₱	₱–	₱–	₱240,000,000
Current obligations under finance leases	6,137,463	–	(6,137,463)	–	–	–	–	–	–	–	–
Bonds payable	2,959,532,836	–	–	4,885,326	–	–	–	–	–	–	2,964,418,162
Noncurrent interest-bearing loans and borrowings	360,000,000	794,000,000	–	(1,866,286)	2,128,492	–	(240,000,000)	–	–	–	914,262,208
Noncurrent obligations under finance leases	10,168,567	–	(10,168,567)	–	–	–	–	–	–	–	–
Lease liabilities	–	(83,002,811)	391,816,395	28,633,210	–	–	–	–	–	58,461,692	395,908,486
fDividends payable	12,431,266	(183,585,711)	–	–	–	184,912,630	–	–	–	–	13,758,185
Interest payable	23,704,672	(201,376,330)	1,180,635	185,448,771	–	–	–	–	–	–	8,957,748
Total liabilities from financing activities	₱3,611,974,804	₱86,035,148	₱376,691,000	₱217,101,023	₱2,128,492	₱184,912,630	₱–	₱–	₱–	₱58,461,692	₱4,537,304,789

29. Notes to the Unaudited Interim Condensed Consolidated Statements of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Noncash additions to ROU assets presented under "Property and equipment" amounting to ₱30.0 million and nil for the nine-month periods ended March 31, 2021 and 2020.

b. Unpaid progress billing for construction-in-progress amounting to ₱13.4 million and ₱13.9 million as at March 31, 2021 and 2020, respectively.

30. Business Combination

STI Calbayog and STI Dumaguete. On December 3, 2020, STI ESG acquired the net assets of STI Calbayog and STI Dumaguete, which were owned and operated by the former franchisees for ₱2.7 million and ₱2.3 million, respectively. The transactions were accounted as business combination. The purchase price consideration has been allocated to the net assets based on the fair values at the date of acquisition resulting in excess of consideration aggregating to ₱1.9 million. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at March 31, 2021 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. The Group is likewise assessing the value of the intangible assets acquired.

The following are the identifiable assets and liabilities as at the date of acquisition:

STI Calbayog

Assets	
Receivables	₱589,782
Inventories	21,508
Property and Equipment	798,020
Other noncurrent asset	190,000
	1,599,310
Liabilities	
Accounts payable and other current liabilities	225,031
Total identifiable net assets at fair value	1,374,279
Purchase consideration transferred	2,700,000
Excess of consideration	₱1,325,721

STI Dumaguete

Assets	
Receivables	₱1,482,130
Prepaid Expenses	12,835
Inventories	38,891
Property and Equipment	264,872
	1,798,728
Liabilities	
Accounts payable and other current liabilities	102,965
Total identifiable net assets at fair value	1,695,763
Purchase consideration transferred	2,300,000
Excess of consideration	₱604,237

31. Other Matters

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. - President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Preferential income tax rate for proprietary educational institutions is reduced from 10.0% to 1.0% effective July 1, 2020 to June 30, 2023.

- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others the merger and consolidation.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July 1, 2020.

On April 8, 2021, the BIR issued the implementing rules under Revenue Regulations No. 5-2021.

COVID-19 - In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines, through the Executive Secretary, issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed ECQ throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to

May 15, 2020 in the NCR and other areas. On May 11, 2020, IATF Resolution No. 35 was issued, and placed 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 were 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.

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 was 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. 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 was subject to the strictest quarantine classifications of ECQ and MECQ in November 2020.

On November 30, 2020, the President of the Philippines extended the implementation of GCQ in Metro Manila until December 31, 2020. Areas also under GCQ until the end of December 2020 were Batangas, Iloilo City, Tacloban City, Lanao del Sur, Iligan and Davao City, while the rest of the country was under MGCQ.

On December 14, 2020, the IATF issued Resolution No. 88 which placed Isabela, excluding Santiago City, back to GCQ due to increase in COVID-19 infections until December 31, 2020. The IATF elevated the province's status from MGCQ to GCQ following the proposal of the Governor of Isabela.

Metro Manila remained on GCQ status until January 31, 2021. Similarly, the provinces of Batangas, Isabela, Lanao del Sur, Davao del Norte, and cities of Santiago, Iloilo, Tacloban, Iligan and Davao remained under GCQ until the end of January 2021. The rest of the country was under the least restrictive MGCQ.

On January 29, 2021, the President of the Philippines retained the GCQ classification of the NCR and Davao City. Also, under GCQ were Batangas and Cordillera Administrative Region which includes Abra, Apayao, Benguet, Baguio City, Ifugao, Kalinga, and Mountain Province for Luzon; Tacloban City for the Visayas; Davao del Norte, Lanao del Sur and Iligan City for Mindanao. Santiago City, Ormoc City, and all other areas were placed under MGCQ. The risk-level classifications were effective from February 1 until February 28, 2021.

The President of the Philippines on February 26, 2021 retained the GCQ classification of the NCR, Baguio City and Davao City. Also, under GCQ were, for Luzon, Batangas and some areas in Cordillera Administrative Region which include Apayao, Kalinga and Mountain Province; Tacloban City for the Visayas; Iligan City and Lanao del Sur for Mindanao. All other areas were placed under MGCQ. The abovementioned risk-level classifications took effect March 1 until March 31, 2021.

On March 27, 2021, the IATF issued Resolution No. 106-A which placed the provinces of Bulacan, Cavite, Laguna, and Rizal together with the highly urbanized cities of the NCR, and the municipality of Pateros pursuant to the Memorandum of the Executive Secretary dated March 21, 2021, under ECQ immediately until April 4, 2021.

On April 3, 2021, the President of the Philippines approved the recommendation of the IATF which extended the ECQ classification of the NCR, Bulacan, Cavite, Laguna and Rizal for one week starting April 5 until April 11, 2021.

The IATF on April 10, 2021, placed the NCR, Bulacan, Cavite, Laguna, Rizal under MECQ beginning April 12 until April 30, 2021. Meanwhile, Abra was placed under MECQ and Quezon under GCQ from April 12 to 30, 2021.

The IATF on April 29, 2021, approved the final list of community quarantine classification. Abra and Ifugao in the Cordillera Administrative Region; the City of Santiago and Quirino Province in Region 2; the NCR; Bulacan; and Cavite, Laguna, Rizal in Region IV-A were under the MECQ classification from May 1 until May 14, 2021. Meanwhile, Apayao, Baguio City, Benguet, Kalinga, Mountain Province in CAR; Cagayan, Isabela, Nueva Vizcaya in Region 2; Batangas and Quezon in Region 4-A; Puerto Princesa City for Luzon; Tacloban City for the Visayas; and Iligan City, Davao City, and Lanao del Sur for Mindanao were under GCQ from May 1 to 14, 2021. All other areas were under MGCQ until May 14, 2021.

On May 13, 2021, the President of the Philippines approved the recommendation of the IATF to place NCR, Bulacan, Cavite, Laguna and Rizal under GCQ with heightened restrictions from May 15 to 31, 2021. Also, under GCQ status from May 15 to 31, 2021, are areas under the Cordillera Administrative Region, such as Apayao, Baguio City, Benguet, Kalinga, Mountain Province and Abra; Cagayan, Isabela, Nueva Vizcaya in Region 2; Batangas and Quezon in Region 4-A; Puerto Princesa in Region 4-B; Iligan City in Region 10; Davao City in Region 11; and Lanao del Sur in the Bangsamoro Autonomous Region in Muslim Mindanao. The City of Santiago and Quirino Province in Region 2; Ifugao in the Cordillera Administrative Region; and Zamboanga City in Region 9 are placed under MECQ from May 15 to 31, 2021. All other areas are placed under MGCQ until May 31, 2021.

These measures have caused disruptions to businesses and economic activities, and their impact on businesses continues to evolve. The Group has considered the impact of these disruptions to its financial position as at March 31, 2021 and June 30, 2020, and performance and cash flows for the nine-month periods ended March 31, 2021 and 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 SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF MARCH 31, 2021

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱679,368,998	₱309,771,339	₱39,439,199	₱13,577,942	₱316,580,518

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

ANNEX “B”

STI EDUCATION SERVICES GROUP, INC.

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

OVERVIEW

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the “Group”) are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983, and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary for the pursuance of its main activities, relating but not limited to information technology services, tourism, hotel and restaurant management, engineering, communication and multimedia arts, accountancy and business studies. STI ESG is also offering Senior High School (SHS). Starting School Year (SY) 2020-2021, select schools in the Group were given government permits to offer Bachelor of Science in Retail Technology and Consumer Science Program (BSRTCS) and government recognition to offer a 2-year Associate in Retail Technology Program (ART). ART has a ladderized curriculum preparatory for the BSRTCS and graduates of ART will receive a diploma upon completion of the 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 the laws of the Philippines and various international rules 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 programs, stewarding and culinary studies.

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 enrollment turnout and/or the high cost of rental of facilities. As at March 31, 2021, STI ESG has a network of 64 active schools comprising of 60 colleges and 4 education centers. Of the total, STI ESG owns 35 schools while franchisees operate 29 schools.

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 to the Group.

STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented space into school-owned stand-alone campuses. Several franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 19 wholly-owned campuses with newly constructed/renovated buildings, while 11 franchised schools constructed/renovated their buildings and upgraded their facilities.

The total student capacity of the Group, net of the aforementioned school closures, aggregates to 149,188 students, with 102,878 pertaining to owned schools and 46,310 for franchised schools.

STUDENT POPULATION

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

	SY 2020-2021	SY 2019-2020	Decrease	
			Enrollees	Percentage
STI Network				
Owned schools	39,890	44,811	4,921	11%
Franchised schools	22,600	29,987	7,387	25%
Total Enrollees	**62,490**	**74,798**	**12,308**	**16%**

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

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

	SY 2020-2021	%	SY 2019-2020	%
CHED	35,412	56%	40,737	54%
TESDA	1,036	2%	2,152	3%
DEPED*	26,042	42%	31,909	43%
TOTAL	**62,490**	100%	**74,798**	100%

**DepEd count includes SHS students and 454 and 241 students of NAMEI who are enrolled in basic education in SY 2019-2020 and SY 2020-2021, respectively.*

Enrollment in SY 2020-2021 declined compared to SY 2019-2020 due to the impact of the Coronavirus Disease 2019 (COVID-19) pandemic.

To contain the outbreak of the COVID-19, the Office of the President, through the Executive Secretary, 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 effective March 15, 2020 and other parts of the country thereafter. These measures have caused disruptions to businesses and economic activities, and their impact on businesses continues to evolve.

For SY 2019-2020, the school calendars of 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) in Luzon, classes in all levels were suspended on March 17, 2020. Classes of SHS students were completed by end of March 2020 while classes in the tertiary level were suspended in all campuses nationwide to ensure 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 were provided to the students; or (3) face-to-face for those who cannot go online and opt to wait until STI ESG could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Classes of students who opted for online and offline studies resumed in the third week of May 2020 and were completed as at July 30, 2020.

For SY 2020-2021, STI ESG introduced 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. The Group uses a world-class and award-winning learning management system that is being used by 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 have already implemented a blended learning model for the past five years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

Onsite learning refers to school activities to be conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DepEd for SHS, TESDA and CHED for tertiary. In the event that onsite activities are prohibited by a government agency, activities or modules are to be delivered 100% online until onsite sessions are allowed. Classes of both SHS and tertiary students started on September 7, 2020. Face-to-face classes remain suspended and thus the Group has continued to conduct classes online as at March 31, 2021.

FINANCIAL REVIEW

The Group adjusted the school calendar of STI schools nationwide to align its academic cycle with the calendars of public colleges and universities as well as other private Higher Education Institutions (HEIs) not only in the Philippines but in the ASEAN region as well. In line with this, STI ESG adopted a new 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 Bureau of Internal Revenue (BIR) approved the change in the accounting period.

The succeeding sections summarize the significant factors which affected the operating results of the Group for the nine-month periods ended March 31, 2021 and 2020 and financial condition as at March 31, 2021 and June 30, 2020. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended March 31, 2021. 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 nine-month period ended March 31, 2021 and for all the other periods presented.

I. RESULTS OF OPERATIONS

Three-month period ended March 31, 2021 vs. three-month period ended March 31, 2020

For the three-month period ended March 31, 2021, the Group generated gross revenues amounting to ₱464.8 million compared to the same period last year of ₱574.6 million due to lower number of enrollees brought about by the impact of and restrictions implemented due to COVID-19 pandemic. Gross profit amounted to ₱282.5 million from ₱361.7 million for the same period last year.

The Group recorded an operating income for the three-month period ended March 31, 2021 amounting to ₱94.6 million, compared to ₱139.1 million for the same period last year. The Group recognized a net income amounting to ₱52.1 million this quarter as against ₱222.4 million net loss for the three-month period ended March 31, 2020. Net loss for the three-month period ended March 31, 2020 includes a provision for impairment of noncurrent asset held for sale amounting to ₱297.5 million.

Earnings before interest, taxes, depreciation and amortization or EBITDA, amounted to ₱220.3 million for the three-month period ended March 31, 2021 compared to ₱348.9 million for the same period last year. EBITDA for the three-month periods ended March 31, 2021 and 2020 is computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net earnings of associates and joint ventures, provision for impairment of noncurrent asset held for sale, interest expense, interest income and nonrecurring gain such as gain on foreign exchange differences. Depreciation and interest expenses for purposes of this computation exclude those related to Right-of-Use (ROU) assets and lease liabilities, respectively. EBITDA margin for the three-month period ended March 31, 2021 is 47%, compared to 61% for the three-month period ended March 31, 2020.

Nine-month period ended March 31, 2021 vs. nine-month period ended March 31, 2020

The consolidated gross revenues of the Group for the nine-month period ended March 31, 2021 amounted to ₱1,177.4 million compared to ₱1,839.6 million for the same period last year. The shift in the start of the school year for the SHS and tertiary programs and the lower number of enrollees brought about by the impact of, and restrictions implemented due to the COVID-19 pandemic, resulted in a decrease in the revenues. Gross profit amounted to ₱701.7 million compared to ₱1,215.9 million for the same period last year.

Classes for SY 2020-2021 started on September 7, 2020 instead of the usual June and July opening in the previous years. The shift in the start of classes enabled the schools within the network to adequately prepare for the effects of COVID-19 restrictions and to ensure the safety, health and well-being of the employees of the Group. The Group recognized only seven months of revenues for the nine-month period ended March 31, 2021 compared with nine months of revenues recognized in the same period last year. Consequently, the Group recorded an operating income of ₱59.2 million for the nine-month period ended March 31, 2021, and an operating income amounting to ₱452.5 million for the same period last year. The Group registered a net loss amounting to ₱74.1 million for the nine-month period ended March 31, 2021 as against ₱8.2 million net income for the same period last year.

EBITDA amounted to ₱439.2 million from ₱846.1 million for the same period last year. EBITDA for the nine-month periods ended March 31, 2021 and 2020 is computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, provision for impairment of noncurrent asset held for sale, capital gains tax on sale of noncurrent asset held for sale, and nonrecurring gains such as gain on sale of noncurrent asset held for sale and gain on foreign exchange differences. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin for the nine-month periods ended March 31, 2021 and 2020 is at 37% and 46%, respectively.

II. FINANCIAL CONDITION

The Group's total assets increased by 4% to ₱11,623.0 million as at March 31, 2021 from ₱11,227.9 million as at June 30, 2020. This was driven by the ₱697.4 million increase in cash and cash equivalents largely attributed to the proceeds of the sale of STI ESG's 20% share in the ownership of Maestro Holdings, Inc. (Maestro Holdings) and ₱189.4 million increase in receivables substantially for tuition and other school fees of SHS and tertiary students.

Cash and cash equivalents increased by ₱697.4 million or 119%, from ₱584.2 million to ₱1,281.6 million mostly arising from the collection of tuition and other school fees from students, DepEd and CHED for the SHS vouchers and Tertiary Education Subsidy (TES), respectively, as well as proceeds from the sale of STI ESG's shares in Maestro Holdings amounting to US$10.0 million equivalent to ₱480.5 million.

Receivables amounted to ₱679.4 million as at March 31, 2021, up by ₱189.4 million from ₱490.0 million as at June 30, 2020. The receivables balance is composed of amounts expected to be collected from students as payment for tuition and other school fees, and from DepEd and CHED for the SHS vouchers and TES, respectively. Receivables for tuition and other school fees, the SHS vouchers and TES are expected to be collected within the remaining months of the school year.

Inventories increased by ₱49.8 million or 37%, from ₱133.1 million to ₱182.9 million, largely attributed to the acquisition of school uniforms and textbooks. The uniforms were ordered way before the pandemic.

Prepaid expenses and other current assets increased by ₱24.1 million or 53%, from ₱45.9 million to ₱70.0 million, due to prepayments made for Microsoft, Adobe, eLMS subscriptions, data connectivity assistance for the students. Prepaid taxes likewise increased, attributed to creditable taxes withheld by lessees and excess creditable withholding taxes over the tax due which will be applied against income tax due for the following period.

Noncurrent asset held for sale with a carrying value of ₱419.1 million as at June 30, 2020 was derecognized in the books following the sale of STI ESG's shares in Maestro Holdings on December 15, 2020.

Total current liabilities increased by ₱144.3 million, from ₱1,014.9 million to ₱1,159.3 million as at June 30, 2020 and March 31, 2021, respectively, due to the ₱390.0 million increase in unearned tuition and other school fees which was partially offset by the ₱114.7 million decrease in accounts payable and other current liabilities representing payments to contractors and suppliers and ₱115.7 million decrease in current portion of interest-bearing loans and borrowings representing payments made on the current portion of long-term loans and accrued interest thereon. Unearned revenues will be recognized as income over the remaining months of the school year.

Total noncurrent liabilities increased by ₱351.0 million to ₱4,675.4 million as at March 31, 2021 from ₱4,324.4 million as at June 30, 2020 due to STI ESG's drawdowns from its Term Loan Facility in July 2020 aggregating to ₱400.0 million, net of the reclassification to current of ₱120.0 million portion of the Term Loan Facility which is due in March 2022.

Total equity decreased by ₱100.1 million or by 2%, from ₱5,888.5 million as at June 30, 2020 to ₱5,788.4 million as at March 31, 2021, due to net loss recognized by the Group for the nine-month period ended March 31, 2021, and dividends amounting to ₱40.0 million declared by STI ESG in November 2020.

III. TOP FIVE (5) KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) of the Group cover 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. The top five (5) KPIs of the Group include:

		Nine-month period ended March 31		
		2021	**2020**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	37%	46%	EBITDA margin declined in 2021 as compared to the same period in 2020 mainly due to lower revenues arising from the shift of the school calendar and lower number of enrollees brought about by the impact of the COVID-19 pandemic.
Gross profit margin	Gross profit divided by total revenues	60%	66%	Gross profit margin declined as revenues decreased due to the reasons cited above.
Return on equity	Net income (loss) attributable to equity holders of the Parent company (annualized) divided by average equity attributable to equity holders of the Parent Company	(2%)	0%	Return on equity was lower in 2021 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.	0.98	1.52	DSCR is compliant with the minimum set by management, the lender bank and STI ESG bondholders. The bar is

		Nine-month period ended March 31		
		2021	2020	Remarks
				1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months. Recognizing the economic effects of the outbreak of COVID-19, China Banking Corporation (China Bank) granted the temporary waiver of the DSCR requirement on its term loan and corporate notes facility agreements for the period ended March 31, 2021. Also, STI ESG obtained the approval of majority of the Record Bondholders for the waiver of the DSCR requirement covering period up to June 30, 2023.
Debt-to-equity ratio (D/E ratio)	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.92	0.85	D/E ratio increased due to loan drawdowns made by STI ESG from its Term Loan Facility with China Bank. Despite this, the debt-to-equity ratio remains within the prescribed ratio.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱697.4 million from ₱584.2 million to ₱1,281.6 million as at June 30, 2020 and March 31, 2021, respectively, mainly due to the collection of tuition and other school fees from students, and collection from DepEd and CHED for the SHS vouchers and TES, respectively, as well as the proceeds from the sale of STI ESG's shares in Maestro Holdings amounting to US$10.0 million equivalent to ₱480.5 million.

Receivables increased by ₱189.4 million or 39% from ₱490.0 million as at June 30, 2020 to ₱679.4 million as at March 31, 2021. The increase in receivables substantially pertain to receivables from students for tuition and other school fees, net of allowance for expected credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*. Receivables from students amounted to ₱493.4 million as at March 31, 2021 from ₱301.4 million as at June 30, 2020, and are expected to be collected from the students over the remaining months of the school year. Outstanding receivables from DepEd for the SHS qualified voucher recipients is ₱88.3 million as at March 31, 2021, posting an increase of ₱51.3 million from ₱37.0 million as at June 30, 2020. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. The vouchers are expected to be collected within 8 to 12 weeks from the date of submission of billing statements. Receivables as at June 30, 2020 include the TES from CHED amounting to ₱34.7 million which has been reduced to ₱1.5 million as at March 31, 2021.

Inventories increased by ₱49.8 million or 37%, from ₱133.1 million to ₱182.9 million, largely attributed to the acquisition of school uniforms and textbooks. Orders for the purchase of these uniforms and textbooks, in preparation for SY 2020-2021, were made way before the implementation of the restrictions to control the spread of COVID-19.

Prepaid expenses and other current assets increased by ₱24.1 million or 52% from ₱45.9 million to ₱70.0 million as at March 31, 2021. Prepaid subscriptions and licenses showed an aggregate increase of ₱12.5 million attributed to prepayments for Microsoft, Adobe and eLMS subscriptions. Prepaid taxes posted an increase of ₱10.1 million or 53% from ₱19.1 million to ₱29.2 million as at March 31, 2021, representing creditable taxes withheld by lessees and excess withholding taxes over tax due, which will be applied against income tax due for the following period. The Group recognizes the importance of a reliable internet connection in the implementation of the ONE STI Learning Model and thus, STI ESG partnered with SMART Communications, Inc. (SMART) to provide each student with a SMART SIM with a 34 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 for 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 opt to use GLOBE SIM cards and enjoy data connectivity privileges subject to an additional fee. Prepaid internet cost related to the connectivity assistance provided to the students amounted to ₱2.9 million as at March 31, 2021.

On December 15, 2020, STI ESG and Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio, executed a deed of absolute sale for the sale of 1,281,484 shares of STI ESG in Maestro Holdings representing 20% ownership, for a total consideration of US$10.0 million. Given this, STI ESG derecognized its noncurrent asset held for sale amounting to ₱419.1 million as at March 31, 2021.

Goodwill, intangible and other noncurrent assets decreased by ₱6.2 million from ₱531.6 million to ₱525.4 million as at March 31, 2021. Noncurrent advances to suppliers decreased by ₱14.0 million representing advance payments for the simulator and other maritime equipment which were acquired by NAMEI Polytechnic Institute, Inc. (NAMEI) and completely installed as at March 31, 2021. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million as deposit for the acquisition of shares of stock representing the 48% ownership held by the De Los Santos family in De Los Santos-STI College Inc. (DLS-STI College). On December 3, 2020, STI ESG acquired the net assets of STI Calbayog and STI Dumaguete for ₱2.7 million and ₱2.3 million, respectively. STI Calbayog and STI Dumaguete were owned and operated by the former franchisees Gillamac Information Technology Center, Inc. (GITEC) and STI Dumaguete, Inc. (STIDI), respectively. In view of this, STI ESG started consolidating the assets, liabilities and results of operations of STI Calbayog and STI Dumaguete covering the period beginning April 1, 2020, which is the transition date, as per agreement. The purchase price consideration has been allocated to the identifiable assets and liabilities of STI Calbayog and STI Dumaguete based on the fair values at the date of acquisition resulting in excess of consideration amounting to ₱1.3 million and ₱0.6 million, respectively. The identifiable assets and liabilities recognized in the unaudited interim condensed consolidated financial statements as at March 31, 2021 were based on a provisional assessment of the fair value of these assets and liabilities at the time of acquisition. This account also includes deposits for the purchase of a property in Iloilo aggregating to ₱183.1 million as at March 31, 2021 and June 30, 2020. The property has a total area of 2,615 square meters and is intended to be the new site of STI Iloilo. On April 23, 2021, Heva Management & Development Corporation and STI ESG executed a deed of absolute sale for the aforementioned property.

Accounts payable and other current liabilities decreased by ₱114.7 million from ₱599.0 million as at June 30, 2020 to ₱484.3 million as at March 31, 2021, due to payments made by STI ESG to the contractors and suppliers of equipment and furniture for the new STI Academic Center Legazpi and acquisition of simulator and other maritime equipment. The current portion of advance rent and security deposits likewise decreased by ₱12.8 million and ₱8.1 million, respectively, due to the application of advance rent and security deposits against the monthly rent due, in accordance with the provisions of the lease agreements, as a result of pre-terminated lease contracts and refund to former lessees in relation to expired agreements on STI ESG's investment properties. STI Novaliches' payable to STI Diamond, representing obligations due within one year from March 31, 2021 and aggregating to ₱16.6 million was reclassified from noncurrent to current portion.

Unearned tuition and other school fees increased by ₱390.0 million from ₱113.5 million as at June 30, 2020 to ₱503.5 million as at March 31, 2021. This will be recognized as income over the remaining months of the school year.

Current portion of interest-bearing loans and borrowings decreased by ₱115.7 million from ₱240.0 million to ₱124.3 million as at March 31, 2021. The balance consists of the current portion of the Term Loan Agreement of STI ESG with China Banking Corporation (China Bank) amounting to ₱ 120.0 million and Landbank loan amounting to ₱4.3 million which are both due within the next twelve months. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 has an aggregate amount of ₱1,200.0 million payable over a seven-year term. 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 or in March 2022. The proceeds from these loans were used for capital expenditures and working capital requirements. Meanwhile, STI ESG made principal payments on its Corporate Notes Facility aggregating to ₱120.0 million in July 2020. On January 29, 2021, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement with an outstanding balance of ₱240.0 million, amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reported as part of the noncurrent liabilities. In the same month, LandBank of the Philippines (LandBank) approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities (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 that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. The interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. On

September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. STI ESG has an aggregate loan drawdown from this facility amounting to ₱10.0 million as at March 31, 2021 of which ₱4.3 million is due within the next twelve (12) months. On August 24, 2020, STI ESG availed of a ₱300.0 million one-year loan from its credit line with Bank of the Philippine Islands (BPI), at an interest rate of 4.25% subject to quarterly repricing. Meanwhile, on January 22, 2021, STI ESG availed of a ₱100.0 million 180-day loan from Security Bank Corporation (Security Bank) subject to interest at 4.25%, payable quarterly. The credit lines are on a clean basis. The proceeds from these loans were used for working capital requirements. The short-term loans with BPI and Security Bank were fully settled as at March 31, 2021.

Current portion of lease liabilities decreased by ₱12.7 million from ₱59.8 million as at June 30, 2020 to ₱47.1 million as at March 31, 2021, representing payments made during the nine-month period ended March 31, 2021. Noncurrent lease liabilities decreased by ₱17.1 million from ₱324.0 million as at June 30, 2020 to ₱306.9 million as at March 31, 2021. Lease liabilities are 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 are recognized in the unaudited interim condensed consolidated financial statements of the Group following the adoption of PFRS 16, *Leases*.

Income tax payable amounted to ₱0.1 million representing income tax due on the taxable income of STI ESG's subsidiary as at March 31, 2021.

Noncurrent portion of interest-bearing loans and borrowings increased by ₱403.5 million from ₱914.7 million to ₱1,318.2 million as at June 30, 2020 and March 31, 2021, respectively, due to the reclassification from current to noncurrent liability of the ₱240.0 million balance of the Corporate Notes Facility and proceeds from the loan drawdowns made by STI ESG from its Term Loan Facility, net of the reclassification of ₱120.0 million portion of the Term Loan Facility which is due in March 2022 and is reported as part of the current portion of the interest-bearing loans and borrowings. In July 2020, STI ESG made drawdowns from its Term Loan Facility aggregating to ₱ 400.0 million subject to an interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility and the outstanding balance from the Corporate Notes Facility were repriced at a rate of 5.56% effective September 19, 2020 and February 1, 2021, respectively. The proceeds from these loans were used to settle the construction costs and acquisition of equipment and furniture for STI Legazpi and for working capital requirements.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) the secondary market on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on a non-banking day of each year commencing on June 23, 2017, until and including the relevant maturity date. The bonds payable is carried in the books at ₱2,971.3 million and ₱2,966.1 million as at March 31, 2021 and June 30, 2020, respectively, net of deferred finance charges, representing bond issue costs with a carrying value of ₱28.7 million and ₱33.9 million, as at March 31, 2021 and June 30, 2020, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Other noncurrent liabilities decreased by ₱34.4 million from ₱53.1 million as at June 30, 2020 to ₱18.7 million as at March 31, 2021. This is largely attributed to the obligations of STI Novaliches to STI Diamond which was reclassified from noncurrent to current liability, representing the amount due within one year from March 31, 2021. The noncurrent portion of advance rent and security deposits likewise decreased by ₱14.2 million and ₱3.5 million, respectively, due to the application of advance rental and security deposits against the monthly rent due as a result of the pre-terminated lease contracts on STI ESG's investment properties.

Cumulative actuarial gain, net of related tax, amounted to ₱4.9 million as at March 31, 2021 compared to the cumulative actuarial loss ₱7.9 million as at June 30, 2020, due to the impact of unrealized remeasurement gain resulting from the increase in the market value of the investment in equity shares of the pension plan assets.

In March 2021, other comprehensive income associated with noncurrent asset held for sale amounting to ₱91.9 million was reclassified by STI ESG to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively, following the disposal of STI ESG's 20% share in Maestro Holdings.

The Group's fair value adjustment on equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱1.2 million representing fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

Retained earnings decreased by ₱20.0 million from ₱2,357.5 million to ₱2,337.5 million substantially due to net loss recognized for the nine-month period ended March 31, 2021 and dividends declared on November 18, 2020 amounting to ₱0.013 per share or an aggregate amount of ₱40.0 million to stockholders of record as of December 4, 2020, net of the impact of the reclassification of other comprehensive income associated with noncurrent asset held for sale.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱1,177.4 million during the nine-month period ended March 31, 2021 compared to ₱1,839.6 million for the same period last year.

Tuition and other school fees amounted to ₱1,000.2 million for the nine-month period ended March 31, 2021, a difference of ₱608.9 million or 38% from the same period last year due to the shift in the start of the school year and lower number of enrollees brought about by the impact of the COVID-19 pandemic. The Group moved the start of the school calendar for SHS and tertiary classes from June and July in SY 2019-2020, respectively, to September in SY 2020-2021. This is attributed to the imposition of ECQ in certain parts, and General Community Quarantine (GCQ) in most parts of the country, which started on March 17, 2020. The revenue stream of the Group, which is mainly from tuition and other school fees, is recognized as income over the related school term(s) to which they pertain. For SY 2020-2021, the Group recognized the revenues related to the SHS and tertiary enrollees 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 16% and 13%, respectively. This resulted from the lower number of enrollees of franchised schools brought about by the impact of and restrictions implemented due to the COVID-19 pandemic. In addition, operations of some of STI ESG's franchised schools were either suspended or terminated. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues increased by ₱7.8 million or 15% compared to the same period last year from ₱53.0 million to ₱60.8 million for the nine-month period ended March 31, 2021 largely attributed to the data connectivity charges billed to franchised schools in the STI ESG network. Data loading to the respective SIM cards of the students is centralized in STI ESG's Head office, thus the equivalent connectivity charges pertaining to franchised schools amounting to ₱21.3 million were recognized as other revenues for the nine-month period ended March 31, 2021 in the unaudited interim condensed consolidated statements of comprehensive income of the Group. The related cost of data connectivity assistance was reported as part of the cost of educational services.

Sale of educational materials and supplies for the nine-month period ended March 31, 2021 amounted to ₱23.6 million compared to ₱67.3 million for the same period last year. Sale of educational materials and supplies recognized in SY 2019-2020 substantially pertains to the sale of uniforms and textbooks while the sale of educational materials and supplies for SY 2020-2021 is largely attributed to sale of textbooks. The decline is due to the shift in the start of the school calendar and the effect of transition from face-to-face learning to online learning brought by the impact of the COVID-19 pandemic. The cost of educational materials and supplies sold decreased likewise, concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is lower by ₱118.5 million compared to last year, from ₱575.1 million to ₱456.6 million for the nine-month periods ended March 31, 2020 and 2021, respectively. Instructors' salaries and benefits decreased by ₱90.9 million from ₱217.0 million to ₱126.1 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 increased by ₱6.8 million while depreciation expense decreased by ₱22.8 million, from ₱237.1 million to ₱214.3 million, for the nine-month period ended March 31, 2020 and 2021, respectively, primarily due to retrospective application of PFRS 16 resulting to the reversal of rent expense and recognition of ROU assets subject to depreciation as of March 31, 2020. 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. ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The related depreciation expense of ROU assets amounting to ₱28.4 million was recognized for the nine-month period ended March 31, 2021.

General and administrative expenses decreased by 16% or ₱120.9 million from ₱763.4 million to ₱642.5 million for the nine-month periods ended March 31, 2020 and 2021, respectively. Salaries, wages and benefits are lower by ₱31.1 million for the nine-month period ended March 31, 2021 compared to same period last year. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only 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 furthest extent possible and likewise optimized its manpower structure resulting in a reduced workforce. Similarly, the costs of external services, particularly security and janitorial services, decreased by ₱8.1 million and ₱20.7 million, respectively. Meanwhile, light and water expenses decreased by ₱51.2 million from ₱82.9 million for the same period last year to ₱ 31.7 million this year. Rent expense increased by ₱2.4 million while depreciation expense decreased by ₱4.3 million due to retrospective application of PFRS 16 resulting in the reversal of rent expense and recognition of ROU assets subject to depreciation as at March 31, 2020. The Group recognized a provision for ECL, largely representing ECLs on receivables from students' tuition and other school fees, amounting to ₱56.0 million for the nine-month period ended March 31, 2021. This is higher by ₱12.9 million compared to ₱43.1 million for the nine-month period ended March 31, 2020 associated with the higher receivables from the students as at March 31, 2021. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increases as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students related to the receivables pertaining to SY 2019-2020. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million representing advances to STI Accent was recognized for the nine-month period ended March 31, 2021. The Group recognized advertising and promotions expense amounting to ₱25.8 million for the nine-month period ended March 31, 2021. 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, marketing activities were mostly conducted from July to September 2020, which resulted in an increase in advertising and promotions expense. The decline in all other operating expenses is a result of the cost control measures implemented by the Group in response to the impact of COVID-19 pandemic.

The Group posted an operating income of ₱59.2 million for the nine-month period ended March 31, 2021 compared to the same period last year's operating income of ₱452.5 million, due to lower revenues caused by the shift in the start of the school year and lower number of enrollees, as a result of the COVID-19 pandemic.

Equity in net losses of associates amounted to ₱3.6 million for the nine-month period ended March 31, 2021 compared to an equity in net earnings of associates of ₱5.6 million for the same period last year.

Interest expenses increased by ₱10.5 million, from ₱217.1 million to ₱227.6 million for the nine-month period ended March 31, 2021, resulting substantially from drawdowns made by STI ESG on its Term Loan Facility with China Bank amounting to ₱400.0 million in July 2020, subject to an 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.

Interest income decreased from last year's ₱3.1 million to ₱2.2 million for the nine-month period ended March 31, 2021, as available funds were used to settle obligations with suppliers.

Rental income decreased from ₱91.2 million to ₱74.2 million for the nine-month period ended March 31, 2020 and 2021, respectively, attributed to vacancies in investment properties as a result of pre-termination of lease contracts during the period.

The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱61.4 million which is the difference between the recorded fair value of the investments as against the selling price. For tax purposes however, the gain is ₱306.4 million, which is the difference between the acquisition cost of ₱174.1 million and the selling price, on which capital gains tax of ₱46.0 million was paid. These were recognized in the Group's unaudited interim condensed consolidated statements of comprehensive income for the nine-month period ended March 31, 2021. A net foreign exchange gain of ₱3.7 million was recognized for the nine-month period ended March 31, 2021 since the sale was settled in US dollars.

Benefit from income tax amounting to ₱2.2 million was recognized for the nine-month period ended March 31, 2021 associated with the net loss recognized for the period.

STI ESG reported a net loss of ₱74.1 million for the nine-month period ended March 31, 2021 compared to net income amounting to ₱8.2 million for the same period last year.

STI ESG recognized remeasurement gain amounting to ₱12.8 million and remeasurement loss of ₱9.2 million, net of tax, for the nine-month periods ended March 31, 2021 and 2020, respectively, due to the movements in value of equity shares forming part of pension assets.

The unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱1.2 million for the nine-month period ended March 31, 2021. This represents fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

Total comprehensive loss for the nine-month period ended March 31, 2021 amounted to ₱60.1 million compared to total comprehensive income amounting to ₱6.9 million for the same period last year due to the delayed start of classes and the economic effects of the COVID-19 pandemic this fiscal year.

EBITDA amounted to ₱439.2 million from last year's ₱845.9 million for the nine-month period ended March 31, 2021. EBITDA margin is 37% compared to 46% for the same period last year due to reasons cited above.

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 ₱87.9 million for the nine-month period ended March 31, 2021 compared to core income for the same period last year of ₱299.9 million.

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 is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due within 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 at a level not lower than 1.05:1.00.

As at March 31, 2021 and 2020, the Group's DSCR are 0.98:1.00 and 1.52:1.00, respectively. As at June 30, 2020 the Group's DSCR is 1.62:1.00.

Recognizing the economic impact of the COVID-19 outbreak, China Bank granted the temporary waiver of the DSCR requirement on its term loan and corporate notes facility agreements for the period ended March 31, 2021. STI ESG also obtained the approval of the majority of the Record Bondholders for the waiver of the DSCR requirement on its bonds payable up to June 30, 2023.

<u>Credit risk</u> – Credit risk is the risk that the Group will incur a loss arising from students, franchisees, or counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for each counterparty and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivables are monitored on an ongoing basis thus minimizing the Group's exposure to bad debts.

<u>Interest rate risk</u> – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

<u>Capital risk</u> – The Group's objectives when managing capital is to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using the D/E ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its D/E ratio to keep it at a level acceptable to the Group, the lender bank, and STI ESG's bondholders. The Group's policy is to keep the D/E ratio at a level not exceeding 1.50:1.00.

As at March 31, 2021 and 2020, the Group's D/E ratios are 0.92:1.00 and 0.85:1.00, respectively. As at June 30, 2020 the Group's D/E ratio is 0.89:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

a. 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.

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 known trends, demands, commitments and events of uncertainties that will have an impact on the Group's liquidity except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

d. 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.

e. The various loan agreements entered into and the issuance of fixed-rate bonds by 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 is fully compliant with all the covenants of the respective agreements. See Notes 16 and 17 of the Notes to 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.

f. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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, STI ESG started the school calendar of tertiary students in mid-July 2019 and ended in April 2020 while classes for the basic education and SHS started in June and ended in March 2020. With the imposition of ECQ and GCQ in certain areas around the country, as previously discussed, the schools in the Group started online classes and completed SY 2019-2020 by the end of July 2020. For SY 2020-2021, STI ESG started classes in September 2020 with classes in all schools ending by June of the following year. 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 day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 17 of the Notes to 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 to collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.

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

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

   On June 21, 2017, in separate meetings, the stockholders and the BOD of STI Tanauan approved the increase in the authorized capital stock of STI Tanauan 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.

k. On December 17, 2018, CHED, the Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the TES and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). The 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 and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes 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 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.

l. On October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI (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 and as such, STI ESG 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.

   In light of the effects of the pandemic in the operation of schools and in the economy as a whole, the parties agreed to hold the implementation of the foregoing paragraph in abeyance.

m. President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group:

- Preferential income tax rate for proprietary educational institutions is reduced from 10.0% to 1.0% effective July 1, 2020 to June 30, 2023.

- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July 1, 2020.

On April 8, 2021, the BIR issued the implementing rules under Revenue Regulations No. 5-2021.

Financial Highlights and Key Performance Indicators
(in millions except margins, financial ratios and earnings per share)

	March 31, 2021 (Unaudited)	June 30, 2020 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	₱11,623.0	₱11,227.9	₱395.1	4
Current assets	2,213.9	1,672.3	541.6	32
Cash and cash equivalents	1,281.6	584.2	697.4	119
Equity attributable to equity holders of the parent company	5,788.4	5,885.6	(97.2)	(2)
Total liabilities	5,834.6	5,339.4	495.2	9
Current liabilities	1,159.3	1,014.9	144.4	14
Financial Ratios				
D/E ratio (1)	0.92	0.89	0.03	3
Current ratio (2)	1.91	1.65	0.26	16
Asset-to-equity ratio (3)	2.01	1.91	0.10	5

	Nine months ended March 31		Increase (Decrease)	
	2021	2020	Amount	%
	(Unaudited)			
Condensed Statements of Income				
Revenues	₱1,177.4	₱1,839.6	(₱662.2)	(36)
Direct costs (4)	475.7	623.7	(148.0)	(24)
Gross profit	701.7	1,215.9	(514.2)	(42)
Operating expenses	642.5	763.4	(120.9)	(16)
Operating income	59.2	452.5	(393.3)	(87)
Other expenses – net	(135.5)	(412.8)	277.3	(67)
Income (loss) before income tax	(76.3)	39.7	(116.0)	(292)
Net income (loss)	(74.1)	8.2	(82.3)	(1,004)
EBITDA (5)	439.2	846.1	(406.9)	(48)
Core income (loss) (6)	(87.9)	299.9	(387.8)	(129)
Net income (loss) attributable to equity holders of the parent company	(71.2)	10.1	(81.3)	(805)
Earnings (loss) per share (7)	(0.023)	0.003	(0.026)	(867)

	Nine months ended March 31		Increase (Decrease)	
	2021	2020	Amount	%
	(Unaudited)			
Consolidated Condensed Statements of Cash Flows				
Net cash provided by operating activities	₱453.7	₱313.9	139.8	45
Net cash provided by (used in) investing activities	274.8	(353.3)	628.1	(178)
Net cash provided by (used in) financing activities	(32.5)	87.6	(120.1)	(137)
Effect of exchange rate changes on cash and cash equivalents	1.5	0	1.5	0

Financial Soundness Indicators

	As at/Nine months ended March 31		Increase (Decrease)	
	2021	**2020**	**Amount**	**%**
Liquidity Ratios				
Current ratio [2]	1.91	1.78	0.13	7
Quick ratio [8]	1.69	1.20	0.49	41
Cash ratio [9]	1.11	0.59	0.52	88
Solvency ratios				
D/E ratio [1]	0.92	0.85	0.07	8
Asset-to-equity ratio [3]	2.01	1.88	0.13	7
DSCR [10]	0.98	1.52	(0.10)	(7)
Interest coverage ratio [11]	0.66	1.18	(0.52)	(44)
Profitability ratios				
EBITDA margin [12]	37%	46%	(9)	(20)
Gross profit margin [13]	60%	66%	(6)	(9)
Operating profit margin [14]	5%	25%	(20)	(80)
Net income (loss) margin [15]	(6%)	0%	(6)	0
Return on equity (annualized) [16]	(2%)	0%	(2)	0
Return on assets (annualized) [17]	(1%)	0%	(1)	0

(1) *D/E 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 the sum of costs of educational services and educational materials and supplies sold.*

(5) *EBITDA is net income (loss) excluding provision for (benefit from) income tax, capital gains tax on sale of noncurrent asset held for sale, interest expense, interest income, depreciation and amortization, equity in net losses (earnings) of associates and*

joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring gains such as gain on sale of noncurrent asset held for sale and gain on foreign exchange differences.

(6) *Core income (loss) represents the consolidated net income (loss) after tax derived from the Group's main business – education and other recurring income.*

(7) *Earnings (losses) 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, prepaid expenses and other current assets 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) *DSCR is measured as EBITDA for the last twelve months divided by total principal and interest due within the next twelve months.*

(11) *Interest coverage ratio is measured as income (loss) before income tax and interest expense divided by interest expense.*

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

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

(14) *Operating profit margin is measured as operating profit (loss) divided by total revenues.*

(15) *Net income (loss) margin is measured as net income (loss) after income tax divided by total revenues.*

(16) *Return on equity is measured as net income (loss) attributable to equity holders of the parent company [annualized] divided by average equity attributable to equity holders of the parent company.*

(17) *Return on assets is measured as net income (loss) [annualized] divided by average total assets.*