COVER SHEET

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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.	(632) 8812 1784
Contact Person	Company Telephone Number

06	30	SEC FORM 17-A For the Fiscal Year ended 31 June 2021	1st Thursday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

N A

Secondary License Type, If Applicable

MSRD	N/A
Dept. Requiring this Doc.	Amended Article Number/Section

Total Amount of Borrowings

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

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-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1.	For the fiscal year ended	June 30, 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	Change in Fiscal Year Ending March 31 to Fiscal Year ending June 30 beginning June 30, 2020

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 outstanding

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

Yes [ ] No [√]

Name of Stock Exchange: N/A Class of Securities: N/A

Shares of Common Stock Issued and Outstanding are not listed in any stock exchange. Fixed

Rate Bonds is listed in the Philippine Dealing & Exchange Corp. (PDEx).

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 [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.
    N/A

14. The Company was not involved in any insolvency/suspension of payments proceedings in the last five (5) years.

DOCUMENTS INCORPORATED BY REFERENCE

15. The June 30, 2021 Audited Consolidated Financial Statements is incorporated by reference in this SEC Form 17-A (Item 7)

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. DESCRIPTION OF BUSINESS

Business Development

Established on August 21, 1983, ***STI Education Services Group, Inc. (STI ESG)*** began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines. Starting as a training center, STI ESG initially offered short-term computer programming courses that were patterned to satisfy the demand of college graduates and working professionals who wanted to learn more about emerging computer technology.

Shortly after, STI ESG's campuses began to grow as it started granting franchises in other locations within Metro Manila, which soon expanded to other key areas in Luzon, Visayas, and Mindanao, and sites outside the Philippines. In 2003, management decided to focus its attention on the domestic market but continued to study the possibility of going international once again.

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

STI ESG embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI ESG schools are veering away from rented commercial complexes and have moved to bigger and better stand-alone campuses in strategic locations. The improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive to high academic delivery. To date, there are nineteen (19) wholly-owned schools with renovated or newly built facilities. In addition, STI ESG offered incentives to franchisees to upgrade their facilities, of which thirteen (13) had responded so far.

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

When the Department of Education (DepEd) announced the K to 12 program in 2013, STI ESG capitalized on its nationwide presence to implement the first-to-market approach of the Senior High School (SHS) program. STI ESG is the largest pioneer to offer Senior High School. The two (2) program tracks covered by the permit are the Academic and Technical-Vocational-Livelihood tracks. Under the Technical-Vocational-Livelihood track, STI ESG offers three strands with various specializations.

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

STI ESG fully supports the government's advocacy to provide equal opportunities to the Filipino youthby making tertiary education more accessible and encouraging them to pursue and complete higher learning. Thus, STI ESG signed a Memorandum of Agreement on December 17, 2018 with CHED and the implementing organization Unified Student Financial AssistanceSystem for Tertiary Education (UniFAST) for the enactment of the tertiary education subsidy and student loan program.

Through the consistent efforts of management, the STI brand stays true to its commitment of providing real-life education to the Filipino youth and nurturing them to become competent and responsible members of the society.

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. The SEC and BIR approved the amendments on November 4, 2019 and August 27, 2020, respectively.

STI ESG Network

As a testament to its growing presence nationwide, the STI ESG network has sixty-four (64) active schools spread across Luzon, Visayas, and Mindanao and is comprised of sixty (60) STI-Branded Colleges and four (4) STI-Branded Education Centers. Likewise, of these sixty-four (64) schools, thirty-four (34) college campuses and one (1) education center are wholly-owned, while twenty-six (26) college campuses and three (3) education centers are operated by franchisees.

Area	Wholly-Owned	Franchised
Metro Manila (12)	Caloocan Cubao Fairview Global City Las Piñas NAMEI Novaliches Pasay-EDSA Sta. Mesa	Alabang Marikina Muñoz-EDSA
Northern Luzon (17)	Baguio Dagupan Laoag Meycauayan San Jose del Monte Sta. Maria	Alaminos Angeles Balagtas Baliuag Cauayan La Union Malolos San Fernando San Jose Tarlac Vigan
Southern Luzon (19)	Batangas Calamba Carmona Legazpi Lipa Lucena Naga Ortigas-Cainta	Bacoor Balayan Dasmariñas Rosario Santa Rosa Tagaytay Tanay

Area	Wholly-Owned	Franchised
	Puerto Princesa San Pablo Sta. Cruz Tanauan	
Visayas (5)	Calbayog Dumaguete Kalibo	Maasin Ormoc
Mindanao (11)	Cagayan De Oro Davao Iligan Malaybalay Valencia	Cotabato General Santos Koronadal Surigao Tacurong Tagum

Capital Market Infrastructure

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017.

STI ESG's ₱3.0 billion bond issue has been assigned by Philippine Rating Services Corporation (PhilRatings) an Issue Credit Rating of **PRS Aa**, in its report to the Securities and Exchange Commission(SEC) dated January 23, 2017, which meant that STI ESG's proposed debt issue as of the date of the report is of "high quality and is subject to very low credit risk." According to PhilRatings, "Obligations rated **PRS Aa** are of high quality and are subject to very low creditrisk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aais the second-highest rating category on PhilRatings' existing credit rating scale." 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. On the other hand, a Negative Outlook indicates that there is a potential for the present credit rating to be downgraded in the next 12 months.

STI ESG's ₱3.0 billion bond issue is the first tranche ofits ₱5 billion fixed-rate bonds program under its 3-year shelf registration with the SEC, while the 3-year shelf registration ended on March 9, 2020. The Bonds carry 5.8085% and 6.3756% coupon rates 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 dates. The proceeds of the bonds have been fully utilized as at March 31, 2019.

COVID-19 Response

In a move to contain the Coronavirus Disease 2019 (COVID-19) outbreak, the National Capital Region and other parts of the country were subject to stringent social distancing measures, including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others. The present COVID-19 pandemic has brought challenges and has affected the global economy. Measures to mitigate the impact of such have resulted in a global economic recession, travel restrictions, and loss of jobs, among others.

Similarly, the present COVID-19 pandemic has affected the education sector. Educational institutions have suspended face-to-face classes to contain the spread of the virus and reduce infections. As such, the Group enhanced its online learning platforms to ensure continued learning during the pandemic.

Suspension and Closure of Schools

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 June 30, 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 have no material financial impact to the Group.

Continuity of Education Amidst the Community Quarantine

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

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 can go online may finish their lessons via the eLearning Management System (eLMS); (2) offline learning for students who were willing to continue and finish their lessons but cannot go online, in which they will be provided with handouts; or (3) face-to-face classes for students who cannot go online and opted to wait until STI ESG could resume classes under the "new normal" operations such as face-to-face classes combined with applicable learning modes.

Classes of students who opted for online and offline learning resumed in the third week of May 2020 and were then completed by end of July 2020, while those who opted for face-to-face classes, later took their classes online and completed the same during Term 1 of SY 2020-2021.

In SY 2020-2021, STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model and transitioned to full online learning as government restrictions for face-to-face classes remain in place. Moreover, STI ESG provided internet connectivity assistance to the students through a monthly data plan of up to 34GB to help them navigate their online classes.

Health and Safety

In the continuous battle against the coronavirus disease, STI ESG strongly prioritizes the health and safety of the students, faculty members, other school personnel, and visitors in the campus. Hence, STI ESG complies with the health and safety protocols mandated by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), Department of Health (DOH), Commission on Higher Education (CHED), Department of Education (DepEd), and other local government agencies.

To mitigate the transmission of COVID-19, STI ESG implemented different safety measures including but not limited to: (1) online learning through the ONE STI Learning Model, (2) regular disinfection of facilities, (3) provision of sanitizers or alcohols within the premises, (4) skeletal workforce in the campuses and offices during ECQ, (5) implementation of work-from-home arrangements to the furthest extent possible, (5) wearing of face masks/face shields at all times, (6) regular temperature check before entering the school or office premises and during work hours, (7) communication campaign about the institution's health and campus safety protocols and information dissemination on COVID-19 related facts through social media, (8) use of the Stay Safe application to track employees and guests entering the school or office, which also serves as a contact tracing form, (9) close monitoring of vaccinated employees, and (10) provision of a designated holding area for those who are sick or suspected of COVID-19.

Community Services

The STI ESG community demonstrated its *Bayanihan* spirit as the students, faculty members, and school personnel all worked together to extend a helping hand to their respective communities during this time of a global pandemic. Activities such as face mask donations to local government units, feeding programs for frontliners, food pack donations, and setting up of community pantries, among others were organized by various STI campuses nationwide. STI College Ortigas-Cainta also opened its dormitory facilities and provided daily meals to the healthcare workers of Cainta Municipal Hospital, while some STI students and school personnel volunteered as frontliners in their communities.

Financial Aid Programs

As part of the Group's continuing efforts to support more Filipino youth to have access to quality education especially during the unprecedented situation brought about by the economic impact of the COVID-19 pandemic, the Group partnered with banks and other institutions and provided rebates and discounts to students as follows:

LandBank ACADEME Program

LandBank approved a PhP250.0 million Term Loan/Rediscounting Line Facility on July 22, 2020, under its Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program in favor of STI ESG. The ACADEME Lending Program provides credit support to private high schools, private technical and vocational education training institutions, as well as Higher Education Institutions (HEIs) such as colleges and universities, to aid students, through their parents or benefactors, in continuing their education, under a "study now, pay later" program.

The school can borrow up to 70% of the sub-promissory notes on a per semester basis, and subject further to a maximum amount based on the school's net borrowing capacity, with a very low fixed interest rate of 3% per annum that is payable based on the maturity of the sub-promissory notes but not to exceed three years.

Under the LandBank-STI Student Loan Program, incoming and existing college students for SY 2020-2021 were able to borrow up to PhP15,000 per term, which was credited directly to the STI campus they were enrolled in. The loan amount defrayed the cost of tuition and other school fees for a given term. To further ease the financial burden of the students, STI ESG absorbed the 3% interest rate; thus, making the student loan program available to the students at no interest rate and with easy application process.

DBP RISE

STI ESG executed a memorandum of agreement with the Development Bank of the Philippines (DBP) on March 17, 2021 for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP.

Pag-IBIG – STI Educational Assistance Program

STI ESG strengthened its partnership with Pag-IBIG Fund to ensure that students from all walks of life will have the opportunity to receive quality education. Through the Pag-IBIG – STI Educational Assistance Program, Pag-IBIG Loyalty and Loyalty Plus cardholders, and their qualified dependents within the second degree of consanguinity and/or affinity availed of a 10% partial scholarship grant on tuition fees (excluding miscellaneous and other school fees). Furthermore, an additional 10% scholarship grant were offered to student applicants during SY 2020-2021. Qualified applicants are entitled to an aggregate of 20% scholarship grant on tuition fees in any STI campus nationwide.

Reduction of Other School Fees and/or Miscellaneous Fees

Select students of STI ESG enjoyed a refund and/or a tuition fee credit. STI ESG adjusted the school fees of the students enrolled in select programs for the SY 2020-2021 by reducing laboratory fees by up to 35% and/or other school fees or miscellaneous fees of both the tertiary and senior high students.

Enrollment and Graduates

STI ESG and its subsidiaries (the Group) reported a total enrollment of 76,841 and 74,798 at the beginning of SY 2018-2019 and SY 2019-2020, respectively. Private schools reported a dip in enrollment for SY 2020-2021 due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. Despite this, the Group registered an enrollment of 62,490 at the start of the school year.

The average percentage of students retained in a semester was at 98.2% in SY 2018-2019 and 98.0% in SY 2019-2020. The retention rate in SY 2020-2021 remained steady at 98.3%. Meanwhile, the average percentage of students who migrated to the succeeding semester in both SY 2018-2019 and SY 2019-2020 was 91%. Migration rate went down to 79.2% in SY 2020-2021.

The enrollees in associate and baccalaureate degree programs, technical-vocational programs, and senior high school level for SY 2018-2019 accounted for 50%, 2%, and 48% of the total enrollment, respectively. The enrollment mix posted in SY 2019-2020 was 54% for associate and baccalaureate degree programs, 3% for technical-vocational programs, and 43% for senior high school tracks and specializations. Meanwhile, the enrollment mix in SY 2020-2021 was at 56%, 2%, and 42% for associate and baccalaureate degree programs, technical-vocational programs, and senior high school tracks and specializations, respectively.

In SY 2018-2019, STI ESG generated 13,270 tertiary graduates for the first and second semesters, while 17,514 students graduated from senior high school. There were 4,832 tertiary graduates for the first and second semesters, while 15,980 students graduated from senior high school in SY 2019-2020. For SY 2020-2021, there were 2,850 students who graduated from tertiary for the first and second semesters and 12,548 senior high school graduates.

Tuition Fee Increases

No increases in tuition fees and other school fees were implemented in SY 2018-2019, SY 2019-2020, and SY 2020-2021.

New Programs/Majors and Revised Curricula

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

The Group reviews the existing course offerings as needed. The streamlining of program curricula in response to the needs of the market and developments in the industry drives the rationalization of STI course offerings. Four new programs were developed and one program was revised in SY 2018-2019. Meanwhile, 18 programs were updated in SY 2019-2020 and three new programs were developed in SY 2020-2021.

In addition, for SY 2020-2021, select STI campuses 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.

STI ESG's Standardized Courseware

STI ESG develops courseware to ensure the standard delivery of courses across all campuses in the STI ESG network. These are sets of teaching materials used by the instructors, including the course syllabus with the course outline that sets the general objectives of the course, presentation slides, the class hand-outs, and other materials for use throughout the course duration, with accompanying instructors' guides. The instructors' guides identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achievethe set objectives. The courseware materials are suited for both online learning and face-to-face classes.

As of this writing, STI ESG has developed courseware for over 500 courses and new courseware materials are being developed as new courses and programs are offered. Moreover, existing courseware materials are regularly revised and updated to keep pace with recent developments in the target industries.

In SY 2020-2021, 85 courseware materials were developed and revised for Business and Management, Arts and Sciences, IT and Engineering, Tourism Management, and Hospitality Management while 15 courseware materials were developed and updated for Senior High School. These courseware materials were embedded with activities leading toward the attainment of the STI 4Cs — Character, being Change- adept, being a good Communicator, and being a Critical Thinker — the required skills and attitude of top industries worldwide. Moreover, STI ESG updated the courseware materials that will suit the online modality and, at the same time, ensured that the materials are also Outcome-Based Education (OBE)-aligned with assessment tools, rubric, and performance tasks.

STI ESG's Standardized Periodical Examination

STI ESG's Academic Research Group (ARG) develops the Standardized Periodical Examinations. In SY 2018-2019, ARG introduced the STI Test Bank System and prepared 1,119 exams for the first semester and 692 exams for the second semester. The following school year, 57 more exams were added to the Test Bank. For SY 2020-2021, in view of the ONE STI Learning Model, the Group administered practical Standardized Periodical Examinations in the form of task performances and iLearn and Share (iLS) activities in place of the written Standardized Periodical Examinations.

Milestones

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

ONE STI Learning Model

STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model in SY 2020-2021. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience.

Onsite learning refers to school activities to be conducted on-campus and follows the latest regulations issued by the IATF, DOH, CHED for tertiary, and DepEd for SHS. Since the government still prohibits onsite activities, the Group continues to conduct classes online.

STI ESG is not new to the concept of online learning as it has been implementing a blended learning model for the past six years so that students can continue their studies at home uninterrupted despite any physical classroom disruptions. STI ESG utilizes eLMS, a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. The eLMS features built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements.

Education Centers Upgraded to Colleges

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

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

STI ESG is one of the pioneer institutions awarded with the ISO 9001:2015 Quality Management System (QMS) Certification in SY 2017-2018. This is a certification upgrade for its Learning Delivery System (LDS) with emphasis on risk-based thinking, improved applicability for services, and increased leadership requirements. The scope of the LDS was likewise extended to the senior high school level and was expanded with the inclusion of the student program development and job placement assistance.

STI ESG was recertified on February 5, 2021 and was lauded by the ISO certifying body TÜV Rheinland Philippines, Inc. for the successful transition to online learning.

STI Virtual Career Camp

In SY 2020-2021, the Group held STI Virtual Career Camp in which Grade 10 and Grade 12 students go through engaging learning modules that are designed to help them choose the right track or program for senior high school or college. Contents for Entrepreneur's Camp, Baker's Camp, Photographer's Camp, and Game Developer's Camp were developed by utilizing Articulate Rise 360 and featured interactive activities that were suited for online modality. Articulate Rise 360 is a web app that lets the users create fully-responsive online courses whether the participants are viewing the camps through a desktop computer, tablet, or mobile.

SABRE Awards Asia-Pacific

STI ESG was recognized for its youth-oriented program, the STI Career Camp, during the virtual SABRE Awards ceremony held in Tokyo, Japan on September 24, 2020. The STI Career Camp is the sole winner of the prestigious award from the Philippines and bested other Asia-Pacific region finalists in the Educational and Cultural Institutions category.

The SABRE or Superior Achievement in Branding and Reputation Award is evaluated by a jury of more than 60 industry leaders worldwide.

Asia-Pacific Stevie Awards

STI ESG also received another international award for its STI Career Camp program under the Innovation in Communications/Public Relations category. STI ESG was a bronze awardee during the virtual awarding ceremony of the 2020 Asia-Pacific Stevie Awards held on September 22, 2020. The winners were judged by more than 100 executives around the world. The Stevie Awards is the world's premier business awards, conferring recognition for achievements that generate public recognition and positive contributions worldwide.

18th Philippine Quill Awards

The International Association of Business Communicators (IABC) awarded STI ESG with two merit awards under the Communication Management – Marketing, Advertising, and Brand Communication category for STI SCOPE and STI Career Camp. STI ESG was recognized during the virtual award ceremony held on March 25, 2021 for its programs that are geared towards guiding and enriching the Filipino youth.

Faculty Achievements

Professional Development

STI College San Pablo's Tourism and Hospitality Management instructor, Russel Ramirez, was appointed as one of the three Directors of Associate in the Alliance of Hospitality and Tourism Movers of the Philippines (AHToMP) on February 12, 2021. AHToMP is one of the largest nonprofit and needs-based alliance for the tourism and hospitality industry that promotes solidarity, active service, and progressive linkages in the sector. In addition, Ramirez also became a professional member of the Institute of Global Professionals that is based in Bangladesh.

Meanwhile, STI College General Santos Tourism and Hospitality Management instructor, Edrian Sacdalan Llauderes, attended the FoodSHAP® Food Safety Training & Examination System (FSTES©) of Food Safety and Hygiene Academy of the Philippines' e-Learning Program on April 5-23, 2021. This is the country's first educational institution that focuses on the Food Safety Qualification Program for food handlers, both in the local and international hospitality industries.

Llauderes completed three programs namely Basic Food Safety for Food Handlers, HACCP Principles and Practice, and Food Safety Compliance Officer that are accredited by the American National Standard Institute. After completing the programs and passing all the assessments, he was awarded the professional designation of Food Safety Compliance Officer.

Another instructor from STI College General Santos, Chef Ronald Ferman, was also recognized as a World Certified Executive Chef by the World Association of Master Chefs Philippines and Southeast Asia. After going through a stringent virtual screening, Chef Ferman received the distinction on November 21, 2020.

Academic Research

Ann Gilyn Premarion, Academic Head of STI College General Santos, presented her research study titled "ONE STI Learning Model: Delivering Tourism Education Amidst COVID-19 Pandemic" in the 4th China-ASEAN Tourism Education Alliance (CATEA) International Conference 2020/2021 on January 16, 2021 at the East Asia Institute of Management (EAIM) campus in Singapore. Premarion's research study focused on STI ESG's ONE STI Learning Model that enables the students to continue their studies, move up to the next level, graduate, and seek employment amidst the pandemic. After her successful presentation at the international conference, the Singapore Management Journal (SMJ) published Premarion's study in its May 2021 issue. SMJ is a peer-reviewed publication that publishes original articles relating to business and management.

Meanwhile, STI College Cotabato's Social Work Department Program Head, Dr. Izriel Zeriah Kaliman-Kanda, presented her paper titled "The Lived Experiences of Bangsamoro Women in Armed Conflict Situation Towards Resiliency and National Security" during the virtual conference of Philippine Association for Social Worker, Inc. Convention on November 26-28, 2020. Kanda's study focused on the lived experiences of the Bangsamoro women in armed conflict-affected areas in Maguindanao. The results of the study intend to provide baseline data for possible intervention by addressing the issues and concerns raised by the Bangsamoro women.

Student Achievements

The educational landscape changed in SY 2020-2021 as educational institutions transitioned to online learning due to the ongoing global pandemic. With this, school activities likewise shifted to virtual conferences and online competitions. Despite these abrupt changes, STI students still proudly won accolades in different fields.

International Conference

Tourism students from STI College General Santos and STI College Tagum proudly participated as speakers in an international conference organized by the East Asia Institute of Management. With the theme, "*Emerging Trends in Tourism: Impact on Tourism Education*," the 4th China-ASEAN Tourism Education Alliance International Conference was successfully staged virtually on January 16, 2021. From STI College General Santos, Dianne Acosta talked about Transforming Traditional Community to Actors of Tourism Industry 4.0, Shiela Mae Halasan discussed the Social Media Marketing of Tourism, while Kythe Ante presented the Opportunity and Challenges of Community-based Tourism. On the other hand, representing STI College Tagum, Jewel Mae Malone shared about Crisis and Disaster Management for Tourism and Anna Mae Panton enlightened everyone on Cultural and Heritage Tourism.

Board Examination

Jenelyn Evangelista Castillo from NAMEI ranked second at the June 2021 Naval Architecture and Marine Engineering Licensure Exams with an 88.40% rating, while Jennzey Gainn Dela Peña Eleda placed 10th with an 83.50% rating. NAMEI was also recognized as one of the top 3 best performing schools as it achieved a 42.31% passing rate.

Huawei ICT Academy

STI ESG and Huawei ICT Academy partnered to equip Filipino students with the needed knowledge and skills to prepare them for their future careers in the ICT industry. Through the partnership, STI delivered Huawei ICT technologies training and encouraged select students of BS Information Technology and BS Computer Engineering to get Huawei certification. Huawei also helped integrate in-demand ICT technologies into STI programs to better prepare the students for future certifications. STI ESG has so far produced almost 300 students who were certified in five technology domains: cloud computing, Big Data, artificial intelligence, routing and switching, and storage.

An industry certification validates the skills and readiness of the students to join the ICT workforce. Every certification is valid for three years, and the students' names appear on Huawei's online database as Huawei Certified ICT Associates (HCIA). Being recognized as an HCIA vastly improves the students' competitiveness in the job market as well as the school's employment rate.

Blockchain Exellerator Program

Amidst the COVID-19 pandemic, select 4th year college students from various STI campuses completed the UnionBank Blockchain Exellerator Program on July 20, 2020. The program was an eight-week intensive course for developers who want to strengthen their knowledge about blockchain, a public ledger that records not only the assets but also the transactions of a business.

The participants were grouped into teams and tasked to create a blockchain application based on a business model. Through a five-minute elevator pitch to a panel of experts, the teams virtually presented the working prototype of their application. At the end of the presentation, seven students from the BS Information Technology and BS Computer Engineering courses were certified as blockchain experts.

K-reate for a Cause

K-reate for a Cause is a national competition where the youth can express their creativity and raise funds for their chosen charity. The design competition is part of SMART's "Live Your Passion with Purpose" campaign. Leading front and center are the South Korean idols Bangtan Sonyeondan or BTS who are known for their powerful performances and top-charting hits. Over a hundred STI students from 38 campuses nationwide joined the competition and showcased their passion for the arts and for doing good. Out of the 51 winners nationwide, 26 of them were young student designers from various STI campuses who turned their original *hallyu* (Korean wave) and BTS inspired artworks into goods.

SMART will then produce PhP50,000 worth of merchandise consisting of water tumblers, canvas tote bags, and t-shirts out of the winning artworks. The student organization may sell the merchandise items for fundraising activities for their preferred cause. The main designer will also get a Samsung Galaxy S21 phone, SMART Prepaid 5G SIM, 1,000 worth of SMART Prepaid load, and a SMART Passion + Purpose Mystery Box each to help them in their journey of pursuing their dreams.

Local Competitions

The group of Christian Daniel Perez, Roberto II Asistores, and Jovilyra Cabigao Micael from STI College Meycauayan was hailed as the Grand Winner in the Application Development Contest (AppCon) 2020 on April 17, 2020. Their group received a cash prize of PhP100,000 on top of the plaque of recognition and gold medals. Meanwhile, the STI College Bacoor group composed of Rica Mae Enriquez, Jaybert Ranmel Bautista, John Daniel Cumigad, Sean Carlos Fronda, Christian John Borjal, and Jenzen Paul Diaz was given the Excellence Award and received a cash prize of PhP50,000, silver medals, and plaque of recognition. AppCon 2020 is a competition about developing a web or mobile-based application that aims to resolve social issues in the country.

Ernest Carlo Ramilo Guiuntab from STI College Vigan also earned recognition for his school as he won first place in the tertiary category of the National Statistics Month Provincial Essay Writing Contest on October 19, 2020.

Another student from STI College Vigan, Joshua Alegre bagged the third place and Most Informative Award in the Tarlac Cultural Heritage Vlogging Contest on March 7, 2021. The competition was part of the Kanlahi Festival 2021. Alegre's vlog featured the rich cultural heritage of the town Anao.

Liofer Pinatacan, 2nd year Hotel and Restaurant Administration student from STI College Iligan, was named the Big Winner of ABS-CBN's reality competition Pinoy Big Brother: Connect on March 14, 2021. Dubbed as the "Dong Diskarte ng Zamboanga del Sur," Pinatacan garnered the most number of public votes to win the competition and took home PhP1 million and new house and lot.

STI College Sta. Mesa's Grade 12 Science, Technology, Engineering, and Mathematics (STEM) student Royce Elwood Paragua won a bronze medal in the 2021 FAMMPSA (Federation of APPSAM-MAPESA-MAPRESA Private Schools Association, Inc.) Mathematics Olympiad Online Edition. Held on March 16-17, 2021, Paragua competed against 520 students from various schools in Metro Manila.

Held on April 12-17, 2021, 3rd year BS Accountancy student Allison Bernardine Tabernilla from STI College Lucena topped the Auditing Level 3 in the Accounting Varsities Final Brawl of the Trident. The competition was organized by the National Federation of Junior Philippine Institute of Accountants Region 4 Council.

For the list of achievements in previous years, please visit www.sti.edu for prior years' 17A reports.

Faculty Development and Certification

STI ESG provides its faculty members with development programs designed as a system of services, opportunities, and projects that assist them in acquiring competencies necessary to performtheir respective functions effectively.

The Courseware-based training (CBT) programs are held during semestral and summer breaks for all faculty members from wholly-owned and franchised schools that aim to improve the teaching methodologies and content knowledge for specific courses. Courses offered for training vary from year-to-year depending on the results of the needs analyses of the faculty members of the whole STI ESG network.

Faculty Training

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

For SY 2020-2021, given the current disruption caused by the global COVID-19 health crisis to the education sector, the Group recognized the need to transform the traditional in-classroom learning delivery to alternative modes leveraging on online learning platforms, tools, and technologies. Hence, the Group kicked off SY 2020-2021 with the Tech to Teach Faculty Training, participated by 178 select faculty members. The training was designed to orient the faculty members on how they can fully utilize the STI eLMS and video conferencing tools of MS Teams in delivering their online classes.

Meanwhile, in partnership with Huawei, select STI faculty members from the IT and Engineering programs were given the opportunity to undergo free training and examination for various Huawei Certified ICT Associate (HCIA) Training and Certifications. The training and examination sessions were held online via Zoom and facilitated by trainers from Huawei ICT Academy. Fourteen faculty members passed the certification exams and became HCIA-certified faculty members.

During the same school year, the Group integrated SAP Business One Cloud System in the curriculum of BS Information Technology, BS Accountancy, BS Management Accounting, BS Accounting Information System, and BS Business Administration. In January 2021, the Business Management and IT faculty members attended an orientation about the system to equip them with the necessary knowledge and skills to teach SAP to their students. The training was conducted through MS Teams and facilitated by trainers from the FastTrack IT Academy. A total of 92 faculty members joined the training.

Faculty members assigned to teach the Travel Writing and Photography course under the BS Tourism Management program attended training focusing on building competencies in travel writing, travel photography, and travel blogging. The training, held on January 27-29 and February 3-5, 2021, was attended by 46 faculty members.

Academic Head Training

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

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

In SY 2020-2021, the Academic Heads attended the ONE STI Academic Heads Training. The training aimed to equip the Academic Heads with the mindset and technical skills necessary for an academic manager in an online learning environment. The participants were tasked to plan and implement their local faculty development programs. The training was conducted on August 18-20 and 25, 2020, and participated by 60 Academic Heads.

Faculty Certification

STI ESG administers a Faculty Competency Certification program (FCC), which evaluates a faculty member's knowledge of a particular course. FCC ascertains if the faculty member has the minimumlevel of competence needed to teach the course. Certification requirements include passing a comprehensive certification exam for each course and garnering above-average faculty evaluation ratings from superiors, peers, and students. Accordingly, the faculty member will be issued certificates after passing the certification exams per course.

In SY 2018-2019, 3,327 faculty members were certified and 11,346 certificates were released. For SY 2019-2020, 3,824 FCCs were granted and 10,834 certificates were released. Meanwhile, SY 2020-2021 registered 2,857 certified faculty members and released 9,098 certificates.

Graduate Studies Assistance Program

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

Student Development

STI ESG believes that learning should not be confined within the four corners of the classroom. To ensure that its graduates are equipped with a well-rounded education that will help them reach their highest potential, STI ESG encourages students to explore, enjoy, and learn through a wide array of academic, co-curricular, and extra-curricular activities.

For SY 2019-2020, all sports competitions which had been set for March 2020 were cancelled because of the implementation of the enhanced community quarantine in key areas in the country in response to the COVID-19 pandemic.

The government restrictions continued in SY 2020-2021 as on-campus activities with large gatherings remain strictly prohibited. Student-related activities were then implemented online, mostly on social media platforms.

iLearn and Share

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

In SY 2020-2021, STI ESG conducted the first virtual nationwide SHS-iLS Expo. Instead of a big culminating event like in previous years, students submitted short videos of their projects through the eLMS. Graduating senior high students from various tracks and specializations developed and showcased over a thousand projects.

Career Planning Program

The Career Planning Program (CPP) is a six-stage program comprised of activities intended to help the senior high school students explore and evaluate various career options. Through the CPP, students are carefully guided in making well-informed educational and career decisions. For SY 2020-2021, all activities including the one-on-one career planning consultation were conducted online via MS Teams.

Rated PG: Parents Webinar

Parents and guardians play a significant role in helping their children meet and thrive against the challenges of online learning. These webinars intend to support, empower, and recognize their continuous effort in helping the STI students be the best that they can be.

The webinar series kicked off on November 23, 2020 with the episode "Role of Parents in Supporting Students' Online Learning." STI Guidance Counselor Kristine Rose Cruz talked about the implications of distance learning on parenting and the parents' roles in supporting their child's psychological well-being. Streamed on the STI Official Facebook Fan Page, the episode registered almost 8,000 total engagement, 84,000 visibility, and 98,000 impressions.

This was soon followed by the second episode titled "Protecting Your Child's Data Privacy" that was shown on the STI Official Facebook Fan Page on December 19, 2020. In this episode, STI Associate School Legal Manager Atty. Kathlyn Catapang highlighted the importance of data for educators and shared inputs that would help the parents and guardians protect the child's data privacy. This episode reached more than 3,000 total engagement, 53,000 visibility, and 59,000 impressions.

The third episode, "Dear Parents," was a roundtable discussion featuring select STI School Administrators and Academic Heads who provided an overview of online education based on their varied perspectives. They also shared tips for parents and guardians on how they can further help their child with their educational journey. Interviews from select STI students were also shown who shared their online learning experiences. The panelists were STI College Bacoor School Administrator Jobim Monico Zabala, STI College Caloocan School Administrator Marife Ibarra, STI West Negros University EVP/University Administrator Mark Molina, STI College Global City Academic Head Renia Matira, and STI College Cotabato Academic Head Dr. Alfred Taboada.

Student Webinar

This series of webinars aims to assist the students in dealing with the different challenges they face in online learning and the impact of COVID-19 in their daily lives. For SY 2020-2021, webinars focusing on mental stress were streamed on the STI Official Facebook Fan Page.

The first episode titled "No One Left Behind – Mental Health is Everyone's Responsibility" was discussed by Dr. Eugene Hontiveros, RPsy, DIP CH, NLP, a senior consultant for MindCare Program of PhilCare. The webinar encouraged everyone to keep moving forward despite the difficult times they experience and that taking care of one's own mental well-being as well as that of the family's and loved ones' is everyone's responsibility. This episode, streamed on March 12, 2021, exceeded 16,000 total engagement, 74,000 visibility, and 76,000 impressions.

Meanwhile, the second episode "Thinking Ahead – Tips to Avoid Academic Stress" was posted on May 21, 2021. MyGolana Philippines, Inc.'s Supervising Counselor Dra. Lucia Ramos and STI ESG's Faculty Development Head Ms. Loida Dumaguin talked about anxiety and stress, shared tips on how students can avoid stressors, and emphasized the importance of maintaining student life balance. This episode registered more than 10,000 total engagement, 29,000 visibility, and 29,000 impressions.

Post-Graduation Report

The STI Alumni Relations, Placement, and Linkages (STI APL) department, through the respective STI School's Alumni and Placement Office, surveys the graduates to track employment rate. Based on most recent reports, 45% of our surveyed graduates are employed within six months after they graduated.

Interactive Career Assistance and Recruitment System (ICARES)

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

The ICARES is an exclusive job search system for STI graduates that facilitates the easy dissemination of information by STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners of STI ESG for the job placement of STI graduates may post their job openingsand request lists of graduates through www.i-cares.com or the ICARES at no cost. There are close to 100 partner companies that are using iCARES.

On-the-ground, the Group usually conducts school activities such as job fairs for recruitment purposes and provides employment preparation seminars to graduating STI ESG students. For SY 2020-2021, however, on-the-ground activities were postponed in consideration of the nationwide restrictions on mass gatherings and implementation of community quarantine measures in response to the COVID-19 pandemic.

STI APL launched instead the STI Virtual Career Fair 2021 on January 29 and February 10, 2021 with Accenture and on February 11, 2021 with Teleperformance. This is an industry-academe collaboration to assist graduating students and alumni to be informed of the new recruitment practice amid the ongoing pandemic and also link them to job opportunities. With speakers from Accenture and Teleperformance, the career fair was both a webinar and virtual recruitment that was held exclusively for STI. Almost 500 graduating students and alumni nationwide attended the virtual career fair.

STI APL also held the National Job Placement Month (NJPM) 2.0, a redesigned placement program that consists of online employment preparation seminar and virtual recruitment activities through the eLMS, from April to June 2021. The program aims to prepare the graduating students on how the "new normal" has changed the employment landscape and, at the same time, provide tips on entrepreneurship opportunities. Around 2,068 graduating students joined the seminar and 294 employers participated in the virtual recruitment.

STI Distinguished Alumni Awards

STI ESG launched the STI Distinguished Alumni Awards (STIDAA) in 2014. STIDAA honors, awards, and recognizes alumni of STI campuses who have received distinctions and achievements in their chosen fields. Since its inception in 2014 to 2020, 62 alumni have been awarded and recognized for their outstanding accomplishments.

In 2020, STIDAA recognized and honored 21 notable alumni in a virtual ceremony. The 2020 STIDAA National Awardees were Marlon Lopez, Ralph Rolly Maliwat, Mary Grace Araneta, Sergiris Ortega, Ronnel Ybañez, Jastine Ann Montilde, Ronnie Arap, Jr., Joseph John Martinez, Ronnie Cabanjin, Niño Algura, Darren Quijano, John Christian Mirasol, M.D., Roque Louie Aliyas, Clark Ty, James Olarte, Joseph Del Rio, Grace Jude, Neil Defeo, Greggie Mercado, Allan Jay Dumanhug, and Karen Jane Salutan. The nominations for the 2021 STIDAA is still ongoing in view of the disruptions caused by the global pandemic to the operations of educational institutions.

Institutional Linkages

The Group continues to identify and explore institutional linkages, memberships, and cooperation agreements to engage in more meaningful academic collaborations to develop the students and increase the graduates' employability. These linkages may cover areas such as on-the-job training (OJT), employment opportunities, courseware enhancements, faculty development, employment preparation seminars, job fairs, and scholarship grants, among others.

Department of Education (DepEd)

STI ESG partnered with DepEd to strengthen the latter's Basic Education Learning Continuity Plan (BE-LCP), a package of academic interventions that will respond to the difficulties brought about by COVID-19. Under the partnership, STI ESG will provide DepEd various forms of support for free including rendition of technical assistance in the digitization or conversion of learning contents into digital format, transportation services, and use of STI facilities nationwide to name a few.

Development Academy of the Philippines (DAP)

STI ESG and DAP inked a Memorandum of Understanding during a ceremonial virtual signing on May 12, 2021. The partnership aspires to implement the Smarter Philippines through Data Analytics, Research and Development, Training and Adoption (SPARTA) within the STI network. SPARTA is a program that aims to put in place the necessary online education as well as research and development mechanism and infrastructure. As part of the collaboration, DAP prepares to implement various activities such as town hall meetings, online roadshows, and hackathons to strengthen STI's Bachelor of Science in Retail Technology and Consumer Science (BSRTCS) program. For the online training component of SPARTA, there are 1,500 allotted slots for STI scholars.

Fasttrack Solutions, Inc.

STI ESG signed a Memorandum of Agreement with Fasttrack Solutions, Inc. on September 15, 2020. The partnership allows STI ESG to integrate SAP Business One on Cloud on the following programs: BS Accountancy, BS Management Accounting, BS Accounting Information System, BS Information Technology, and BS Business Administration. In addition, SAP Business One on Cloud can be accessed by both students and teachers on varied devices such as desktop computers, laptops, tablets, or mobile phones within the specified laboratory schedules.

Scholarships

STI ESG partnered with various companies to aid in scholarship programs and increase employment opportunities for STI ESG's graduates.

Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means of pursuing post-secondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (STI Foundation), strengthens its partnership with various TV programs from different TV networks. Twenty-eight (28) scholars were registered through the TV programs in SY 2018-2019 and 54 scholars in SY 2019-2020. No scholars were registered in SY 2020-2021 since the TV networks also experienced the disruption caused by the global pandemic and various TV shows went off-air.

Sponsored Scholarship Programs

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

The STI Foundation and its partners were able to support 1,284 scholars nationwide in SY 2018-2019, 1,119 scholars in SY 2019-2020, and 980 scholars in SY 2020-2021.

Community Extension and Outreach Programs

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

The STI Foundation

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

Alternative Learning System (ALS)

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

STI ESG reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling. ALS employs collaborative modes of instruction (face-to-face instructions), e-learning materials (e-Skwela), and performance-based assessment. ALS aims to prepare and equip the learners with the knowledge required to pass the Accreditation and Equivalency (A&E) Test given by DepEd. There are five STI campuses offering ALS—STI Colleges Ortigas-Cainta, Batangas, Lipa, Muñoz-EDSA, and Rosario. For SY 2020-2021, ALS classes were suspended in the aforementioned campuses due to the restrictions of conducting face-to-face classes among the students.

The STI Mobile School

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

Since its inception in 2011 until the end of SY 2019-2020, the STI Mobile School has travelled over a thousand sites and trained around 175,000 participants nationwide. Today, a total of six STI mobile school buses travel across Luzon, Visayas, and Mindanao. For SY 2020-2021, the STI Mobile School's scheduled visits to local communities have been suspended due to the implementation of community quarantine and prohibition of face-to-face activities nationwide.

Adopt-a-School Program

STI ESG received a Certificate of Appreciation from DepEd for being one of its active partners in implementing the Adopt-a-School program. The STI Mobile School provides alternative learning facilities to DepEd's high schools in far-flung communities. The Adopt-a-School program aims to teach students computer concepts, GNU Image Manipulation Program (GIMP), multimedia animation, audio editing, and movie presentation through ICT-enhanced training sessions, among others.

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services to help tackle the needs of the disadvantaged sectors and other organizations.

In support of DepEd's Brigada Eskwela program, STI Foundation participated in two Brigada Eskwela activities during the SY 2019-2020. Twenty ALS learners in Alfonso Central School in Cavite were taught GIMP animation. Similarly, STI Foundation conducted trainings on Computer Concepts (MS Office), multimedia tools, and video editing and layout to over a hundred public school teachers in Maria Perpetua E. Brioso National High School in Masbate.

Community and Civic Engagements

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

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

Business of Issuer

STI ESG is the largest subsidiary of STI Education Systems Holdings, Inc. (STI Holdings) the ultimate parent company of the Group. It is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from tuition and other school fees of its own schools, and from the royalties and other fees for various educational services provided to its franchised schools.

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

STI ESG School Programs

Tertiary Programs
BS in Information Systems
BS in Computer Science
BS in Information Technology
BS in Information Technology major in Network Engineering*
BS in Information Technology major in Digital Arts*
BS in Accountancy
BS in Management Accounting
BS in Accounting Information System
BS in Accounting Technology*
BS in Business Administration major in Operations Management
BS in Business Management major in Operations*
BS in Office Administration*

BS in Office Administration with specialization in Customer Relations*
BS in Hospitality Management
BS in Culinary Management*
BS in Hotel and Restaurant Management*
BS in Tourism Management
BS in Travel Management*
BS in Computer Engineering
BA in Communication
Bachelor of Multimedia Arts
BS in Marine Engineering**
BS in Marine Transportation**
BS in Naval Architecture and Marine Engineering**
Bachelor of Secondary Education major in Mathematics
Bachelor of Secondary Education major in Computer Education
Master in Information Technology
3-year Hotel and Restaurant Administration*
2-year Information Technology Program
2-year Hospitality and Restaurant Services
2-year Tourism and Events Management
2-year Computer and Consumer Electronics Program*
2-year Multimedia Arts Program*

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

Senior High School Programs
Academic Track
Accountancy, Business, and Management
Humanities and Social Sciences
Science, Technology, Engineering, and Mathematics
General Academic Strand
Technical-Vocational-Livelihood Track
ICT Strand with specializations in:
- Computer Programming
- Animation
- Illustration
- Broadband Installation
- Computer Hardware Servicing

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

Industrial Arts Strand with specialization in:
- Consumer Electronics Servicing

Junior High School***
Grade 7 to 10

****Junior High School is available only at NAMEI Polytechnic Institute of Mandaluyong, Inc.*

Professional Accreditations

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

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

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

STI ESG was awarded the ISO 9001:2015 certification on February 5, 2018 for its Learning Delivery System. It is another milestone for STI ESG as it became one of the pioneer institutions in the country to be recognized as ISO 9001:2015 certified. For the surveillance audit conducted in November 2020, STI ESG received positive findings for the successful transition to online learning. The recertification was released on February 5, 2021.

Employees

STI ESG had 1,645 employees — 1,048 of whom were faculty members, 413 were non-teaching personnel, and 184 employees were from the main office as of June 30, 2021. STI ESG provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

FUNCTION	NUMBER OF EMPLOYEES
Main Office	
Senior Management	10
Managers	63
Staff	111
Subtotal	184
STI Schools	
Teaching Personnel (wholly-owned schools)	1,048
Non-teaching Personnel (wholly-owned schools)	413
Subtotal	1,461
TOTAL	**1,645**

Item 2. PROPERTIES

STI ESG has an extensive list of properties, either owned or under long-term lease which serve as sites for offices and campuses. There are also properties that are not yet put to use, and some are held for investment. The following table sets forth information on the properties that STI ESG owns.

LOCATION	TYPE (Owned unless otherwise indicated)	USE	AREA (IN SQ.M)	
			LOT	FLOOR
Batangas	Land and building	School Campus	6,564	8,099
West Diversion Road, Iloilo City	Land	School Campus	2,615	-
Cainta, Rizal	Land and building	School Campus	39,880	12,867
		Administration Building	-	5,676
Calamba	Building Land is on long-term lease	School Campus	6,237	7,453
Caloocan	Land and building	School Campus	15,495	12,745
Carmona, Cavite	Land and building	School Campus	6,582	3,917
Cubao	Land and building	School Campus	3,768	9,982
EDSA, Pasay	Land and building	School Campus	3,911	19,812
Fairview, Quezon City	Land and buildings A & B	School Campus	1,808	4,696
	Buildings C &D are on long-term lease	School Campus	-	3,172
Fort Bonifacio, Global City	Building Land is on long-term lease	School Campus	2,632	10,101
Kalibo, Aklan	Land	School Campus	1,612	-
Kauswagan, Cagayan de Oro	Land and building	School Campus	17,563	2,704
Las Piñas	Land	School Campus	10,000	10,469
Legazpi	Land and building	School Campus	4,149	5,172
Lipa	Land and building	School Campus	3,222	12,093
Lucban, Baguio	Land and building	School Campus	731	1,796
Lucena	Building Land is on long-term lease	School Campus	4,347	8,056
Naga	Land and building	School Campus	5,170	4,506
Novaliches	Land and building	School Campus	4,983	8,362
San Jose del Monte City, Bulacan	Land and building	School Campus	4,178	11,637
Sta. Mesa	Building Land is on long-term lease	School Campus	3,691	16,379
Valencia, Bukidnon	Land and building	School Campus	300	1,137
Ternate, Cavite	Townhouse	Training Center	107	-
BF Homes, Las Piñas (GS)	Land and building – GS	Warehouse	4,094	2,865
BF Homes, Las Piñas (HS)	Land and building – HS	Warehouse	3,091	2,003
Almanza, Las Piñas	3 Condominium Units (37.2sqm/unit) and Parking	Investment Property	-	153

LOCATION	TYPE (Owned unless otherwise indicated)	USE	AREA (IN SQ.M)	
			LOT	FLOOR
Ayala Avenue, Makati City	Condominium Units (4th, 5th & 6th floors of STI Holdings Center)	Investment Property	-	3,096
Caliraya Springs, Cavinti Laguna	Land	Investment Property	948	-
Cebu City	Land	Investment Property	1,100	-
Gil J. Puyat Avenue Makati City	Condominium Units (10th, 11th, 12th, and Upper Penthouse of TechZone Building)	Investment Property	-	7,928
Sto. Tomas, Baguio	Land	Investment Property	512	-

Listed in the table below is the campus ownership of franchised schools as of SY 2020-2021.

Owned by the School		Owned by STI Franchisee		Leased from other parties			
1	Balagtas	11	Alabang	17	Alaminos	27	San Jose
2	Dasmariñas	12	Balayan	18	Angeles	28	Tagaytay
3	General Santos	13	Baliuag	19	Bacoor	29	Tarlac
4	Koronadal	14	Cotabato	20	Cauayan		
5	La Union	15	Surigao	21	Maasin		
6	Malolos	16	Vigan	22	Marikina		
7	Santa Rosa			23	Muñoz		
8	Tacurong			24	Ormoc		
9	Tanay			25	Rosario		
10	Tagum			26	San Fernando		

Campus Expansion Projects

STI ESG's strategy for business growth is focused on organic expansion and capital improvement projects as STI ESG encourages schools to move from rented space into stand-alone campuses. This direction is part of STI ESG's commitment to continuously improve the delivery of education to its students — by ensuring that its schools house state-of-the-art facilities with spacious classrooms, top-of-the-line computer laboratories, and recreational facilities.

To date, STI ESG has 19 wholly-owned campuses with newly constructed or renovated buildings while 13 of the franchised schools constructed/renovated their own buildings and upgraded their facilities. STI ESG has a total capacity that can accommodate up to approximately 150,000 students as at June 30, 2021, with almost 70% of the capacity pertaining to wholly-owned schools.

STI Academic Center Legazpi had its groundbreaking ceremony on April 26, 2018. Located at Rizal St., Cabangan East in Legazpi City, the four-storey school building stands on a 4,149- square-meter property with an estimated capacity of 2,500 senior high school and college students. The new STI Academic Center Legazpi was completed in August 2021.

Located at P. Celle corner EDSA, Pasay City is the nine-storey, with roof deck, STI Academic Center Pasay-EDSA. The structure stands on a 3,911-square-meter property. It can accommodate up to 9,000 senior high school and college students. STI ESG marked the construction of the new STI Academic Center on May 9, 2017 in a groundbreaking ceremony. The campus was inaugurated on February 26, 2020.

STI College Tagum, on the other hand, was granted a college status by CHED effective SY 2019-2020. During the same school year, STI College Tagum also transferred to its new campus in Apokon Road, Tagum City. The 6,374-square-meter property was inaugurated on October 12, 2019 and has an increased capacity of 1,800 students.

The new STI Academic Center Sta. Mesa is located at P. Sanchez Street, Sta. Mesa in the City of Manila. The 11-storey academic center, with roof deck, broke ground on May 23, 2017. The school, which can accommodate 9,000 senior high school and college students, opened its doors on March 11, 2019.

The nine-storey STI Academic Center San Jose del Monte, with roof deck, sits on a 4,178-square-meter lot area within the Altaraza Town Center, a 109-hectare master planned urban community by Ayala Land, located along Quirino Highway, San Jose del Monte City, Bulacan. The school had its groundbreaking ceremony on May 23, 2017 and was inaugurated on March 4, 2019. The new campus is set to accommodate up to 6,000 senior high school and college students.

Meanwhile, STI ESG inaugurated on February 20, 2019 another prime hub of world-class education. An eight-storey structure with roof deck built on a 3,222-square-meter property at CM Recto Avenue, Barangay 6, Lipa City in Batangas, the new STI Academic Center Lipa can accommodate as many as 6,000 students.

STI ESG, driven by its desire to provide relevant education and world-class opportunities to youth across the country, announced in February 2019 its acquisition of NAMEI Polytechnic Institute, Inc., an educational institution that offers programs such as Marine Transportation, Marine Engineering, and Naval Architecture and Marine Engineering. STI ESG also acquired NAMEI Polytechnic Institute of Mandaluyong Inc. which operates, manages and maintains an educational institution that offers basic education up to Senior High School. NAMEI is based in the newly constructed STI Academic Center Sta. Mesa.

The expansion of these campuses is part of STI's commitment to continuously improve the delivery of education to its students and, at the same time, increase the total capacity of STI for further expansion of its enrollment base in the years ahead. The Group likewise stays nimble and is always on the lookout for possible new investments and potential acquisitions.

Item 3. LEGAL PROCEEDINGS

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

The above-captioned case arose from a final and executory judgment in an action for illegal dismissal filed by a former employee of STI ESG.

Based on the Supreme Court's Decision dated July 9, 2014, the Supreme Court partially modified the March 31, 2006 Labor Arbiter Decision ("2006 LA Decision"), and ordered 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 (the "SC Decision").

As a result of the decision, the Parent Company recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

Due to said Supreme Court Decision, the case was referred to execution proceedings of the favorable judgment in favor of the former employee. In the said proceedings, both parties presented their respective computations of the monetary judgment to be awarded to the former employee.

While said proceedings were pending, on October 20, 2015, a Bank Order to release was issued to one of Parent Company's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission (NLRC).

Said garnished amount was eventually released in favor of the former employee by order of the Labor Arbiter.

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

In addition, the former employee waived the reinstatement aspect of the 2006 LA Decision, and sought the payment of separation pay.

The aforesaid proceeding continued wherein STI ESG reiterated that the only issues to be resolved were the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee was entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

Based on the record, STI ESG has paid the total amount of ₱4.2 million, exclusive of withholding taxes, to the former employee. STI ESG then moved for the new labor arbiter to issue a resolution that STI ESG has fully paid the judgment award of the former employee.

While the former employee accepted the aforesaid amount, she manifested that the same is only partial payment of the judgment award.

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

On 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.

After STI ESG opposed said appeal on the ground of improper remedy, the Labor Arbiter issued an Order dated November 5, 2020. In the Order, the Labor Arbiter "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.

After STI ESG filed its Comment to the Petition, the NLRC 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.

On May 14, 2021, STI ESG received a Petition for Certiorari filed by the former employee with the Court of Appeals.

As at October 7, 2021, the Court of Appeals has not issued any resolution requiring STI ESG to file its Comment to the Petition for Certiorari.

Esther K. Bobis vs. STI College-Cagayan de Oro and/or Mario U. Malferrari
NLRC CASE NO. RAB 10-09-00747-2015
National Labor Relations Commission

Esther K. Bobis vs. STI College-Cagayan de Oro and Mario Malferrari, School Administrator
NLRC-MAC-03-014355-2016
National Labor Relations Commission

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.

On July 2, 2019, STI ESG sent a demand letter to Complainant to recover the amount previously awarded to Complainant.

As at October 7, 2021, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

Tristan Jules P. Maningo representing STI Education Services Group, Inc. vs. Cristian N. Monreal NPS Docket No. XV-16-INV14L01174
Office of the City Prosecutor, Taguig City
ACP Vincent L. Villena

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

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

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

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

As at October 7, 2021, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

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

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

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

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 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 Company, is well within the ambit of management prerogative, (b) complainants' willful disregard and violation of the 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 Company's general work policies and procedures, amounted to gross and habitual neglect of duties, (d) complainants' willful disregard of the Company's operating procedures and systems amounted to serious misconduct, and (e) the Company's evidence sufficiently established facts and incidents upon which the loss of confidence in the complainants may fairly be made to rest considering that (i) complainants held a position of trust and confidence, and (ii) complainants' termination was based on willful breach of trust and founded on clearly established facts; (2) the School observed the requirements of due process before effecting complainants' dismissal from employment; (3) complainants are not entitled to their claims for reinstatement and the payment of monetary benefits, such as allowance, as well as damages and attorney's fees; and (4) complainants have no cause of action for illegal suspension and against individual respondent of STI ESG.

On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG

filed its Reply to the Position Paper of complainants. In said reply, STI ESG emphasized the following important points: (1) the 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 13, 2021, the Supreme Court dismissed the Petition for Certiorari filed by the complainants for being filed out of time.

On April 7, 2021, STI ESG received a copy of the Motion for Reconsideration filed by one of the Complainants. On May 5, 2021, STI ESG filed its comment on the Motion for Reconsideration. In a Resolution dated July 12, 2021, the Special Second Division of the Supreme Court denied the Motion for Reconsideration filed by one of the Complainants and directed the issuance of Entry of Final Judgement.

As at October 7, 2021, STI ESG has yet to receive the copy of the Entry of Final Judgement.

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

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

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

MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY2016-2017 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.

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

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

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

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

In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its 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 determined that the actions of STI ESG’s Finance Officer insofar as (a) recfeipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

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

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

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

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

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 forty-five (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 require additional pleadings, the appeal filed by the Plaintiffs is submitted for resolution.

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

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

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

After the parties completed the presentation of their respective evidence, STI ESG received the Decision of the Trial Court on February 4, 2020.

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

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

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

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

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 forty-five (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.

On June 4, 2021, STI ESG received the Appellant's Brief.

On July 29, 2021, STI ESG filed its Appellee's Brief.

Unless the Court of Appeals require the parties to file other pleadings, the case is deemed submitted for resolution.

STI College Tanay, Inc. represented by its President, Neil Christopher J. Bernardo v. STI Education Services Group, Inc., Eusebio H. Tanco and all persons acting under them, and for or on their behalf.
NPS No. XVI-18I0INV-20J-03084
Provincial Prosecution Office of Rizal

This is a complaint for syndicated estafa 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, Inc. ("STI Tanay"), and used the tuition fees it collected for its benefit. Based on his estimation, said alleged tuition fees was around ₱12.0 million.

On December 29, 2020, STI ESG, through its representative, filed its Counter-Affidavit and presented evidence/documents showing that STI ESG managed STI Tanay (a) when said officer initially allowed the same while there was an ongoing negotiation for the purchase of STI 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 STI Tanay, which allowed him to file the complaint, and represent said corporation in the proceedings.

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

On September 28, 2021, STI ESG received the Resolution dated February 4, 2021, which dismissed the complaint.

The complainant may file a Motion for Reconsideration on the aforesaid dismissal within fifteen (15) days from his receipt of the Resolution.

STI Education Services Group, Inc. v. STI College Tanay, Inc. and Alejandro J. Bernardo married to Loretta Jabson Bernardo
File No. 7531/ EJF File No. 21-02
Office of the Clerk of Court and Ex-Officio Sheriff – Regional Trial Court of Pasig City/ Regional Trial Court of Morong Rizal

STI filed two (2) Petition(s) for Extra-Judicial Foreclosure of Real Estate Mortgage under Act No. 3135, as amended (Petitions) over properties located in (a) Pasig and (b) Morong, Rizal.

On November 4, 2019, Development Bank of the Philippines (DBP) and STI ESG executed a Deed of Assignment, wherein the latter acquired all rights and obligations arising from the following:

a. Term Loan Agreement dated February 10, 2014 between DBP and STI Tanay for a loan amounting to ₱51.0 million, which is supported by four (4) Promissory Notes (Subject Loan);
b. Term Loan Agreement dated April 5, 2016 between DBP and STI College Tanay, Inc. (STI Tanay) for a loan amounting to ₱24.5 million, which is supported by five (5) Promissory Notes (Subject Loan);

c. Credit Line Agreement dated June 7, 2018 wherein DBP extended a credit line to STI Tanay up to a maximum amount of ₱6.0 million (Credit Line);
d. Real Estate Mortgage dated May 5, 2014 executed by STI Tanay in favor of DBP over a parcel of land and improvements with an area of 5,502 sq.m. located in Tanay, Rizal, which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage); and
e. Additional Real Estate Mortgage dated April 8, 2016 executed by STI Tanay, and Alejandro J. Bernardo married to Loretta Jabson Bernardo (Third Party Mortgagor) in favor of DBP over a parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property), which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage).

Said Deed of Assignment includes other loans obtained by STI Tanay from DBP (collectively, the "Loans").

Due to STI Tanay's failure to pay the Loans, STI ESG sent a Notice of Default dated February 14, 2020 to STI Tanay and Third Party Mortgagor. In the said Notice, STI ESG declared that the loans of STI Tanay amounting to ₱80.3 million as of December 31, 2019 to be immediately due and demandable, and STI ESG demanded full payment thereof.

Due to STI Tanay's failure to pay said Loans, STI ESG filed the instant Petition to foreclose the property covered by the Mortgage for the satisfaction of the former's outstanding obligation in the subject Loan and Credit Line amounting to ₱99.0 million as of November 30, 2020.

With respect to the Pasig Property, the same was foreclosed, and STI ESG was declared as the winning bidder. A Certificate of Sale was annotated on the title on August 5, 2021. Consequently, the one (1) year redemption period started to run on said date of annotation on the title.

With respect to the Morong Property, STI ESG is complying with certain requirements of the Clerk of Court of Rizal for the foreclosure proceedings.

STI College Tanay, Inc. represented by its President, Neil Christopher J. Bernardo and Spouses Alejandro J. Bernardo and Loretta Jabson Bernardo v. STI Education Services Group, Inc., Eusebio H. Tanco and all persons acting under them, and for or on their behalf.
Civil Case No. 21-00957-CV
Regional Trial Court – Pasig City

This is a Complaint for annulment of Extrajudicial Foreclosure Proceedings with application for 72-hour and 20-day Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction (Complaint) was filed by STI College Tanay, Inc. (STI Tanay) and Spouses Alejandro J. Bernardo and Loretta Jabson Bernardo (Mortgagors) (collectively, the "Plaintiffs") filed against the named Defendants.

On June 22, 2021, STI ESG received the Complaint.

Based on the Complaint, the Plaintiffs alleged that STI ESG, as the assignee of the loan of STI Tanay with DBP, foreclosed on the Mortgagors' parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property).

While the Complaint did not allege any procedural and/or substantive defects on the foreclosure proceedings, the Plaintiffs attempted to use the alleged illegal take-over of the operations of STI College Tanay to support the instant case.

Based on the said allegations in the Complaint, the Plaintiffs sought for the issuance of restraining orders to enjoin the registration of the Certificate of Sale and the alleged take-over of STI College Tanay.

After due proceedings on the TRO, the Trial Court denied the issuance of the TRO and/or Writ of Preliminary Injunction on July 12, 2021.

Considering the issuance of Supreme Court's Circulars which ordered the physical closure of courts and suspension of filing of any pleading, STI ESG has yet to file its Answer to the Complaint.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Except for matters taken up during the annual meeting of stockholders held on November 18, 2020 there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-seven million eight hundred twenty-nine thousand and four hundred forty-three (3,087,829,443) shares have been subscribed and paid-up. Out of the total issued shares, five million nine hundred fifty-two thousand and two hundred seventy-three (5,952,273) shares pertain to treasury shares. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Total shares owned by foreign shareholders as of June 30, 2021 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of June 30, 2021, there were sixty-four (64) shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top twenty (20) shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of June 30, 2021.

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.66
2	PRUDENT RESOURCES, INC.	13,382,275	0.43
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25

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

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

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

Dividend History:

Declaration Date	Dividends per Share	Amount
November 18, 2020	PhP0.013	PhP40.0 million
September 20, 2019	PhP0.06	PhP184.9 million
September 27, 2018	PhP0.06	PhP184.9 million

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

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. The dividends were paid on November 5, 2019.

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.

(4) Recent Sales of Unregistered or Exempt Securities

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

Item 6. MANAGEMENT DISCUSSION AND ANALYSIS

This discussion summarizes the significant factors affecting the financial condition of STI Education Services Group, Inc. ("STI ESG" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") and operating results for the years ended June 30, 2021 and March 31, 2020, and for the three months ended June 30, 2020. The amounts reflected in the June 30, 2020 audited consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and the related notes are for three months and, accordingly, are not comparable with amounts in the June 30, 2021 and March 31, 2020 consolidated financial statements with each pertaining to one whole year.

STI ESG changed its accounting period from a fiscal year beginning April 1 of each year and ending on March 31 of the following year to beginning July 1 of each year and ending on June 30 of the following year. The SEC and BIR approved the change in accounting period on November 4, 2019 and August 27, 2020, respectively. The Group adjusted the school calendar of STI schools nationwide to eventually align its academic cycle with the calendars of public colleges and other private higher education institutions not only in the Philippines but in the ASEAN region as well. To transition the change in the fiscal year, the short-period audited consolidated financial statements, which cover the financial condition of the Group as at June 30, 2020 and its operating results for the three-month period beginning April 1, 2020 to June 30, 2020 have been prepared and presented in compliance with regulatory and statutory requirements.

In order to achieve comparability, the Group prepared a voluntary disclosure of the consolidated statements of comprehensive income for each of the two years showing whole year results of operations of the Group for the years ended June 30, 2020 and 2019, see Note 39 of the audited consolidated financial statements.

The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as at June 30, 2021 and 2020, for the year ended June 30, 2021, and for all the other periods presented.

Financial Condition

June 30, 2021, vs. June 30, 2020

The Group posted consolidated total assets amounting to ₱11,292.4 million as at June 30, 2021, vs. ₱11,227.9 million as at June 30, 2020. Cash and cash equivalents increased by ₱617.9 million driven by the proceeds from the sale of STI ESG's 20% share in the ownership of Maestro Holdings, Inc. (Maestro Holdings), collection of tuition and other school fees from students, and collection from Department of Education (DepEd) and Commission on Higher Education (CHED) for the Senior High School (SHS) vouchers and Tertiary Education Subsidy (TES), respectively. STI ESG derecognized its noncurrent asset held for sale following the sale of STI ESG's shares in Maestro Holdings on December 15, 2020, while depreciation expense is recognized on the Group's property and equipment during the year ended June 30, 2021.

Cash and cash equivalents increased by 106% or ₱617.9 million from ₱584.2 million to ₱1,202.1 million as at June 30, 2020, and June 30, 2021, respectively. STI ESG generated net cash from operations amounting to ₱529.0 million, mostly arising from the collection of tuition and other school fees from students, and from DepEd and CHED for the SHS vouchers and TES, respectively. Similarly, STI ESG generated net cash from investing activities amounting to ₱165.5 million, attributed to the proceeds from the sale of STI ESG's shares in Maestro Holdings, amounting to Ten Million US Dollars (US$10.0 million), equivalent to ₱480.5 million, net of capital expenditures aggregating to ₱265.3 million during the year ended June 30, 2021. On the other hand, STI ESG made principal payments on its interest-bearing loans and borrowings, interest payments on its bond issue and outstanding loans, and paid cash dividends during the year ended June 30, 2021. The net cash used in financing activities amounting to ₱77.2 million is net of the proceeds from the loan drawdowns from STI ESG's credit facility with Bank of the Philippine Islands (BPI), Security Bank Corporation (Security Bank), and its Term Loan Facility with China Banking Corporation (China Bank).

Receivables, net of allowance for doubtful accounts, amounted to ₱437.0 million as at June 30, 2021, down by ₱53.0 million from ₱490.0 million as at June 30, 2020. The receivables balance is composed of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED and Development Bank of the Philippines (DBP) for SHS vouchers, TES and financial assistance to students, respectively. Likewise, the balance includes receivables from franchised schools which increased by ₱18.5 million from ₱57.6 million to ₱76.1 million largely attributed to charges for educational services and royalty fees during the year ended June 30, 2021. Receivables from students increased by ₱20.2 million from ₱301.4 million to ₱321.6 million. Meanwhile, improvements in collection efficiencies resulted in the reduction of the Group's allowance for expected credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, from ₱145.1 million as at June 30, 2020 to ₱138.8 million as at June 30, 2021. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱24.5 million as at June 30, 2021, posting a decrease of ₱12.5 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 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. Accounts receivable from CHED amounted to ₱34.7 million and ₱20.0 million as at June 30, 2020 and 2021, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. Receivables from DBP related to DBP RISE amounted to ₱2.9 million as at June 30, 2021. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. As at June 30, 2020, other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay), a franchisee, resulting from the Deed of Assignment entered into by STI ESG and DBP in November 2019. The said Deed of Assignment contains, among others, the assignment, transfer and conveyance, without recourse, of all of DBP's collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes. As at June 30, 2021, the outstanding receivable was reclassified to noncurrent asset under "Goodwill, intangible and other noncurrent assets" account.

Inventories increased by 30% or ₱40.0 million, from ₱133.1 million to ₱173.1 million, largely attributed to the acquisition of school uniforms and textbooks. Orders for the purchase of these uniforms and textbooks, for SY 2020-2021, were made way before the implementation of the protocol restrictions to control the spread of Coronavirus Disease 2019 (COVID-19).

Prepaid expenses increased by ₱14.9 million, or 32%, from ₱45.9 million to ₱60.8 million as at June 30, 2021, substantially due to creditable taxes withheld and excess withholding taxes over the tax due, which increased by ₱10.6 million from ₱19.1 million to ₱29.7 million as at June 30, 2020 and 2021, respectively. These prepaid taxes will be applied against income tax due the following period. Prepaid subscriptions and licenses showed an aggregate increase of ₱8.4 million representing Microsoft, Adobe, eLMS, Sangfor Firewall, and Autodesk subscriptions. Sangfor Firewall is a security device used to protect the head office and schools' network from internal and external attacks. Autodesk, on the other hand, refers to the software used to design school building blueprints. These subscription costs are normally renewed annually and are recognized as expense over the respective agreements' covering periods. Prepaid insurance likewise increased by ₱3.4 million from ₱2.8 million to ₱6.2 million substantially due to fire and building insurance and employees' health coverage which were paid in advance and are recognized as expense over the period covered. The Group recognizes the importance of a reliable internet connection in the implementation of the ONE STI Learning Model. Thus, STI ESG partnered with Smart Communications, Inc. (Smart) and Globe Telecom, Inc. (Globe) to provide students with a 34GB Smart SIM and up to 20GB Globe data plan or load per month, respectively. STI ESG provided internet connectivity assistance to students through a Smart SIM with up to 34-gigabyte data plan per month per student. 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 Smart subscribers. The internet connectivity cost is covered by the existing tuition, other school and miscellaneous fees. Students who opted to use Globe SIM cards, however, are subject to a minimal fee due to higher cost of Globe data plan as compared to that of Smart. Prepaid internet cost related to the connectivity assistance provided to the students amounted to ₱2.1 million as at June 30, 2021. The increase in prepaid expenses was offset by the decline in STI ESG's Input VAT amounting to ₱8.8 million representing the amount subsequently charged to expense and those applied against output VAT due during the year.

The noncurrent asset held for sale as at June 30, 2020 amounted to ₱419.1 million, representing the carrying value of STI ESG's 20% ownership in Maestro Holdings. The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. (PhilPlans), PhilhealthCare, Inc. (PhilCare), and Philippine Life Financial Assurance Corporation (PhilLife). On June 27, 2017, STI ESG's Board of Directors (BOD) approved the disposal of this 20% stake in Maestro Holdings. Further, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017 and the investment was carried at the lower of its carrying amount and fair value less costs to sell. On September 24, 2020, STI ESG's BOD has approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions. 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 STI ESG's 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 June 30, 2021.

Property and equipment, net of accumulated depreciation, amounted to ₱7,942.3 million from ₱7,918.7 million as at June 30, 2021 and 2020, respectively. The property and equipment balance consists of costs related to the construction of STI Academic Center Legazpi, a four-storey school building with an estimated capacity of 2,500 SHS and tertiary students, built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021. On April 23, 2021, Heva Management & Development Corporation and STI ESG executed a deed of absolute sale for the purchase of a parcel of land with an area of 2,615 square meters situated in West Diversion Road, Iloilo City for a total consideration of ₱183.1 million. As such, STI ESG reclassified the deposit for asset acquisition to land under "Property and Equipment" as at June 30, 2021. STI ESG paid the real property tax and documentary stamp tax for the transfer of ownership amounting to ₱2.9 million during the year ended June 30, 2021. As at June 30, 2021, the property has an aggregate cost of ₱185.9 million, inclusive of the related taxes. The property is intended to be the new site for STI Iloilo. These additions to property and equipment were substantially offset by the depreciation expense recognized during the year.

Investment properties declined by ₱28.5 million from ₱486.1 million as at June 30, 2020 to ₱457.6 million as at June 30, 2021, representing depreciation expense recognized for the year.

Deferred tax assets, net of deferred tax liabilities, decreased by ₱21.4 million from ₱50.0 million to ₱28.6 million as at June 30, 2020 and June 30, 2021, respectively. The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act prescribes the reduction of the preferential tax rate for proprietary educational institutions from 10.0% to 1.0% effective on July 1, 2020 to June 30, 2023. The Group assessed the impact of CREATE law in its deferred tax asset which may be realized on or before June 30, 2023 resulting in reduction of deferred tax assets as at June 30, 2021 by ₱20.5 million.

Goodwill, intangible, and other noncurrent assets decreased by ₱113.2 million from ₱531.6 million to ₱418.4 million as at June 30, 2021, substantially due to the deposits for asset acquisition aggregating to ₱183.1 million, pertaining to the Iloilo property, which was reclassified to property and equipment. Noncurrent advances to suppliers decreased by ₱13.4 million representing advance payments for the simulator and other maritime equipment acquired by NAMEI Polytechnic Institute, Inc. (NAMEI) and completely installed as at June 30, 2021. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million as deposits to acquire shares in De Los Santos-STI College Inc. (DLS-STI College), representing 48% of the outstanding capital stock. The outstanding receivable of STI ESG from STI Tanay amounting to ₱75.5 million was reclassified from "Receivables" to noncurrent asset under "Goodwill, intangible and other noncurrent assets" account". This loan of STI Tanay is secured by real estate mortgages on two parcels of land, including improvements thereon. One property is located in Pasig City and the other in Tanay, Rizal where the school is situated. STI ESG started foreclosure proceedings after several demand letters were sent to STI Tanay. STI ESG was declared as the winning bidder for the Pasig City property. STI ESG has filed a Petition for Extrajudicial Foreclosure for the property located in Tanay. As at report date, STI ESG is complying with certain requirements of the Clerk of Court of Rizal for the foreclosure proceedings of the property located in Tanay.

Accounts payable and other current liabilities decreased by ₱34.9 million, or 5%, due to payments made by STI ESG to contractors and suppliers of equipment and furniture for the new STI Academic Center Legazpi and acquisition of simulator and other maritime equipment for NAMEI. The current portion of advance rent and security deposits likewise decreased by ₱17.0 million and ₱5.2 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 lease agreements on STI ESG's investment properties.

Unearned tuition and other school fees decreased by ₱24.7 million from ₱73.4 million as at June 30, 2020 to ₱48.7 million as at June 30, 2021. This account refers to advance payment for tuition and other school fees for the SY 2021-2022.

Current portion of interest-bearing loans and borrowings decreased by ₱110.5 million from ₱240.0 million to ₱129.5 million as at June 30, 2021. The balance as at June 30, 2021 represents the current portion of the Term Loan of STI ESG with China Bank amounting to ₱120.0 million and Land Bank of the Philippines (LandBank) loan amounting to ₱9.5 million which are 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 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 July 22, 2020, 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. This program aims 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 70.0% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% interest per annum and payable based on the maturity of the promissory note issued by the parent/benefactor/student, not exceeding 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 ₱22.1 million as at June 30, 2021, of which ₱9.5 million is due within the next twelve (12) months. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are due in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor. On August 24, 2020, STI ESG availed a ₱300.0 million one-year loan from its credit line with BPI, at an interest rate of 4.25% subject to quarterly repricing. Meanwhile, on January 22, 2021, STI ESG availed of a 180-day loan amounting to ₱100.0 million from Security Bank, subject to interest at 4.75% per annum, payable quarterly. The credit lines are on a clean basis. The proceeds from these loans were used for working capital requirements. STI ESG fully settled the short-term loans with BPI and Security Bank on February 26, 2021 and March 30, 2021, respectively. 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 under the Corporate Notes Facility was reported as part of the noncurrent liabilities.

Current portion of lease liabilities decreased by ₱11.0 million, net of new lease agreements, from ₱59.8 million as at June 30, 2020 to ₱48.8 million as at June 30, 2021, representing payments made during the year ended June 30, 2021. Noncurrent lease liabilities decreased by ₱37.6 million from ₱324.0 million as at June 30, 2020 to ₱286.4 million as at June 30, 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 audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases.*

Income tax payable amounted to ₱89.5 thousand, representing income tax due on the taxable income of STI ESG's subsidiaries as at June 30, 2021.

Noncurrent portion of interest-bearing loans and borrowings increased by ₱418.7 million from ₱914.7 million to ₱1,333.4 million as at June 30, 2020 and June 30, 2021, respectively. 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%. The outstanding balance of the Corporate Notes Facility was reclassified from current to noncurrent liability given the amendment of the maturity date of its Corporate Notes Facility as mentioned in the preceding paragraphs. STI ESG, following the PFRS 9, *Financial Instruments*, assessed the terms of the new or modified financial liability if the same are substantially different from the terms of the original financial liability. The modifications of financial liabilities of STI ESG did not result in the derecognition of the original liability since the difference between the discounted present value of the cash flows under the new terms from the discounted present value of the remaining cash flows of the original financial liability is below 10%. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million. The same amount is recognized as a premium on interest-bearing loans and borrowings, net of the amortized premium portion, thus increasing the carrying value of the Corporate Notes Facility from ₱240.0 million to ₱248.1 million as at June 30, 2021. The premium on the interest-bearing loans and borrowings will be amortized and presented as reduction to future interest expense. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. Further, the noncurrent portion of the interest-bearing loans and borrowings on STI ESG's Term Loan Facility amounting to ₱120.0 million was reclassified from noncurrent to current liability as the same is due in March 2022. 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% per annum effective on September 20, 2020 and February 1, 2021, respectively. The proceeds from these loans were used to settle the costs of construction, equipment and furniture acquired 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 Securities and Exchange Commission (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 ₱2,973.1 million and ₱2,966.1 million as at June 30, 2021 and 2020, respectively, net of deferred finance charges, for the bond issue with carrying values of ₱26.9 million and ₱33.9 million, as at June 30, 2021 and 2020, respectively. The proceeds from the bonds have been fully utilized as at March 31, 2019.

Pension liabilities decreased by ₱6.2 million from ₱66.5 million to ₱60.3 million as at June 30, 2020, and June 30, 2021, respectively, resulting from the increase in the market value of the investments under the pension plan assets of the Group and lower pension expense recognized during the year ended June 30, 2021 due to the optimization of the Group's workforce.

Other noncurrent liabilities decreased by ₱47.6 million from ₱53.1 million as at June 30, 2020 to ₱5.5 million as at June 30, 2021. This is largely attributed to the reclassification of the obligation of STI Novaliches to STI Diamond from noncurrent to current liability, as a result of the conveyance of the latter's net assets to the former in August 2016. The outstanding balance amounting to ₱24.1 million represents the amount due within one year from June 30, 2021. The noncurrent portion of advance rent and security deposits likewise decreased by ₱21.3 million and ₱8.1 million, respectively, due to the application of advance rental and security deposits against the monthly rent due because of pre-terminated lease contracts on STI ESG's investment properties.

Cumulative actuarial gain, net of related tax, amounted to ₱4.6 million as at June 30, 2021 compared to the cumulative actuarial loss ₱7.9 million as at June 30, 2020, due to the impact of unrealized remeasurement gains resulting from the increase in the market value of the investment in equity shares of the pension plan assets.

In June 2020, 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 ₱1.3 million representing fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

STI ESG's share in associate's fair value loss on equity instruments designated at FVOCI amounted to ₱30.8 thousand and ₱40.7 thousand, as at June 30, 2020 and 2021, respectively, representing fair value adjustment resulting from the decline in the market value of the quoted equity shares held by STI ESG's associate. Meanwhile, STI ESG's share in associate's cumulative actuarial gain amounted to ₱0.5 million and

₱0.6 million as at June 30, 2020 and 2021, respectively, due to impact of unrealized remeasurement gains recognized by STI ESG's associate.

Retained earnings decreased by ₱5.7 million from ₱2,357.5 million to ₱2,351.8 million, due to net loss recognized for the year ended June 30, 2021, and dividends declared by STI ESG in November 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 amounting to ₱91.1 million associated with the disposal of STI ESG's noncurrent asset held for sale.

June 30, 2020, vs. March 31, 2020

The Group posted consolidated total assets amounting to ₱11,227.9 million as at June 30, 2020, vs. ₱11,492.4 million at March 31, 2020, with a decrease of ₱264.5 million, mainly due to payments made to suppliers and interest on bonds, and depreciation of property and equipment.

Cash and cash equivalents decreased by 5% or ₱33.5 million, net of cash generated from operations, from ₱617.7 million to ₱584.2 million as at March 31, 2020 and June 20, 2020, respectively due to payments made to(for) contractor and suppliers for the construction of STI Academic Center in Legazpi City, lease obligations, and interest on bonds of STI ESG.

Receivables decreased by ₱146.7 million, from ₱636.7 million to ₱490.0 million as at March 31, 2020 and June 30, 2020, respectively, due to the collection of receivables from the DepEd. Outstanding receivables from DepEd for the SHS QVR is ₱37.0 million as at June 30, 2020, representing collection amounting to ₱138.1 million from ₱175.1 million, as at March 31, 2020.

Prepaid expenses decreased by ₱9.3 million or 17% from ₱55.2 million to ₱45.9 million as at June 30, 2020, mainly due to a decline in STI ESG's Input VAT, prepaid taxes, and prepaid subscriptions and licenses. The decline in input VAT represents the amount claimed as deduction from the output VAT due for the three-month period ended June 30, 2020 while the decrease in prepaid taxes, subscriptions, and licenses represents prepayments charged to expense for the three-month period ended June 30, 2020.

Property and equipment decreased by ₱84.3 million from the March 31, 2020 balance of ₱8,003.0 million to ₱7,918.7 million as at June 30, 2020, while investment properties decreased by ₱7.1 million from the March 31, 2020 balance of ₱493.2 million to ₱486.1 million as at June 30, 2020, representing depreciation expense recognized for the three-month period ended June 30, 2020.

Deferred tax assets increased by ₱16.7 million from ₱33.4 million as at March 31, 2020 to ₱50.0 million as at June 30, 2020 representing taxable benefit recognized by STI ESG on its NOLCO for the three-month ended June 30, 2020.

The noncurrent asset held for sale as at June 30, 2020 and March 31, 2020 amounted to ₱419.1 million, representing the carrying value of STI ESG's 20% ownership in Maestro Holdings. For the year ended March 31, 2020, STI ESG has recognized a provision for impairment of its investment in Maestro Holdings amounting to ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed-income securities and pre-need reserves of PhilPlans and discounted cash flows from the financial budget covering five years approved by management of PhilLife and PhilCare. No provision for impairment has been recognized for the three-month period ended June 30, 2020.

Accounts payable and other current liabilities increased by ₱99.4 million from ₱539.7 million as at March 31, 2020 to ₱639.1 million as at June 30, 2020, representing outstanding rent, utilities, and interest payables as at June 30, 2020.

Unearned tuition and other school fees decreased by ₱121.6 million, from ₱195.0 million as at March 31, 2020 to ₱73.4 million as at June 30, 2020, net of advance payments received for SY 2020-2021, representing tuition and other school fees recognized as revenues during the three-month period ended June 30, 2020.

Current and noncurrent lease liabilities amounted to ₱59.8 million and ₱324.0 million, as at June 30, 2020, respectively, while current and noncurrent lease liabilities amounted to ₱66.1 million and ₱329.8 million, as at March 31, 2020, respectively. The decrease in the current portion represents the amount paid for the three-month period ended June 30, 2020 while the decrease in the noncurrent portion of lease liability represents the amount reclassified to the current portion and is due for payment within one year from the report date.

Income tax payable amounted to ₱2.6 million representing income tax due on the taxable income as at June 30, 2020.

Interest-bearing loans and borrowings, net of the current portion, increased by ₱0.4 million from ₱914.3 million to ₱914.7 million as at March 31, 2020 and June 30, 2020, respectively, representing amortization of the deferred finance cost for the three-month period ended June 30, 2020.

The bonds payable is carried in the books at ₱2,966.1 million and ₱2,964.4 million as at June 30, 2020 and March 31, 2020, respectively, net of deferred finance charges for bond issue costs with carrying value of ₱33.9 million and ₱35.6 million, as at June 30, 2020 and March 31, 2020, respectively.

Pension liabilities increased by ₱10.4 million from ₱56.1 million to ₱66.5 million as at March 31, 2020 and June 30, 2020, respectively, substantially representing additional retirement obligations and cumulative actuarial loss on pension assets recognized by the Group for the three-month period ended June 30, 2020.

Other noncurrent liabilities decreased by ₱18.4 million from ₱71.5 million to ₱53.1 million due to reclassification from noncurrent to the current portion of advance rent/rental deposits aggregating to ₱13.6 million. The amount that was reclassified represents the advances/deposits for lease agreements with remaining terms of one year or less.

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

Results of Operations

The Statements of Comprehensive Income cover different reporting periods resulting from the change in the fiscal year-end of the companies in the Group, as discussed in earlier paragraphs. In general, the operating results shown in the consolidated statements of comprehensive income of the Group reflect the economic impact of the ongoing COVID-19 pandemic. The Group has adapted to the new normal and has implemented online learning methods for students, including student assessments. The teachers have been trained on online teaching strategies, including development of high quality courseware materials. The Group has also embraced online marketing techniques in getting new enrollees.

In order to achieve comparability, the Group prepared a voluntary disclosure of operating results for the twelve months ended June 30, 2020 and 2019, see Note 9 of the consolidated financial statements. The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019.

Years ended June 30, 2021, vs June 30, 2020

The student enrollment of the schools under STI ESG at the start of the 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:

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

	SY 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 COVID-19 pandemic.

To contain the outbreak of the COVID-19, the Office of the President 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 on 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 covered the months of 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 the 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 to 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 by the end of July 2020, while those who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021.

For SY 2020-2021, STI ESG introduced the ONline and ONsite Education at STI (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 utilizes eLMS, a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. It features built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements. The eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. 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 six years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

The faculty members of the Group regularly undergo competency-based certifications and trainings to ensure that they are proficient in the subject matter to be able to deliver the required day-to-day lessons. The Group also recognized the need to transform the traditional in-classroom learning delivery to alternative modes and leveraged on online learning platforms, tools, and technologies given the current disruption caused by the global COVID-19 health crisis to the education sector. Several trainings were conducted online to equip the faculty members with technical skills and further strengthen the mindset necessary in an online learning environment.

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 June 30, 2021.

The consolidated gross revenues of the Group for the year ended June 31, 2021 amounted to ₱1,627.0 million compared to ₱1,951.3 million for the year ended June 31, 2020.

Tuition and other school fees amounted to ₱1,410.2 million for the year ended June 30, 2021 compared to ₱1,691.3 million from the same period in 2020. Private schools reported a dip in enrollment for SY 2020-2021 due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education for SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. Despite this, the Group registered an enrollment of over 60,000 students in SY 2020-2021. Also, as part of Group's continuous efforts to further support the students and parents in relation to the impact brought about by the COVID-19, select students enrolled in certain programs enjoyed a refund and/or a tuition fee credit. This reduced the laboratory fees by up to 35% and other school or miscellaneous fees of both SHS and tertiary students for SY 2020-2021 or by an aggregate amount of ₱67.8 million. The Group likewise granted a refund to tertiary students for SY 2019-2020 aggregating to ₱28.2 million.

Revenues from educational services and royalty fees decreased by 12% and 8%, 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.

As classes for the entire SY 2020-2021 are held online, sale of educational materials and supplies amounted to ₱24.0 million from ₱64.6 million for the years ended June 30, 2021 and 2020, respectively. 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 the sale of textbooks. The cost of educational materials and supplies sold decreased likewise, concomitant with the decrease in the sale of educational materials and supplies.

Other revenues increased by ₱12.8 million or 21% from ₱62.1 million for the year ended June 30, 2020 to ₱74.9 million for the year ended June 30, 2021 largely attributed to the data connectivity costs charged to franchised schools. 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 ₱21.4 million were recognized as other revenues for the year ended June 30, 2021 in the audited 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. The increase was partially offset by lower recovery of accounts receivable previously written-off as compared to the year ended June 30, 2020, as well as lower income from issuance of diplomas, transcript of records and other documents requested by students. Income was also recognized last year in relation to the forfeiture of security deposits on pre-terminated lease contracts on the investment properties of STI ESG.

The cost of educational services is lower by ₱50.6 million compared to last year, from ₱695.7 million to ₱645.1 million for the years ended June 30, 2020 and 2021, respectively. Instructors' salaries and benefits decreased by ₱56.3 million from ₱248.5 million to ₱192.2 million as a result of the optimization of faculty loading in the conduct of synchronous meetings with the students under the new learning modality. Rent expense decreased by ₱2.7 million due to savings on rental expenses attributed to the transfer of STI Shaw operations to STI Sta. Mesa, and STI Taft and STI Makati operations to STI Pasay-EDSA, net of lease contracts entered during the year. Depreciation expense decreased by ₱9.4 million from ₱298.2 million for the same period last year to ₱288.8 million this year attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets due to terminated lease agreements. The Group adopted PFRS 16 and applied a single recognition and measurement approach for all leases except for short-term leases and recognized ROU assets for the leases previously classified as operating lease. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The related depreciation expense of ROU assets amounting to ₱38.4 million and ₱41.8 million were recognized as part of the cost of educational services for the years ended June 30, 2021 and 2020, respectively. As classes were conducted online, school materials and supplies posted a decline of ₱10.3 million from ₱13.9 million to ₱3.6 million for the years ended June 30, 2020 and 2021, respectively. Courseware development cost amounted to ₱11.2 million for the year ended June 30, 2020 compared to ₱1.8 million for the year ended June 30, 2021. The courseware development cost for SY 2019-2020 includes the costs of curriculum development and implementation of maritime programs of NAMEI. STI ESG, in behalf of NAMEI, entered into a Cooperation Agreement with Raft Shore People, Inc. (RAFT), to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. The parties likewise agreed 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). In light of the

effects of the pandemic on the operation of schools and on the economy as a whole, the parties agreed to hold the implementation of the agreement in abeyance. Face-to-face classes remain suspended to contain the spread of the virus in the country and thus the Group has continued to conduct classes online as at June 30, 2021. Classes are conducted through various online learning platforms to continue the delivery of lessons to the students during the pandemic. Such, however, posed different risks and challenges for both teachers and students, many of whom have limited access to the internet connection. As such, the Group provided internet connectivity assistance to its students which amounted to ₱64.9 million for the year ended June 30, 2021.

Gross profit declined from ₱1,207.0 million to ₱962.5 million for the years ended June 30, 2021 and 2020, respectively, largely due to the lower number of enrollees.

General and administrative expenses decreased by 13% or ₱120.2 million from ₱947.1 million to ₱826.9 million for the years ended June 30, 2020 and 2021, respectively. Salaries, wages and benefits are lower by ₱38.3 million for the year ended June 30, 2021 compared to same period in 2020. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination during the ECQ and MECQ periods. 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 ₱9.0 million and ₱19.9 million, respectively. Meanwhile, light and water expenses decreased by ₱51.7 million from ₱94.8 million for the same period last year to ₱43.1 million this year. Rent expense decreased by ₱3.3 million due to savings generated from the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA, net of lease contract entered during the year. Depreciation expense decreased by ₱9.7 million from ₱207.4 million for the same period last year to ₱197.7 million this year attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets because of terminated lease agreements. The related depreciation expenses of ROU assets amounting to ₱22.2 million and ₱25.7 million were recognized as part of the general and administrative expense for the years ended June 30, 2021 and 2020, respectively. The Group recognized a provision for ECL amounting to ₱48.6 million, largely representing ECLs on receivables from students' tuition and other school fees for the year ended June 30, 2021, slightly up compared to ₱45.1 for the same period in 2020. While receivables from students for tuition and other school fees increased, these are substantially recent accounts that were assigned lower loss rates. Subsequent collections from the students related to the receivables for SY 2019-2020 were also considered in the computation. Collection of prior years' receivables from students showed an improvement compared to the estimated credit loss recognized for the year ended June 30, 2020. The Group recognized ECL based on the Group's assessment of credit risk considering all reasonable and supportable information, including that which is forward-looking. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and credit risks increase, with the likelihood of the receivables becoming impaired. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million representing receivables to an associate was recognized for the year ended June 30, 2021. Provisions for inventory obsolescence amounting to ₱0.8 million and ₱4.8 million, representing impairment of old uniforms and textbooks were recognized for the years ended June 30, 2021 and 2020, respectively. The Group recognized advertising and promotions expense amounting to ₱46.0 million for the year ended June 30, 2021. Bulk of the marketing activities and programs for SY 2019-2020 were concluded as at 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 increased the advertising and promotions expense recognized for the year ended June 30, 2021. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million was recognized for the year ended June 30, 2021. 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 ₱135.6 million for the year ended June 30, 2021 compared to ₱260.0 million for the year ended June 30, 2020, due to lower revenues caused by lower number of enrollees, as a result of the COVID-19 pandemic.

Equity in net earnings of associates amounted to ₱3.7 million for year ended June 30, 2021 compared to equity in net earnings of associates of ₱4.0 million for the same period in 2020.

Interest expenses increased by ₱19.6 million, from ₱282.7 million to ₱302.3 million for the year ended June 30, 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% per annum. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum effective on September 19, 2020.

Interest income decreased from last year's ₱4.0 million to ₱3.7 million for the year ended June 30, 2021, as available funds were used to settle obligations with suppliers.

Rental income decreased from ₱121.5 million to ₱90.7 million for the years ended June 30, 2020 and 2021, respectively, attributed to vacancies in investment properties of STI ESG as a result of pre-termination of and expired lease contracts during the year ended June 30, 2021.

STI ESG recognized dividend income from its equity share in De Los Santos Medical Center, Inc. (DLSMC) accounted for at FVOCI amounting to ₱0.8 million for the years ended June 30, 2021 and 2020. In addition, STI ESG received dividends from STI Marikina, an associate, amounting to ₱1.0 million for the year ended June 30, 2020, which was recognized as dividend income, since the carrying amount of STI ESG's investments in STI Marikina amounted to nil as at June 30, 2021 and 2020.

Following the amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 percent' test for derecognition of financial liabilities,* STI ESG assessed the terms of the new or modified financial liability. The modifications of financial liabilities of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. The modification of terms and conditions resulted in the recognition of loan premium, which adjusted the carrying value of the loan, and loss on loan modification amounting to ₱8.3 million recognized in the consolidated statement of comprehensive income for the year ended June 30, 2021.

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, COVID-19-related Rent Concessions resulting in recognition of other revenues aggregating to ₱17.7 million for the year ended June 30, 2021.

For the year ended June 30, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The decline in fair value as at June 30, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale for the sale of STI ESG's 20% ownership in Maestro Holdings, for a price of US$10.0 million. The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱15.5 million which is recognized and presented as "gain on sale of noncurrent asset held for

sale, net of capital gains tax" amounting to ₱45.9 million, in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the carrying value of the STI ESG's 20% stake in Maestro Holdings of ₱419.1 million as at June 30, 2020 and the equivalent peso selling price of ₱480.5 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15% of the ₱306.4 million, which is the difference between the acquisition cost of investment amounting to ₱174.1 million and the selling price recorded at its peso equivalent of ₱480.5 million. The related net foreign exchange gain of ₱4.0 million was recognized for the year ended June 30, 2021 since the sale was settled in US dollars.

Provision for income tax amounting to ₱20.2 million was recognized for the year ended June 30, 2021, net of DTA recognized during the year ended June 30, 2021, largely due to the reduction in the balance of deferred tax asset of STI ESG following the implementation of the CREATE Law which prescribes lower preferential income tax rate for proprietary educational institutions from 10% to 1% effective on July 1, 2020 to June 30, 2023.

STI ESG reported a net loss of ₱60.1 million for the year ended June 30, 2021 compared to net loss amounting to ₱205.0 million for the year ended June 30, 2020. Net loss for year ended June 30, 2020 includes a provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings.

STI ESG recognized remeasurement gain amounting to ₱12.5 million and remeasurement loss of ₱16.0 million, net of income tax effect, for the years ended June 30, 2021 and 2020, respectively, due to the movements in value of equity shares forming part of pension assets. Similarly, the Group's share in associates' cumulative actuarial loss amounting to ₱64.8 thousand as at June 30, 2020, registered a cumulative gain amounting to ₱0.2 million, resulting from remeasurement unrealized gains recognized based on associates' actuarial reports for the year.

The unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱1.4 million for the year ended June 30, 2021 compared to ₱7.7 million for the year ended June 30, 2020. STI ESG recognized unrealized fair value adjustment on its unquoted equity instrument amounting to negative ₱10.7 thousand and ₱8.1 million for the years ended June 30, 2021 and 2020, respectively. Similarly, STI ESG recognized unrealized fair value adjustment on its quoted equity instruments which are designated at FVOCI amounted to ₱1.4 million and negative ₱0.4 million for the years ended June 30, 2021 and 2020, respectively. The Group's share in associates' unrealized fair value loss adjustment on equity instruments designated at FVOCI is ₱9.8 thousand for the year ended June 30, 2021 from ₱2.6 thousand of the same period in 2020, as the market values of certain equity shares declined as of the financial statements reporting date.

Total comprehensive loss amounted to ₱46.0 million and ₱213.4 million for the years ended June 30, 2021 and 2020, respectively.

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased from ₱794.0 million to ₱628.5 million for the year ended June 30, 2021. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 39% compared to 41% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱85.3 million for the year ended June 30, 2021 compared to core income for the same period last year of ₱88.5 million.

Years ended June 30, 2020, vs. 2019

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

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

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

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

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

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

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

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

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

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

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

STI ESG posted gross revenues amounting to ₱1,951.3 million for the year ended June 30, 2020 compared to ₱2,062.0 million for the year ended June 30, 2019.

Tuition and other school fees amounted to ₱1,691.3 million for the year ended June 30, 2020, slightly up by ₱3.8 million from the same period in 2019. Enrollment of wholly-owned schools is up by 1%. Similarly, the enrollment mix in favor of CHED enrollees improved as the Group registered a 44% increase in new students enrolled under the CHED programs in SY 2019-2020. For SY 2019-2020, CHED accounts for 54% of the student population compared to 50% in SY 2018-2019. The related increase in tuition and other fees attributed to the foregoing was partially offset by the refund given to the tertiary students. Classes were suspended in all campuses nationwide starting on March 17, 2020 due to the imposition of ECQ in Luzon and subsequently, in other parts of the country. Classes of SHS students within the STI Network were completed by the 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. Classes for tertiary students were later conducted online and offline in May 2020 and were completed by end of July 2020. Students who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021. In relation to the conduct of online classes, the Group reduced the laboratory fees for tertiary students for SY 2019-2020 or approximately ₱28.2 million.

Revenues from educational services and royalty fees decreased by 25% attributed to a lower number of enrollees and timing difference in the collection of tuition and other school fees of franchised schools. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies went down from ₱139.4 million to ₱64.6 million, a 54%, or ₱74.8 million decrease substantially due to the lower sale of uniforms. STI ESG introduced new designs of tertiary uniforms in SY 2018-2019, which contributed to the higher sale of tertiary uniforms for the year ended June 30, 2019. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is lower by ₱9.9 million, from ₱705.6 million to ₱695.7 million for the years ended June 30, 2019, and 2020, respectively. The cost of instructors' salaries and benefits decreased by ₱11.5 million from ₱260.0 million to ₱248.5 million for the year ended June 30, 2020 largely due to the shift in the classes of tertiary students for SY 2019-2020 to July 2019 compared to June in SY 2018-2019. Depreciation expense increased by ₱84.4 million from ₱213.3 million to ₱298.2 million for the year ended June 30, 2020, representing direct expense portion of depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA and the depreciation on the ROU assets which were recognized in relation to the adoption of PFRS 16. The depreciation expense on ROU assets amounting to ₱41.8 million was recognized as part of the cost of educational services for the year ended June

30, 2020. Rent expense attributed to the direct expense portion decreased by ₱48.8 million due to the adoption of PFRS 16 and savings on rental expenses attributed to the transfer of STI Shaw operations to STI Sta. Mesa, and STI Taft and STI Makati operations to STI Pasay-EDSA. On October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI, entered into a Cooperation Agreement with RAFT. Consequently, courseware development cost increased by ₱9.0 million from ₱2.2 million to ₱11.2 million for the year ended June 30, 2020 representing costs for curriculum development and courseware preparation and implementation. Other direct expenses decreased by ₱45.6 million from ₱130.8 million to ₱85.2 million for the year ended June 30, 2020, substantially because of the school activities and programs which were canceled due to the implementation of the ECQ.

General and administrative expenses decreased by ₱90.6 million from ₱1,037.7 million to ₱947.1 million for the year ended June 30, 2019 and 2020, respectively. Salaries, wages and benefits are lower by ₱8.2 million for year ended June 30, 2020 compared to same period in 2019. The Group deploys only skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination during the ECQ and MECQ periods. The Group also embraced work-from-home arrangements to the furthest extent possible during the community quarantine periods. Rent expense decreased by ₱31.2 million due to the adoption of PFRS 16 aggregating to ₱5.6 million and savings generated from the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA. Depreciation expense went up by ₱31.1 million due to the adoption of PFRS 16 and due to depreciation expense recognized for the newly completed buildings of STI Lipa, STI San Jose del Monte, STI Sta. Mesa and STI Pasay-EDSA. Insurance expenses likewise increased by ₱2.3 million in line with the completion of the aforementioned school buildings. Light and water decreased by ₱12.9 million for the year ended June 30, 2020 as classes were held online since the start of the community quarantine in March 2020. The Group recognized a provision for ECL amounting to ₱45.1 million for the year ended June 30, 2020, up by ₱5.5 million compared to the same period in 2019. The Group recognized ECLs based on the Group's assessment of credit risk considering all reasonable and supportable information, including that which is forward-looking. Provision for inventory obsolescence of ₱4.8 million representing impairment of old tertiary uniforms was recognized for the year ended June 30, 2020. STI ESG conducts annual impairment testing of goodwill recognized through business combinations. Impairment testing showed that the Group's CGUs' recoverable amounts were higher than their carrying values except for the goodwill related to STI Tuguegarao and STI Pagadian as at June 30, 2019. For the year ended June 30, 2019, the Group recognized provision for impairment of goodwill related to these schools aggregating to ₱17.0 million since their recoverable amounts were lower compared to their carrying amounts. Advertising and promotions decreased by ₱42.1 million as STI ESG transitioned from traditional television advertisements to online or digital advertising which is more specifically directed to its target market at a lower cost. Also, majority of 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.

The Group posted an operating income of ₱260.0 million for the year ended June 30, 2020, compared to ₱211.9 million for the year ended June 30, 2019 attributed to lower expenses during the year ended June 30, 2020.

Interest expenses increased by ₱81.4 million year-on-year, from ₱201.3 million to ₱282.7 million due to an increase in the interest rate on long-term loans of STI ESG's Corporate Notes Facility Agreement with China Bank, from 4.54% to 7.89% (per annum). Also, STI ESG availed of short-term loans aggregating to ₱468.0 million subject to interest rates ranging from 4.75% to 5.75%. These short-term loans were fully paid as at June 30, 2020. Further, STI ESG also incurred additional interest expense on its loan drawdown from the Seven-year Term Loan Facility with China Bank aggregating to ₱800.0 million during the year ended June 30, 2020, with interest rates ranging from 5.81% to 6.31%. The proceeds from these loans were used for capital expenditures and working capital requirements. Also, with the completion of the new school buildings for

STI Lipa, STI San Jose del Monte, STI Sta Maria and STI Pasay-EDSA, interest expenses related to the bond issue of STI ESG are now charged to expense.

Rental income increased by ₱11.0 million from ₱110.5 million to ₱121.5 million for the year ended June 30, 2020 and 2019, respectively, attributed to the renewal of lease agreements on STI ESG's investment properties.

For the year ended June 30, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The lower fair value as at June 30, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using Maestro Holdings' adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds and other fixed-income securities and pre-need reserves for PhilPlans and discounted cash flow covering five years from the financial budget approved by management for PhilLife and PhilCare. No provision for impairment was recognized for the year ended June 30, 2019.

Interest income decreased from ₱8.6 million to ₱4.0 million for the year ended June 30, 2020. Interest income recognized during the year ended June 30, 2019 was mainly from short-term placements of the proceeds from the bond issue. The proceeds from the bonds have been fully utilized as at June 30, 2019.

Equity in net earnings of associates decreased by ₱1.3 million from ₱5.3 million to ₱4.0 million for the years ended June 30, 2019 and 2020, respectively, representing STI ESG's share in the net income of an associate.

STI ESG recognized dividend income from its associate, STI Marikina, and its equity share in DLSMC accounted for at FVOCI, aggregating to ₱1.8 million and ₱5.2 million for the years ended June 30, 2020 and 2019, respectively. De Los Santos-STI College sold its remaining common shares of stock in DLSMC to Metro Pacific Hospital Holdings, Inc. (MPHHI) in February 2019.

On March 27, 2019, STI ESG and STI College Tagum, Inc., the assignee, entered into a deed of assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a former branch of STI ESG for a sum of ₱7.0 million. The sale was effective on April 1, 2019. In relation to this, gain on sale amounting to ₱4.4 million was recognized for the year ended June 30, 2019.

Provision for income tax amounting to ₱16.0 million was recognized for the year ended June 30, 2020, associated with the taxable income recognized for the year.

STI ESG reported a net loss of ₱205.0 million for the year ended June 30, 2020, compared to net income amounting to ₱114.3 million for the year ended June 30, 2019 due to the provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings in 2020.

STI ESG recognized remeasurement losses amounting to ₱16.0 million and ₱53.7 million, net of taxes, for the years ended June 30, 2020, and 2019, respectively, due to the decline in value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱7.7 million for the year ended June 30, 2020, an improvement from negative ₱0.2 million for the year ended June 30, 2019. The increase represents fair value adjustment in the market value of STI ESG's unquoted equity instrument which increased by ₱8.1 million.

Total comprehensive income for the year ended June 30, 2020, amounted to negative ₱213.4 million compared to total comprehensive income of ₱60.4 million for the year ended June 30, 2019, driven primarily by the provision for impairment of STI ESG's investment in Maestro Holdings.

EBITDA increased from ₱696.5 million to ₱794.0 million for the year ended June 30, 2020. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin for the year ended June 30, 2020 is 41%, higher than the 34% for the year ended June 30, 2019.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱88.5 million for the year ended June 30, 2020, compared to core income amounting to ₱104.5 million for the year ended June 30, 2019.

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 debt service cover ratio (DSCR) is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its DSCR to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the DSCR at a level not lower than 1.05:1.00.

As at June 30, 2021 and 2020, the Group's DSCR 1.42:1.00 and 1.62:1.00, respectively. As at March 31, 2020 the Group's DSCR is 1.51:1.00.

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 year ended June 30, 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.

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

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

Capital Risk- The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

As at June 30, 2021 and 2020, the Group's debt-to-equity ratio is 0.94:1.00 and 0.89:1.00, respectively. As at March 31, 2020 the Group's debt-to-equity ratio is 0.85:1.00.

Agreements/Commitments and Contingencies/Other Matters

a. There are no changes in accounting estimates used in the preparation of the audited consolidated financial statements for the current and prior financial periods.

b. Except as provided in Note 33 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules," the Group has no other financial and capital commitments.

c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

d. There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of STI ESG.

e. There are no known trends, demands, commitments, events or uncertainties that will have an impact on STI ESG's liquidity except for the contingencies and commitments enumerated in Note 33 of the Notes to the Consolidated Financial Statements attached as part of "Exhibits and schedules."

f. 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 loan agreements. See Notes 17, 18, and 34 of the Notes to the Audited Consolidated Financial Statements of the Company attached as part of "Exhibits and schedules" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

g. There are no 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. Classes for students who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021. 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 2 of the Notes to the Audited Consolidated Financial Statements, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 18 of Notes to Audited 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 upon by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017, and cash payments by the Joint Venture Parties.

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

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

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

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

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

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

Considering the pandemic and its effects in the economy, the parties decided to hold the project in abeyance. In the meantime, STI Tanauan remains as a wholly-owned subsidiary of STI ESG and is continuing its operations.

k. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the 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 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 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 directly pays the schools where these students enrolled.

l. 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 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 loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.00% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. This ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company.

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

m. In September 2020, STI ESG wrote CHED, TESDA and DepEd of its decision to suspend the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY 2020-2021 and to cease the operations of STI Pagadian effective SY 2020-2021. Similarly, the respective franchisees also informed CHED, TESDA and DepEd of the cessation of operations of some of STI ESG's franchised schools namely: STI College Bohol, Inc. ("STI Bohol"), STI College Recto, Inc. ("STI Recto"), Sungold Technologies, Inc. ("STI Zamboanga"), STI College Pasay, Inc. ("STI Pasay"), STI College Dipolog, Inc. ("STI Dipolog"), STI College San Francisco, Inc. ("STI San Francisco") and the suspension of operations of STI College Parañaque, Inc. ("STI Parañaque") effective SY 2020-2021.

n. 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.

o. 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 on 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 on July 1, 2020.

Item 7. FINANCIAL STATEMENTS

The June 30, 2021 Audited Consolidated Financial Statements and schedules listed in the accompanying index to Supplementary Schedules are incorporated by reference to this SEC Form 17-A.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

1. The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the Company's External Auditors for the past years. They were reappointed in the Annual Stockholders' Meeting held on November 18, 2020, as external auditors for the ensuing fiscal year.

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

Pursuant to SRC Rule Part 1 (3) (B) (ix) (Rotation of External Auditors), the Parent Company has engaged Mr. Benjamin N. Villacorte of SGV as the Partner-in-charge of the Parent Company. This is his seventh year of engagement for STI ESG.

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

As stated in the June 30, 2021 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditor of STI ESG. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

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

Mr. Jesli A. Lapus is currently the Chairman of the Audit Committee while Messrs. Eusebio H. Tanco, Raul B.

De Mesa and Mr. Robert G. Vergara are its members.

The aggregate fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the years ended June 30, 2021, March 31, 2020 and 2019 and the three-month period ended June 30, 2020 are shown below:

Period	Regular Audit Fees	Special Audit Fees[a]	OPE[b]	VAT	Total
June 30, 2021[c]	₱9,447,000	₱1,743,800	₱1,119,080	₱1,609,555	₱13,787,066
June 30, 2020[d]	2,179,725	–	108,988	274,646	2,563,359
March 31, 2020[c]	8,718,900	–	797,447	1,141,962	10,658,309
March 31, 2019[c]	7,829,200	–	782,920	1,033,454	9,645,574

[a] *Comparative June 2020 and 2019 Full Year Statements of Comprehensive Income*
[b] *OPE for June 30, 2021 is based on estimates*
[c] *covering twelve months*
[d] *covering three months from April to June*

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

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A) Directors and Executive Officers

1) Directors, Independent Directors and Executive Officers

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

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

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

Messrs. Jesli A. Lapus and Robert G. Vergara have been nominated as independent directors by the Nomination Committee.

The Company has adopted and complied with Rule 38 of the Securities Regulation Code on the nomination of independent directors and the required number of independent directors.

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

Jesli A. Lapus, 72, Filipino, Independent Director

Mr. Lapus is the Chairman and Independent Director of STI Education Services Group, Inc. (STI ESG). He is also a member of the Executive and Corporate Governance Committees and the Chairman of Audit and Risk Committee of STI ESG. He was first elected as Chairman and Independent Director on September 25, 2013.

Mr. Lapus is also an Independent Director of STI Education Systems Holdings, Inc. (STI Holdings). He is the Chairman of the Audit Committee and member of the Corporate Governance Committee of STI Holdings.

Mr. Lapus is a member of the Board of Governors/ Independent Director of Information and Communications Technology Inc. (iACADEMY). He is also an Independent Director of Philippine Life

Financial Assurance Corporation and Attenborough Holdings Corporation. He serves as a Member of the Investment Committee of PhilPlans First, Inc.

Mr. Lapus is the Chairman of LBP Service Corporation. He also serves as an Independent Director of Emperador, Inc. and Alliance Global Group, Inc. He is Advisory Board Member of Radiowealth Finance Company, Inc.

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

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

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

Monico V. Jacob, 76, Filipino, Director

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

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

Mr. Jacob is the President of Eximious Holdings, Inc., Maestro Holdings, Inc. (formerly STI Investments, Inc.), Tantivy Holdings, Inc., and Chantilly Nutriment Corporation.

Mr. Jacob is the Chairman of Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc.,, Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc., GROW Vite Staffing Services, Inc., and Rosehills Memorial Phils., Inc.

Mr. Jacob is also a non-Executive Director in Asian Terminals, Inc. and Phoenix Petroleum Philippines, Inc., and an Independent Director in Rockwell Land Corp., and Lopez Holdings Corp., all publicly-listed companies. He is also a member of the Board of Governors in iACADEMY.

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home

Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and

was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

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

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

Eusebio H. Tanco, 72, Filipino, Director

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

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

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

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

Mr. Tanco is also a director in PhilPlans First, Inc., Maestro Holdings, Inc., Philippine Life Financial Assurance Corporation, Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, PhilhealthCare, Inc., Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

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

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

Peter K. Fernandez, 57, Filipino, President and Chief Operating Officer

Mr. Fernandez is the President and Chief Operating Officer of STI ESG. Mr. Fernandez is also the President of STI West Negros University. Prior to this appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez was a member of the Asian Institute of Management faculty for four and a half years. Before

joining AIM, Mr. Fernandez was a faculty member of the College of Computer Studies at the De La Salle University.

Mr. Fernandez earned his Bachelor of Science degree in Electronics and Communications Engineering

and Master of Business Administration degree from the De La Salle University.

Rainerio M. Borja, 57, Filipino, Director

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

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

Mr. Borja is the President of the Asia region for Alorica, comprising more than 345,0000 people in the Philippines, as well as delivery centers in Australia and China Japan, for a total of 20 sites. Under Mr. Borja's leadership, the Asia teams provide distinct capabilities to offer low-cost, high quality solutions to clients across the globe.

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

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

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

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

Raul B. De Mesa, 79, Filipino, Director

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

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

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

Joseph Augustin L. Tanco, 40, Filipino

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

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

Mr. Tanco is currently the President and Chief Executive Officer of Maestro Holdings, Inc., Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc., Stitch Tech Solutions, Lift Off Consulting, Inc., and Comm&Sense, Inc. He founded Comm&Sense, Inc., an integrated marketing and communications agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions,in 2005.

Mr. Tanco serves as the Chairman of the Board of PhilPlans First, Inc., Director and Member of the Nomination and Election Committee of STI Education Services Group, Inc., Director and Vice President of EujoPhils. Inc., Director of Maestro Holdings, Inc., Roar Agile Communicators, Corporation, iACADEMY, Philippines First Insurance Co. Inc., STI West Negros University, Capital Managers and Advisors, Inc., Prime Power Holdings Corporation, Global Resource for Outsourced Workers, Venture Securities, Inc., Bloom with Looms Logistics, Inc., and Biolim Holdings & Management Corporation.

Furthermore, Mr. Tanco is an active member of the American Chamber of Commerce of the Philippines, Inc. where he was a Co-chairman of the Healthcare and Wellness in 2019 to present and Junior Chamber International Philippines (JCI) where he was Chapter President of JCI Ortigas in 2012. He was Area Director for Individual for Metro Area 2 and National Chairman for Nothing but Nets in 2013 and National Chairman for The Outstanding Young Men (TOYM) in 2015. He also became a mentor for BS Entrepreneurship at the University of Asia and the Pacific in 2012.

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

Maria Vanessa Rose L. Tanco, 43, Filipino, Director

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

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

She also holds directorships at STI West Negros University, STI ESG, PhilPlans, PhilhealthCare, Inc. and Chantilly Nutriment Corporation. Currently, she is the President and CEO of iACADEMY.

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

Martin K. Tanco, 55, Filipino, Director

Mr. Tanco is a Director of STI ESG.

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

Mr. Tanco previously worked with Coats LTD from 1991 to 1999 where he was assigned various operational responsibilities in Indonesia, China, South Africa, United States, Portugal and the United Kingdom.

Currently, Mr. Tanco is the Director for Investment of PhilPlans. He is the President of the Philfirst Condominium Association. Mr. Tanco is also the Vice-President of Manila Bay Thread Corporation (Formerly: Coats Manila Bay).

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

Paolo Martin O. Bautista, 51, Filipino, Executive Director

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

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

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

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

Robert G. Vergara, 60, Filipino, Independent Director

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

On April 24, 2019, he was appointed as an Independent Director of SM Investments Corporation (SMIC) and on December 9, 2019, as an Independent Director of Metro Pacific Hospital Holdings, Inc. (MPHHI).

He is currently the President of Vergara Advisory Management, Inc. founded in May 2018.

From September 2010 to October 2016, he served as the President and General Manager and Vice-Chairman of the Board of Trustees of the Government Service Insurance System (GSIS). As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of

Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council.

Before that, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. From 2002 to 2006, he was a Director of Lionhart (Hong Kong) Ltd. He was a Principal in Morgan Stanley Asia Ltd. from 1997-2001 and served as the Managing Director of IFM Asia Ltd. from 1990 to 1997.

He obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated magna cum laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

Yolanda M. Bautista, 69, Filipino, Treasurer

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

Ms. Bautista is also the Treasurer of STI Holdings and a member of its Executive Committee.

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

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc., DLS-STI College, Inc., and iACADEMY. She is also the Group Chief Finance Officer of Philippine Life Financial Assurance Corporation and Philhealthcare, Inc. as well as the Chief Finance Officer and Treasurer of STI West Negros University. Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., Global Resource for Outsourced Workers, Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. She serves as Treasurer of Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Maestro Holdings, Inc., Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, Quantum Analytix, Inc., P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation and Techzone Philippines, Inc.. She is also Assistant Treasurer of Total Consolidated Asset Management, Inc.

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

Arsenio C. Cabrera, Jr., 61, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

Atty. Arsenio C. Cabrera, Jr. is the Corporate Secretary, General Counsel, and Corporate Information Officer of STI ESG.

He was also elected Corporate Secretary and Member of the Corporate Governance Committee of STI Holdings and is also its current Corporate Information Officer.

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

He was also elected as Chairman of Excelsior Holdings, Inc., Excelsium, Inc. and PlusHomes Communities, Inc..

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

Ana Carmina S. Herrera, 46, Filipino, Assistant Corporate Secretary

Atty. Herrera is a Senior Associate of Herrera Teehankee and Cabrera Law Offices. She also performs the role of Corporate Secretary of Dunes and Eagle Land Development Corporation, STI College Batangas, Inc., STI College of Kalookan, Inc., STI Dagupan, Inc., STI Diamond College, Inc. and STI Tuguegarao, Inc. She also serves as Assistant Corporate Secretary in a number of other corporations: Amica Corporation, Banclife Insurance Co., Inc., Coastal Bay Chemicals, Inc., Comm & Sense, Inc., JAE Finance Philippines Corp., Maestro Holdings, Inc., Palisades Condominium Corporation, PhilhealthCare, Inc., Philippine Life Financial Assurance Corporation, Renaissance Condominium Corporation, STI Holdings and Venture Securities, Inc.

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

(2) Significant Employees

In general, the Company values its human resources. It expects the employees to do their share in achieving the Company’s set objectives.

(3) Family Relationships

Mr. Joseph Augustin L. Tanco and Ms. Ma. Vanessa Rose L. Tanco are children of Mr. Eusebio H. Tanco.

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

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

(4) Involvement in Certain Legal Proceedings

None of the abovementioned directors and executive officers of the Company have been involved in any of the following events for the past five (5) years and up to the date of this SEC Form 17-A:

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

(b) any conviction by final judgment;

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

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

Item 10. EXECUTIVE COMPENSATION

(1) The directors each receive per diems amounting to ₱15,000 for periods covered up to August 2021 and per diems amounting to ₱25,000 for periods beginning September 2020. The per diems are for their attendance to board and committee meetings and are gross of all taxes. There is no arrangement for compensation of directors.

(2) The following table summarizes the aggregate compensation for the fiscal years ended June 30, 2021, March 31, 2020, and 2019 and for the year ending June 30, 2022. The amounts set forth in the table below have been prepared based on what the Company paid its directors and named executive officers for the fiscal years ended June 30, 2021, March 31, 2020, and 2019 and what the Company expects to pay for the fiscal year ending June 30, 2022.

ANNUAL COMPENSATION

	Year Ended	Salaries and Bonus	Other Compensation
Chief Executive Officer and the Top Four Highly Compensated Officers [a]	2019[b]	₱33,196,249	None
	2020[b]	₱28,972,567	None
	2021[c]	₱28,972,567	None
	2022[c/d]	₱28,972,567	None
Board of Directors	2019[b]	₱2,371,868	None
	2020[b]	₱2,089,118	None
	2021[c]	₱2,829,118	None

The compensation for board members comprises per diems.

Notes:

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

[b] year ended March 31

[c] year ended June 30

[d] Figure is an estimated amount.

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

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

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

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(1) Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Certain Record/Beneficial Owners as of June 30, 2021

As of June 30, 2021, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Class of Shares	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner	Nationality	Shares Owned	% Ownership
Common	STI Education Systems Holdings, Inc.	Direct Owner	Filipino	3,040,623,037	98.7%

(b) Security Ownership of Management as of June 30, 2021

The following table sets forth as of June 30, 2021, the beneficial ownership of each director and executive officer of the Company:

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

(c) Voting Trust Holders of 5% or More

As of June 30, 2021, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There are no arrangements entered into by STI ESG or any of its stockholders which may result in a change of control of STI ESG.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

STI ESG has the following major transactions with related parties:

Consultancy Agreement with STI Holdings

The Company entered into an agreement with STI Holdings on the rendering of advisory services starting January 1, 2013.

Contract of Lease

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

Contract of Lease

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

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

Cooperation Agreement

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

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

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

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

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50% payable upon signing of the agreement while the remaining 50% will be payable within calendar year 2020. Additionally, and as compensation for jointly overseeing and providing academic governance, selection and management of faculty, as well as curriculum and courseware preparation and implementation for the courses agreed upon, STI shall pay RAFT the sum of US$10,000 per month beginning January 2020. The parties also agreed that a variable compensation of 5% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1% variable compensation for every 1,000 enrollees while RAFT shall receive 5% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1% variable compensation for every 1,00s0 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.

Educational services and other transactions

STI ESG provides education services to and sells educational materials and supplies to its subsidiaries and other affiliates. STI ESG likewise leases its real properties, where school buildings are situated, to some of its subsidiaries.

HMO and other insurance costs

The Parent Company has HMO and other insurance coverage provided by some of its affiliates. These transactions are essential in the operations of the Company and provision of educational services. The Parent Company also leases some of its investment properties to some of its affiliates.

STI ESG has engaged SGV to assist the Company in evaluating and documenting the arm's length nature of the pricing policies of STI ESG regarding its intercompany transactions with affiliates for the FY 2020.

Transactions with Promoters

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

PART IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

PART V – EXHIBITS AND SCHEDULES

Item 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits and Schedules

Statement of Management's Responsibility for Financial Statements
Report of Independent Auditors
Audited Financial Statements and Notes for the fiscal year ended June 30, 2021
Schedule A. Financial Assets in Equity Securities
Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties
Schedule C. Amounts Receivable/Payables from and to Related Parties which are eliminated during the Consolidation of Financial Statements
Schedule D. Intangible Assets – Other Assets
Schedule E. Long term debt
Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)
Schedule G. Guarantees of Securities of Other Issuers
Schedule H. Capital Stock
Schedule I. Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule J. Map of the Relationships of the Companies within the Group
Schedule K. Schedule of All the Effective Standards and Interpretations as of June 30, 2021
Schedule L. Financial Soundness Indicators
Schedule M. Fixed Rate Bonds – Use of Proceeds

(b) Reports on SEC Form 17 – C (from July 2020-June 2021)

1. Other Events: Amendment of Article II of the Articles of Incorporation on July 2, 2020

The Board approved the amendment of Article II of the Articles of Incorporation to include provisions of the following (a) operation of branches of STI schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name; and (b) to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center.

2. Other Events: Consent Solicitation in connection with the Proposed Amendments to the Trust Agreement governing the Series 7Y Bonds due 20204 and the Series 10Y Bonds due 2027 (collectively, the "Bonds")

On July 20, 2020, STI ESG (the "Corporation" or the "Issuer) delivered to China Banking Corporation – Trust Group (the "Trustee") a Consent Solicitation Statement and Consent Form in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 governing the Bonds issued by the Corporation.

STI ESG seeks the consent of the Record Bondholders to the following proposed amendments to the Trust Agreement.

(a) The waiver of Section 7.02(a) of the Trust Agreement which prohibits STI ESG from incurring or suffering to exist any lien upon any assets or revenues, present and future, of STI ESG in relation 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 Land Bank of the Philippines ("Landbank") as security for the ACADEME Lending Program;
(b) The waiver of Section 7.02(b) of the Trust Agreement which prohibits STI ESG from incurring indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets or revenues, present and future, whether registered or unregistered, of STI ESG, unless STI ESG 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 STI ESG under the Trust Agreement and such other indebtedness which the lien purports to secure;
(c) The waiver of Section 7.02(f) of the Trust Agreement which prohibits STI ESG from assigning, transferring or conveying its rights 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
(d) The waiver of the debt service coverage ratio up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement.

The proposed amendments did not alter the interest rate or maturity date of the Bonds, the Corporation'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 Corporation has sought the proposed amendments due to the adverse effects of the COVID-19 pandemic in the Philippine economy, including the education sector and in relation to its availment of the ACADEME Lending Program of Landbank. The ACADEME Lending Program offers financing to educational institutions such as the Corporation to enable said educational institutions to continue providing quality education to their respective students.

Pursuant to the Trust Agreement, the proposed amendments to the Trust Agreement require the 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 then outstanding (collectively, the "Majority Bondholders").

The Consent Solicitation process commenced on July 20, 2020. The Record Bondholders was given until July 31, 2020 to deliver their respective consents to the Proposed Amendments through the delivery of the Consent Form and other related documents.

3. Other Events: Notice of Special Stockholders' Meeting on July 22, 2020

A notice for a Special Stockholders' Meeting of STI ESG was sent on July 22, 2020. The meeting was held on September 4, 2020 at 11:00 o'clock in the morning via remote communication to seek the approval of the amendment of Articles II (Primary Purpose) of its Articles of Incorporation. Furthermore, STI ESG's stockholders of record as of August 4, 2020 was entitled to a notice of and to vote at the Special Stockholders' Meeting.

4. Other Events: Launching of STI student loan program with Landbank on July 28, 2020

STI ESG has tapped into Landbank's Access to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) lending program that aims to loan money to educational institutions, which schools can in turn re-lend to the students.

Under the program, incoming college students and transferees for SY 2020-2021 can borrow up to PhP15,000 per term which will be credited directly to their STI campus. The loan amount is intended solely for defraying the cost of tuition and other school fees for a given term.

Landbank allotted PhP3.0 billion for the program, which offers refinancing or rediscounting of promissory notes issued by the parents or benefactors of students for school loans. Eligible schools can borrow up to 70% of the sub-promissory notes on a per semester basis, and subject further to a maximum amount based on the school's net borrowing capacity, with an interest rate of 3% per annum that is payable based on the maturity of the sub-promissory notes but not to exceed three (3) years.

5. Other Events: Extension of submitting the Consent Form in connection with the Proposed Amendments to the Trust Agreement governing the Bonds

The Consent Solicitation process commenced on July 21, 2020 and was supposed to end at 3:00 pm on July 31, 2020 (the "Expiration Date"). Under the Consent Solicitation Statement, STI ESG has the sole discretion to adjust such time and date to an earlier or later time and date.

Since July 31, 2020 has been declared a national holiday, STI ESG and Trustee have agreed to extend the Expiration Date for submitting the Consent Form and other related documents to August 15, 2020.

6. Other Events: Required Consents of the Record Bondholders on the Proposed Amendments governing the Bonds obtained on August 15, 2020

On August 15, 2020, the China Banking Corporation Trust and Asset Management Group (the "Trustee"), in its capacity as trustee for the Bonds issued by STI ESG, obtained the 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 then outstanding (the "Required Consents") to the proposed amendments to the Trust Agreement (the "Proposed Amendments") governing the Bonds.

Pursuant to the Consent Solicitation Statement, the Corporation and the Trustee intend to execute the Supplemental Trust Agreement incorporating the proposed amendments on August 19, 2020 or three (3) business days after the certification by the Trustee that the Required Consents have been obtained.

7. Other Events: Closure of STI Schools, Sale of 20% Equity in Maestro Holdings, Inc. and Annual Stockholders' Meeting Notice on September 24, 2020

a) Closure of seven (7) schools/suspension of operations of five (5) schools for SY 2020-2021.

STI ESG suspended the operations of some of its owned schools for SY 2020-2021, namely: (a) STI Cebu; (b) STI Iloilo, (c) STI Quezon Avenue; and (d) STI Tuguegarao. The Corporation also ceased operations of STI Pagadian, effective SY 2020-2021. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrolment turnout and the high cost of facility rental.

Moreover, the following franchise-owned STI schools or education centers decided to cease operations due to low enrolment turnout and low market potential in their respective areas: (a) STI College Bohol, Inc.; (b) STI College Recto, Inc.; (c) Sungold Technologies, Inc.; (d) STI College Pasay, Inc.; (e) STI College Dipolog, Inc.; and (f) STI College San Francisco, Inc.. Another franchise-owned school, STI College Paranaque, Inc., decided to suspend its operations effective SY 2020-2021 due to low enrolment turnout.

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 did not have a material financial impact on the Group.

b) Sale of STI ESG's 20% Equity in Maestro Holdings, Inc.

The Board approved the sale of the 20% equity of the Corporation in Maestro Holdings, Inc. ("MHI") to Carret Private Investments Limited (the "Buyer").

c) Annual Stockholders' Meeting

The Board approved the holding of the Annual Stockholders' Meeting of Corporation on November 18, 2020 at 11:00 am via remote communication through Zoom. Furthermore, the Corporation's stockholders of record as of October 15, 2020 shall be entitled to notice of and to vote at the Annual Stockholders' Meeting.

8. Other Events: Declaration of Cash Dividends filed with the SEC on November 18, 2020

In the meeting of the Board of Directors of STI ESG held on November 18, 2020, the Board approved the declaration of cash dividends in the amount of Php0.013 per share or an aggregate amount of PhP40.0 million (the "Cash Dividends") from the unrestricted retained earnings of the Company as of March 31, 2020 based on the Parent Company Audited Financial Statements as of March 31, 2020.

The Cash Dividends cover stockholders of record as of December 4, 2020 and were settled on or before January 7, 2021, upon compliance with all necessary regulations.

9. Other Events: Election of Directors and officers filed with the SEC on November 18, 2020

a. The stockholders elected the following Directors of the Company to serve as such for the ensuing year and until the election and qualification of their successors during the Annual Stockholders' Meeting of STI ESG held on November 18, 2020:

1. Monico V. Jacob
2. Eusebio H. Tanco
3. Peter K. Fernandez
4. Raul B. De Mesa
5. Maria Vanessa Rose L. Tanco
6. Joseph Augustin Eusebio L. Tanco
7. Rainerio M. Borja
8. Martin K. Tanco
9. Paolo Martin O. Bautista

Independent Directors:

10. Jesli A. Lapus
11. Robert G. Vergara

In the Organizational Meeting of the Board of Directors immediately succeeding the Annual Stockholders' Meeting, the following were elected officers of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

Jesli A. Lapus	-	Chairman
Monico V. Jacob	-	Vice Chairman & Chief Executive Officer
Peter K. Fernandez	-	President & Chief Operating Officer
Yolanda M. Bautista	-	Chief Finance Officer & Treasurer
Engelbert L. De Guzman	-	VP Communications
Amiel C. Sangalang	-	VP School Finance
Merliza D. Santos	-	VP Finance
John Luis Fausto B. Tubongbanua	-	VP Corporate and Information Services
Maria Isabel Q. Hipolito	-	VP Academic Services
Wilfred S. Racadio	-	VP Legal
Cyril S. Cunanan	-	Compliance Officer
Joel L. Dy	-	AVP School Management
Arsenio C. Cabrera, Jr.	-	Corporate Secretary/General Counsel/ Corporate Information Officer
Anna Carmina S. Herrera	-	Assistant Corporate Secretary

Executive Committee:	
Chairman	Eusebio H. Tanco
Members	Jesli A. Lapus
	Monico V. Jacob
	Rainerio M. Borja
	Maria Vanessa Rose L. Tanco
	Joseph Augustin Eusebio L. Tanco
Audit and Risk Committee:	
Chairman	Jesli A. Lapus
Members	Eusebio H. Tanco
	Raul B. De Mesa
	Robert G. Vergara

Corporate Governance Committee:	
Chairman	Robert G. Vergara
Members	Jesli A. Lapus
	Monico V. Jacob
	Joseph Augustin Eusebio L. Tanco
Compensation Committee	
Chairman	Eusebio H. Tanco
Members	Monico V. Jacob
	Raul B. De Mesa
	Yolanda M. Bautista

b. Amendment of Articles of Incorporation

The stockholders, owning at least 2/3 of the outstanding voting capital stock of the Corporation, approved the amendment of Article II of the Articles of Incorporation to include provisions of the following (a) operation of branches of STI schools doing business under the name and style of "STI" with its geographical location in the Philippines appended to its business name; and (b) to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center (c) to provide entrepreneurship assistance to its students; and (4) inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.

c. Appointment of External Auditor

The stockholders appointed SyCip Gorres Velayo & Company as the Corporation's external auditor for the fiscal year ending June 30, 2021.

10. Other Events: Sale of the 20% equity in Maestro Holdings, Inc. ("MHI") to Chita SPC Limited on December 15, 2020

STI ESG sold its twenty percent (20%) equity in Maestro Holdings, Inc. ("MHI") to Chita SPC Limited (the "Buyer"), a segregated portfolio company, duly organized under the laws of the British Virgin Islands, for and on behalf of its segregated portfolio CAM SEA SPECIAL OPPORTUNITIES FUND SEGREGATED PORTFOLIO and whose Investment Manager is NP Investments Co., Ltd..

The parties executed, in counterparts, a Deed of Absolute Sale on December 15, 2020. The purchase price per share is US$10.0 million.

11. Other Events: Amendment of Article II of the Articles of Incorporation filed with SEC on December 28, 2020

The SEC approved the application of the amendment of Article II of the Articles of Incorporation to include provisions for the following:

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

b. to establish and provide Technical Vocational Education and Training (TVET) programs, workshop, service, management and competency assessment center;
c. to provide entrepreneurships assistance to its students; and
d. inclusion of Department of Education as one of the regulatory agencies which has supervisory control over the Company.

12. Other Events: Change in Philippine Rating Services Corporation (PRS) Rating on STI ESG Bonds to PRS A plus, with a Negative Outlook, from PRS Aa, with a Stable Outlook on January 21, 2021

Philippine Rating Services Corporation (PRS) submitted a report to the SEC, with a copy to STI ESG stating that the rating given to the bonds issued by STI ESG has been changed to PRS A plus with negative outlook from PRS Aa.

PRS also stated in its report that obligations rated PRS A have favorable investment attributes and are considered as upper-medium grade obligations. It also mentioned that although these obligations are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong. Further, PRS likewise stated that a Negative Outlook indicates that there is a potential for the present credit rating to be downgraded in the next 12 months.

The PRS report also indicated that the assigned Issue Credit Rating took into account the following factors:

a. Relatively resilient demand for tertiary education, albeit with significantly increased competition brought about by the Universal Access to Quality Tertiary Education Act;
b. Declining profitability due to lower enrollees and increasing expenses, largely attributed to depreciation and interest expenses, with net income significantly influenced by non-core items;
c. Increasing economic uncertainty and the adverse impact of the community quarantine attributable to the COVID-19 pandemic on the company's business

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** JESLI A. LAPUS
Chairman of the Board

Date October 7, 2021

Signature and Title MONICO V. JACOB
Vice Chairman and CEO

Date October 7 , 2021

Signature and Title PETER K. FERNANDEZ
President and COO

Date October 7 , 2021

Signature and Title YOLANDA M. BAUTISTA
Treasurer

Date October 7 , 2021

Signature and Title ARSENIO C. CABRERA JR.
Corporate Secretary

Date October 7, 2021

Republic o f the Philippines
City of MAKATI CITY

SUBSCRIBED AND SWORN to before me this 20 OCT 2021, affiant exhibit to me their respective passport or SSS Number, as follows:

Names	CTC/Passport/SSS Nunmber	Date and Place of Issuance
Jesli A. Lapus	Passport No. P6589685A	28 March 2018, DFA Manila
Monico V. Jacob	Passport No. P6179864B	26 January 2021, DFA Manila
Peter K. Fernandez	Passport No. EC6402263	13 January 2021, DFA Manila
Yolanda M. Baustista	SSS No. 03-2678038-9	
Arsenio C. Cabrera Jr.	Passport No. P6534927B	23 March 2021, DFA NCR South

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

JAYPEE B. ORTIZ
Notary Public for Makati City
Appointment No. M-182
Until 31 December 2021
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 66493
PTR No. 8533826 / Makati / 04 January 2021
IBP No. 144478 / Makati / 06 January 2021
MCLE Compliance No. VI-0011738 /
Pasig City / 30 August 2018

Doc. No. 9;
Page No. 3;
Book No. V;
Series of 2021.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc.** and its subsidiaries (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at June 30, 2021 and 2020 and for the year ended June 30, 2021, the three-month period ended June 30, 2020, and the year ended March 31, 2020 in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JESLI A. LAPUS	**MONICO V. JACOB**	**YOLANDA M. BAUTISTA**
Chairman of the Board	*Vice Chairman and CEO*	*Chief Finance Officer*

Subscibed and Sworn to before me this OCT 2 0 2021, affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Mr. Jesli A. Lapus	Passport No. P6589685A	27 Mar 2028, DFA Manila
Mr. Monico V. Jacob	Passport No. P6179864B	25 Jan 2031, DFA Manila
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

Doc. No. 2
Page No. 1
Book No. XVIII
Series of 2021

ANDREW V. FERRER
NOTARY PUBLIC UNTIL DECEMBER 31, 2021
PTR NO. 15581721 A, 01/04/2021
IBP OR NO. 137329; 01/04/2021
Rizal Chapter / MCLE Compliance
No. VI-0028918, October 4, 2019
Roll No. 39811/Appointment No. 20-25
No. 9. A. Bonifacio Ave., Cainta, Rizal

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 1 1 3 1 5 6

COMPANY NAME

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

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
sti-esg@sti.edu	(632) 8812-1784	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
64	1st Thursday of November	June 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera Jr.	accabrera@htc-law.com.ph	(632) 8813-7111	–

CONTACT PERSON's ADDRESS

5/F, SGV II Building, 6758 Ayala Avenue, Makati City

NOTE 1 *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for credit losses for the year-ended June 30, 2021 amounted to ₱48.6 million.

The disclosures on the allowance for expected credit losses are included in Notes 4 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments,* to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2021, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱231.7 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group's disclosures about goodwill are included in Notes 4 and 15 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include discount rate, forecasted revenue growth, EBITDA margins and long-term growth rate. We compared the key assumptions used, such as forecasted revenue growth, EBITDA margins, and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2021 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
Tax Identification No. 242-917-987
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1539-AR-1 (Group A)
March 26, 2019, valid until March 25, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

October 7, 2021

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,202,134,686**	₱584,179,314
Receivables (Note 6)	**437,002,915**	489,982,620
Inventories (Note 7)	**173,074,904**	133,112,366
Prepaid expenses and other current assets (Note 8)	**60,763,033**	45,916,518
	1,872,975,538	1,253,190,818
Noncurrent asset held for sale (Note 9)	**–**	419,115,894
Total Current Assets	**1,872,975,538**	1,672,306,712
Noncurrent Assets		
Property and equipment (Note 10)	**7,942,300,699**	7,918,740,761
Investment properties (Note 11)	**457,623,905**	486,100,841
Investments in and advances to associates and joint ventures (Note 12)	**503,805,031**	501,846,375
Equity instruments designated at fair value through other comprehensive income (FVOCI) (Note 14)	**68,624,687**	67,261,243
Deferred tax assets - net (Note 29)	**28,646,059**	50,043,226
Goodwill, intangible and other noncurrent assets (Note 15)	**418,428,057**	531,579,086
Total Noncurrent Assets	**9,419,428,438**	9,555,571,532
TOTAL ASSETS	**₱11,292,403,976**	₱11,227,878,244
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱604,211,766**	₱639,086,510
Current portion of interest-bearing loans and borrowings (Note 17)	**129,544,753**	240,000,000
Unearned tuition and other school fees (Note 21)	**48,670,416**	73,429,278
Current portion of lease liabilities (Note 28)	**48,816,823**	59,783,396
Income tax payable	**89,530**	2,642,389
Total Current Liabilities	**831,333,288**	1,014,941,573
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 17)	**1,333,358,223**	914,693,192
Bonds payable (Note 18)	**2,973,082,875**	2,966,097,772
Lease liabilities - net of current portion (Note 28)	**286,350,123**	324,010,251
Pension liabilities - net (Note 27)	**60,342,962**	66,499,004
Other noncurrent liabilities (Note 19)	**5,464,300**	53,116,267
Total Noncurrent Liabilities	**4,658,598,483**	4,324,416,486
Total Liabilities *(Carried Forward)*	**5,489,931,771**	5,339,358,059

	June 30	
	2021	2020
Total Liabilities *(Brought Forward)*	**₱5,489,931,771**	₱5,339,358,059
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 20)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 20)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain (loss) (Note 27)	**4,605,708**	(7,889,345)
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**12,032,214**	10,668,770
Other equity reserve (Note 20)	**(30,212,806)**	(30,941,455)
Share in associates':		
Cumulative actuarial gain (Note 12)	**630,627**	471,690
Unrealized fair value loss on equity instruments designated at FVOCI (Note 12)	**(40,661)**	(30,848)
Other comprehensive income associated with noncurrent asset held for sale (Note 20)	**–**	91,876,446
Retained earnings (Note 20)	**2,351,763,085**	2,357,529,814
Total Equity Attributable to Equity Holders of the Parent Company	**5,802,690,952**	5,885,597,857
Equity Attributable to Non-controlling Interests	**(218,747)**	2,922,328
Total Equity	**5,802,472,205**	5,888,520,185
TOTAL LIABILITIES AND EQUITY	**₱11,292,403,976**	₱11,227,878,244

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021, THE THREE-MONTH PERIOD ENDED JUNE 30, 2020 AND THE YEAR ENDED MARCH 31, 2020

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Notes 2 and 39)	March 31, 2020 (One Year - Notes 2 and 39)
REVENUES (Note 21)			
Sale of services:			
Tuition and other school fees	**₱1,410,236,021**	₱82,174,375	₱1,707,247,204
Educational services	**107,311,098**	21,182,148	140,705,289
Royalty fees	**10,560,747**	1,963,548	12,950,012
Others	**74,912,695**	6,339,507	70,237,766
Sale of goods -			
Sale of educational materials and supplies	**24,003,336**	76,549	135,885,345
	1,627,023,897	111,736,127	2,067,025,616
COSTS AND EXPENSES			
Cost of educational services (Note 23)	**645,112,828**	119,108,347	715,292,680
Cost of educational materials and supplies sold (Note 24)	**19,397,346**	55,497	105,041,257
General and administrative expenses (Note 25)	**826,930,018**	182,473,657	1,027,931,950
	1,491,440,192	301,637,501	1,848,265,887
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**135,583,705**	(189,901,374)	218,759,729
OTHER INCOME (EXPENSES)			
Interest expense (Notes 17, 18, 22 and 28)	**(302,277,833)**	(72,367,239)	(273,593,287)
Rental income (Note 28)	**90,708,316**	30,341,265	118,367,121
Gain on:			
Sale of noncurrent asset held for sale, net of capital gains tax (Note 9)	**15,460,821**	–	–
Sale of property and equipment	**57,610**	–	–
Disposal of net assets (Note 38)	–	–	4,365,123
Loss on loan modification (Note 17)	**(8,298,502)**	–	–
Foreign exchange gain - net	**4,005,931**	–	–
Interest income (Notes 5, 6 and 22)	**3,738,387**	956,490	4,406,732
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**3,661,134**	(1,783,119)	5,307,508
Dividend income (Notes 12 and 14)	**791,884**	–	1,769,510
Provision for impairment of noncurrent asset held for sale (Note 9)	–	–	(297,470,664)
Other income - net (Notes 2 and 28)	**16,686,438**	–	–
	(175,465,814)	(42,852,603)	(436,847,957)
LOSS BEFORE INCOME TAX	**(39,882,109)**	(232,753,977)	(218,088,228)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)			
Current	**174,406**	–	13,349,875
Deferred	**19,999,086**	(15,907,041)	(21,890)
	20,173,492	(15,907,041)	13,327,985
NET LOSS *(Carried Forward)*	**(60,055,601)**	(216,846,936)	(231,416,213)

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2 and 39)	March 31, 2020 (One Year - Notes 2 and 39)
NET LOSS *(Brought Forward)*	**(₱60,055,601)**	(₱216,846,936)	(₱231,416,213)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) in pension liability (Note 27)	**13,893,134**	(7,552,038)	(10,326,050)
Tax effect on remeasurement (gain) loss in pension liability (Note 29)	**(1,398,081)**	755,204	1,042,857
Unrealized fair value adjustment on equity instruments designated at FVOCI (Note 14)	**1,363,444**	(338,064)	7,821,664
Share in associate's remeasurement gain (loss) on pension liability (Note 12)	**158,937**	3,168	(67,956)
Share in associate's unrealized fair value adjustment on equity instruments designated at FVOCI (Note 12)	**(9,813)**	(461)	42
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**14,007,621**	(7,132,191)	(1,529,443)
TOTAL COMPREHENSIVE LOSS	**(₱46,047,980)**	(₱223,979,127)	(₱232,945,656)
Net Loss Attributable To			
Equity holders of the Parent Company	**(₱56,914,526)**	(₱214,665,165)	(₱226,277,507)
Non-controlling interests	**(3,141,075)**	(2,181,771)	(5,138,706)
	(₱60,055,601)	(₱216,846,936)	(₱231,416,213)
Total Comprehensive Loss Attributable To			
Equity holders of the Parent Company	**(₱42,906,905)**	(₱221,797,356)	(₱227,806,950)
Non-controlling interests	**(3,141,075)**	(2,181,771)	(5,138,706)
	(₱46,047,980)	(₱223,979,127)	(₱232,945,656)
Basic/Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company (Note 31)	**(₱0.02)**	(₱0.07)	(₱0.07)

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021, THE THREE-MONTH PERIOD ENDED JUNE 30, 2020 AND THE YEAR ENDED MARCH 31, 2020

	Capital Stock (Notes 1 and 20)	**Additional Paid-in Capital**	**Treasury Stock** (Note 20)	**Cumulative Actuarial Gain (Loss)** (Note 27)	**Unrealized Fair Value Adjustment on Equity Instruments designated at FVOCI** (Note 14)	**Other Equity Reserve** (Note 20)	**Share in Associates' Cumulative Actuarial Gain (Loss)** (Note 12)	**Share in Associates' Unrealized Fair Value Loss on Equity Instruments Designated at FVOCI** (Note 12)	**Other Comprehensive Income associated with Noncurrent Asset Held for Sale** (Note 20)	**Retained Earnings** (Note 20)	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 2020	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**(₱7,889,345)**	**₱10,668,770**	**(₱30,941,455)**	**₱471,690**	**(₱30,848)**	**₱91,876,446**	**₱2,357,529,814**	**₱5,885,597,857**	**₱2,922,328**	**₱5,888,520,185**
Net loss	–	–	–	–	–	–	–	–	–	**(56,914,526)**	**(56,914,526)**	**(3,141,075)**	**(60,055,601)**
Other comprehensive income (loss)	–	–	–	**12,495,053**	**1,363,444**	–	**158,937**	**(9,813)**	–	–	**14,007,621**	–	**14,007,621**
Total comprehensive income (loss)	–	–	–	**12,495,053**	**1,363,444**	–	**158,937**	**(9,813)**	–	**(56,914,526)**	**(42,906,905)**	**(3,141,075)**	**(46,047,980)**
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	**(40,000,000)**	**(40,000,000)**	–	**(40,000,000)**
Disposal of noncurrent asset held for sale (Note 9)	–	–	–	–	–	**728,649**	–	–	**(91,876,446)**	**91,147,797**	–	–	–
Balance at June 30, 2021	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱4,605,708**	**₱12,032,214**	**(₱30,212,806)**	**₱630,627**	**(₱40,661)**	**₱–**	**₱2,351,763,085**	**₱5,802,690,952**	**(₱218,747)**	**₱5,802,472,205**
Balance at April 1, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱1,092,511)	₱11,006,834	(₱30,941,455)	₱468,522	(₱30,387)	₱91,876,446	₱2,572,194,979	₱6,107,395,213	₱5,104,099	₱6,112,499,312
Net loss	–	–	–	–	–	–	–	–	–	(214,665,165)	(214,665,165)	(2,181,771)	(216,846,936)
Other comprehensive income (loss)	–	–	–	(6,796,834)	(338,064)	–	3,168	(461)	–	–	(7,132,191)	–	(7,132,191)
Total comprehensive income (loss)	–	–	–	(6,796,834)	(338,064)	–	3,168	(461)	–	(214,665,165)	(221,797,356)	(2,181,771)	(223,979,127)
Balance at June 30, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱7,889,345)	₱10,668,770	(₱30,941,455)	₱471,690	(₱30,848)	₱91,876,446	₱2,357,529,814	₱5,885,597,857	₱2,922,328	₱5,888,520,185
Balance at April 1, 2019	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,190,682	₱3,185,170	(₱30,941,455)	₱536,478	(₱30,429)	₱91,876,446	₱2,983,385,116	₱6,520,114,793	₱9,152,127	₱6,529,266,920
Net loss	–	–	–	–	–	–	–	–	–	(226,277,507)	(226,277,507)	(5,138,706)	(231,416,213)
Other comprehensive income (loss)	–	–	–	(9,283,193)	7,821,664	–	(67,956)	42	–	–	(1,529,443)	–	(1,529,443)
Total comprehensive income (loss)	–	–	–	(9,283,193)	7,821,664	–	(67,956)	42	–	(226,277,507)	(227,806,950)	(5,138,706)	(232,945,656)
Dividend declaration (Note 20)	–	–	–	–	–	–	–	–	–	(184,912,630)	(184,912,630)	–	(184,912,630)
Effect of business combinations (Note 38)	–	–	–	–	–	–	–	–	–	–	–	1,090,678	1,090,678
Balance at March 31, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱1,092,511)	₱11,006,834	(₱30,941,455)	₱468,522	(₱30,387)	₱91,876,446	₱2,572,194,979	₱6,107,395,213	₱5,104,099	₱6,112,499,312

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021, THE THREE-MONTH PERIOD ENDED JUNE 30, 2020 AND THE YEAR ENDED MARCH 31, 2020

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2)	March 31, 2020 (One Year - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱39,882,109)**	(₱232,753,977)	(₱218,088,228)
Adjustments to reconcile loss before income tax to net cash flows:			
Depreciation and amortization (Notes 10, 11, 15, 23 and 25)	**486,556,911**	126,873,257	502,716,164
Interest expense (Notes 17, 18, 22 and 28)	**302,277,833**	72,367,239	273,593,287
Income on rent concessions (Notes 2 and 28)	**(17,677,038)**	–	–
Gain on:			
Sale of noncurrent asset held for sale, net of capital gains tax (Note 9)	**(15,460,821)**	–	–
Sale of property and equipment	**(57,610)**	–	–
Disposal of net assets (Note 38)	**–**	–	(4,365,123)
Provision for impairment of:			
Investments in and advances to associates and joint ventures (Notes 12 and 25)	**10,265,554**	–	–
Noncurrent asset held for sale (Note 9)	–	–	297,470,664
Loss on loan modification (Note 17)	**8,298,502**	–	–
Movements in pension (Note 27)	**7,737,092**	2,802,731	12,555,975
Interest income (Notes 5, 6 and 22)	**(3,738,387)**	(956,490)	(4,406,732)
Equity in net losses (earnings) of associates and joint ventures (Note 12)	**(3,661,134)**	1,783,119	(5,307,508)
Dividend income (Notes 12 and 14)	**(791,884)**	–	(1,769,510)
Unrealized foreign exchange gain	**(679,400)**	–	–
Operating income (loss) before working capital changes	**733,187,509**	(29,884,121)	852,398,989
Decrease (increase) in:			
Receivables	**(92,816,113)**	219,795,673	(139,754,315)
Inventories	**(39,902,139)**	(715,564)	18,844,852
Prepaid expenses and other current assets	**(16,383,151)**	10,100,607	3,307,201
Increase (decrease) in:			
Accounts payable and other current liabilities	**(58,706,901)**	41,491,391	(136,679,156)
Unearned tuition and other school fees	**48,670,417**	(154,614,248)	46,909,421
Other noncurrent liabilities	**(47,651,967)**	(18,423,307)	(30,364,362)
Net cash generated from operations	**526,397,655**	67,750,431	614,662,630
Interest received	**3,738,387**	956,490	4,406,732
Income tax paid	**(1,177,794)**	(1,074,766)	(10,735,362)
Net cash from operating activities	**528,958,248**	67,632,155	608,334,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale of noncurrent asset held for sale (Note 9)	**480,540,000**	–	–
Sale of property and equipment	**64,231**	–	–
Disposal of net assets (Note 9)	**–**	–	3,500,000
Acquisitions of:			
Property and equipment (Notes 10, 36 and 37)	**(265,278,645)**	(33,293,902)	(385,645,974)
Equity instruments designated at FVOCI (Note 14)	**–**	–	(10,000,000)
Cash acquired from business combination (Note 38)	**–**	–	1,443,724
Capital gains tax paid (Note 9)	**(45,963,285)**	–	–

(Forward)

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2)	March 31, 2020 (One Year)
Decrease (increase) in:			
Advances to associates and joint ventures (Note 12)	**(₱10,265,554)**	₱–	₱–
Intangible assets and other noncurrent assets (Note 15)	**4,589,019**	(2,561,272)	(53,873,893)
Dividend received (Notes 12, 14 and 37)	**1,851,602**	–	12,582,805
Net cash from (used in) investing activities	**165,537,368**	(35,855,174)	(431,993,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from:			
Long-term loans (Note 17)	**397,000,000**	–	794,000,000
Short-term loans (Note 17)	**400,000,000**	–	468,000,000
Landbank ACADEME Program (Note 17)	**21,971,627**	–	–
Payments of:			
Short-term loans (Note 17)	**(400,000,000)**	–	(468,000,000)
Interests	**(270,581,931)**	(46,681,520)	(247,308,163)
Long-term loans (Note 17)	**(120,000,000)**	–	(240,000,000)
Lease liabilities (Note 28)	**(65,611,278)**	(18,598,185)	(83,002,811)
Dividends (Note 20)	**(39,998,062)**	–	(183,585,711)
Net cash from (used in) financing activities	**(77,219,644)**	(65,279,705)	40,103,315
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**679,400**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**617,955,372**	(33,502,724)	216,443,977
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**584,179,314**	617,682,038	401,238,061
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,202,134,686**	₱584,179,314	₱617,682,038

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

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

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

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 the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

On September 25, 2013, STI ESG's 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 October 7, 2021, the amendment is pending approval by the SEC.

As at October 7, 2021, STI ESG's request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

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

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

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 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 June 30, 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 did not have a material financial impact to the Group.

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

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on October 7, 2021.

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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for noncurrent asset held for sale which has been measured at fair value less costs to sell and equity instruments designated at FVOCI which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest Peso, except when otherwise indicated.

The Group's short-period consolidated financial statements as at and for the three-month period ended June 30, 2020 have been prepared pursuant to STI ESG's change in accounting period from fiscal year ending March 31 to fiscal year ending June 30, as discussed in Note 1. The amounts reflected in the June 30, 2020 consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes are for three months and, accordingly, are not comparable with the amounts in the June 30, 2021 and March 31, 2020 consolidated financial statements with each pertaining to a whole year.

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 40, the schools in the Group transitioned to full remote learning and completed classes of tertiary students for 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, while those who opted for face-to-face classes, later took their classes online and completed the same during 1st term of SY 2020-2021.

For SY 2020-2021, STI ESG started classes in September 2020 with classes in all schools ended in June the following year.

STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model for SY 2020-2021. 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 six 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 shall 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. Since onsite activities are prohibited by a government agency, activities or modules were delivered 100% online for SY 2020-2021. Face-to-face classes remain suspended and thus the Group has continued to conduct classes online as at June 30, 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 revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2021 and 2020, and for the year ended June 30, 2021, the three months ended June 30, 2020 and the year ended March 31, 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

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

[(a)] *A subsidiary through a management contract (see Note 4)*
[(b)] *A subsidiary incorporated in November 11, 2019*
[(c)] *Collectively referred to as NAMEI, became subsidiaries starting April 1, 2019*
[(d)] *On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations as at October 7, 2021*
[(e)] *A wholly-owned subsidiary of De Los Santos-STI College*

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

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, except for the accounts of STI Tuguegarao, STI Caloocan, STI Iloilo and NAMEI whose financial reporting date ends on December 31; and STI Batangas, STI Novaliches, STI Tanauan, STI Lipa, STI Pagadian, STI Sta. Maria, De Los Santos-STI College and STI QA whose financial reporting date ends on March 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective as at July 1, 2020. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated.

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

  The amendments to PFRS 3 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 of the inputs and processes needed to create outputs. These amendments may impact future periods should the Group enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Coronavirus Disease 2019 (COVID-19)-related Rent Concessions beyond June 30, 2021*

  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, 2022; 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 April 1, 2021. Early adoption is permitted.

  The Group has early adopted the amendments and applied the practical expedient for rent concessions granted to the Group that meet the aforementioned criteria resulting in recognition of other income amounting to ₱17.7 million which is presented under "Other income - net" in the consolidated statement of comprehensive income for the year ended June 30, 2021.

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective for the year ended June 30, 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 consolidated financial statements, except otherwise stated.

Effective beginning on or after July 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Group is not required to restate prior periods.

Effective beginning on or after July 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Group is currently assessing the impact of adopting the amendments to PAS 37.

- Annual Improvements to PFRSs 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendments permit a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments have no impact on the Group since the Group's subsidiaries, associates and joint ventures are not first-time adopter of PFRSs.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendments remove the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendment is not applicable to the Group since none of the entities within the Group have activities that are related with agriculture.

Effective beginning on or after July 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

- 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 June 30, 2021 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures certain financial instruments, such as equity instruments designated at FVOCI, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in Notes 35 and 11 of the consolidated financial statements, respectively.

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

- In the principal market for the asset or liability, or

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

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

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

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

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

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

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

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

External valuers are involved in the valuation of significant assets, such as investment property. Every year, the Group decides whether to involve an external valuer in determining the fair value of these assets. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing on the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from date of acquisition and are subject to an insignificant risk of change in value.

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

a. Financial assets

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVTPL).

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

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at FVTPL

As at June 30, 2021 and 2020, the Group has no debt instruments at FVOCI and financial assets at FVTPL.

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

As at June 30, 2021 and 2020, the Group's financial assets at amortized cost include:

Cash and cash equivalents, *Receivables* (except for advances to officers and employees) and rental and utility deposits under *Goodwill, intangible and other noncurrent assets* account.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

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

As at June 30, 2021 and 2020, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI (see Note 14).

Impairment of Financial Assets

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

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the stage for impairment
The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group applies a simplified approach in calculating ECLs for receivables from students. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets
Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Write-off Policy
The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial liabilities

<u>Initial Recognition</u>
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, or as other financial liabilities.

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

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

The Group does not have financial liabilities at FVTPL. The Group's financial liabilities as at June 30, 2021 and 2020 are measured at amortized cost.

<u>Subsequent Measurement</u>
Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), lease liabilities, and other noncurrent liabilities (excluding advance rent and deferred lease liability).

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

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Exchange or Modification of Financial Liability
The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the consolidated statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments
Financial assets and liabilities are offset with the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. Net realizable value of promotional materials and school materials and supplies is the current replacement cost.

Prepaid Expenses and Other Current Assets
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by Philippine taxation laws and regulations. CWT is presented as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated net realizable value.

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment
The Group's property and equipment consists of land, buildings, equipment, furniture and fixtures, leasehold improvements, library holdings, construction in-progress and right-of-use assets (ROU) that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

ROU assets are subject to impairment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives or lease term (in the case of ROU assets), whichever is shorter:

Buildings	20 to 25 years
Office and school equipment	5 to 15 years
Office furniture and fixtures	5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years
Computer equipment and peripherals	3 years
Library holdings	5 years
Right-of-use asset - land	25 years
Right-of-use asset - building	2 to 5 years
Right-of-use asset - transportation equipment	3 to 5 years

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

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

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

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

<u>Investment Properties</u>
Investment properties include land and buildings held by the Group for capital appreciation and rental purposes. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Depreciation of buildings is computed on a straight-line basis over 20 to 25 years.

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

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

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

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

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Group has interests in Philippine Healthcare Educators, Inc. (PHEI) and STI-PHNS Outsourcing Corporation (STI-PHNS), both joint ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there is a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint ventures and the Parent Company are identical, except for Synergia Human Capital Solutions, Inc. (Synergia), Global Resource for Outsourced Workers, Inc. (GROW) which have December 31 as their financial reporting date, and the associates' and joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint ventures and the financial reporting date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint ventures. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of the Group, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		June 30, 2021		June 30, 2020		March 31, 2020	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related Services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia [(a)]	Management Consulting Services	**30**	**–**	30	–	30	–
STI – College Marikina, Inc. (STI Marikina)	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings [(b)]	Holding Company	**–**	**–**	20	–	20	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3
STI Holdings (see Note 4)	Holding Company	**5**	**–**	5	–	5	–

[(a)] Dormant entities
[(b)] STI ESG's 20% stake in Maestro Holdings was sold on December 15, 2020 (see Note 9)

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

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

For nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized provisions for impairment may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last provision for impairment was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (in the case of property and equipment, investment properties and intangible assets), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Unearned Tuition and Other School Fees

Unearned tuition and other school fees represent contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date. This represents contract liabilities under PFRS 15, *Revenue from Contracts with Customers*.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of comprehensive income.

Capital Stock and Additional Paid-in Capital

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

Treasury Stocks
Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Retained Earnings and Dividend on Common Stock of the Parent Company
The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings/Loss per Share Attributable to the Equity Holders of the Parent Company
Earnings/loss per share is computed by dividing net income/loss attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividend declaration, if any.

Diluted earnings/loss per share is calculated by dividing the net income/loss attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue Recognition
Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to PFRS 15:

Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's "Unearned tuition and other school fees" account represents contract liabilities which will be recognized as revenue when the related educational services are rendered. This includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

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

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time using the output method and is recognized as income over the corresponding school term to which they pertain on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods is transferred to the customer.

Other Revenues. Other revenues include income related to the software license subscriptions provided to franchised schools. These revenues are satisfied at a point in time and are recognized at the time of sale when control or rights to the goods or services are transferred to the customer.

The following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Costs and Expenses

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

Pension Cost

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

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI QA)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI QA	Funded, defined contribution plan

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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

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

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

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

Leases

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

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

Right-of-use assets

The Group classifies its ROU assets as part of property and equipment. Refer to the accounting policies in Property and Equipment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases with Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification
Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to a lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. A lessee recognizes the effect of the rent concession by recognizing the reduction in payment as other income in profit or loss in the consolidated statement of comprehensive income.

Group as a Lessor. The Group had lease agreements for the lease of its investment properties. These leases, where the Group retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income

<u>Taxes</u>
Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

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

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the "Prepaid expenses and other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated statement of financial position.

Operating Segment

For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

Post-year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Segment Information

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

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

Management monitors 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 consolidated financial statements.

On a consolidated basis, the Group's performance is evaluated based on net income (loss) and EBITDA, defined as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures, provision for impairment of noncurrent asset held for sale and nonrecurring losses (gains) such as gain on sale of noncurrent asset held for sale (net of capital gains tax), income on rent concessions, gain on disposal of net assets, loss on loan modification 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 loss to consolidated EBITDA:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Consolidated net loss	**(₱60,055,601)**	(₱216,846,936)	(₱231,416,213)
Depreciation and amortization*	**425,962,749**	110,068,216	437,444,138
Interest expense*	**278,642,040**	65,883,893	246,040,955
Provision for (benefit from) income tax	**20,173,492**	(15,907,041)	13,327,985
Income on rent concessions	**(17,677,038)**	–	–
Gain on sale of noncurrent asset held for sale**	**(15,460,821)**	–	–
Loss on loan modification	**8,298,502**	–	–
Foreign exchange gain - net	**(4,005,931)**	–	–
Interest income	**(3,738,387)**	(956,490)	(4,406,732)
Equity in net losses (earnings) of associates and joint ventures	**(3,661,134)**	1,783,119	(5,307,508)
Provision for impairment of noncurrent asset held for sale	**–**	–	297,470,664
Gain on disposal of net assets	**–**	–	(4,365,123)
Consolidated EBITDA	**₱628,477,871**	(₱55,975,239)	₱748,788,166

**Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*
***Net of capital gains tax amounting to ₱45.9 million paid during the year ended June 30, 2021.*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020 and certain assets and liabilities information as at June 30, 2021 and 2020 regarding geographical segments:

	For the year ended June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	**₱883,210,280**	**₱138,515,524**	**₱523,630,921**	**₱31,669,548**	**₱49,997,624**	**₱1,627,023,897**
Results						
Income (loss) before other income (expenses) and income tax	**(₱35,310,021)**	**(₱2,584,788)**	**₱179,615,112**	**₱2,083,205**	**(₱8,219,803)**	**₱135,583,705**
Equity in net earnings of associates and joint ventures	**3,661,134**	**–**	**–**	**–**	**–**	**3,661,134**
Interest expense	**(286,564,573)**	**(4,989,637)**	**(7,057,175)**	**(740,878)**	**(2,925,570)**	**(302,277,833)**
Interest income	**3,411,504**	**55,958**	**243,715**	**16,015**	**11,195**	**3,738,387**
Other income[(a)]	**105,548,847**	**7,362,793**	**2,895,222**	**975,938**	**2,629,698**	**119,412,498**
Benefit from (provision for) income tax	**(20,201,334)**	**(189,770)**	**498,048**	**(200,036)**	**(80,400)**	**(20,173,492)**
Net Income (Loss)	**(₱229,454,443)**	**(₱345,444)**	**₱176,194,922**	**₱2,134,244**	**(₱8,584,880)**	**(₱60,055,601)**
EBITDA						**₱628,477,871**

	As at June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(b)]	**₱8,446,986,800**	**₱813,510,696**	**₱1,055,085,741**	**₱63,120,723**	**₱149,568,632**	**₱10,528,272,592**
Goodwill (see Note 15)	**231,680,294**	**–**	**–**	**–**	**–**	**231,680,294**
Investments in and advances to associates and joint ventures (see Note 12)	**503,805,031**	**–**	**–**	**–**	**–**	**503,805,031**
Deferred tax assets - net (see Note 29)	**19,864,358**	**1,273,873**	**5,653,273**	**176,792**	**1,677,763**	**28,646,059**
Total Assets	**₱9,202,336,483**	**₱814,784,569**	**₱1,060,739,014**	**₱63,297,515**	**₱151,246,395**	**₱11,292,403,976**
Segment liabilities[(c)]	**₱570,479,649**	**₱54,233,156**	**₱107,450,933**	**₱17,679,297**	**₱38,137,730**	**₱787,980,765**
Interest-bearing loans and borrowings (see Note 17)	**1,333,358,223**	**–**	**–**	**–**	**–**	**1,333,358,223**
Bonds payable (see Note 18)	**2,973,082,875**	**–**	**–**	**–**	**–**	**2,973,082,875**
Pension liabilities (see Note 27)	**41,949,032**	**5,293,944**	**10,473,090**	**740,857**	**1,886,039**	**60,342,962**
Lease liabilities (see Note 28)	**121,999,174**	**68,171,906**	**99,537,001**	**8,105,526**	**37,353,339**	**335,166,946**
Total Liabilities	**₱5,040,868,953**	**₱127,699,006**	**₱217,461,024**	**₱26,525,680**	**₱77,377,108**	**₱5,489,931,771**
Other Segment Information						
Capital expenditures for property and equipment						**₱284,980,136**
Depreciation and amortization[(d)]						**425,962,749**
Noncash expenses other than depreciation and amortization						**68,250,011**

[(a)] *Other income (expenses) exclude equity in net earnings 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.*

	For the three-month period ended June 30, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱71,680,315	₱7,241,392	₱28,189,143	₱2,120,634	₱2,504,643	₱111,736,127
Results						
Loss before other income (expenses) and income tax	(₱116,532,695)	(₱21,391,314)	(₱39,613,601)	(₱3,662,430)	(₱8,701,334)	(₱189,901,374)
Equity in net losses of associates and joint ventures	(1,783,119)	–	–	–	–	(1,783,119)
Interest expense	(67,907,431)	(1,390,713)	(1,832,473)	(382,212)	(854,410)	(72,367,239)
Interest income	826,265	14,693	107,793	4,291	3,448	956,490
Other income[(a)]	30,341,265	–	–	–	–	30,341,265
Benefit from income tax	15,907,041	–	–	–	–	15,907,041
Net Loss	(₱139,148,674)	(₱22,767,334)	(₱41,338,281)	(₱4,040,351)	(₱9,552,296)	(₱216,846,936)
EBITDA						(₱55,975,239)

	As at June 30, 2020					
	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 15)	229,750,336	–	–	–	–	229,750,336
Investments in and advances to associates and joint ventures (see Note 12)	501,846,375	–	–	–	–	501,846,375
Noncurrent asset held for sale (see Note 9)	419,115,894	–	–	–	–	419,115,894
Deferred tax assets - net (see Note 29)	47,098,516	906,468	1,701,851	256,259	80,132	50,043,226
Total Assets	₱9,207,631,036	₱835,979,612	₱961,597,834	₱73,796,741	₱148,873,021	₱11,227,878,244
Segment liabilities[(c)]	₱586,840,501	₱45,962,613	₱88,543,503	₱15,534,353	₱31,393,474	₱768,274,444
Interest-bearing loans and borrowings (see Note 17)	1,154,693,192	–	–	–	–	1,154,693,192
Bonds payable (see Note 18)	2,966,097,772	–	–	–	–	2,966,097,772
Pension liabilities (see Note 27)	49,603,591	4,699,923	10,403,110	45,508	1,746,872	66,499,004
Lease liabilities (see Note 28)	127,280,519	82,870,413	102,454,338	21,752,743	49,435,634	383,793,647
Total Liabilities	₱4,884,515,575	₱133,532,949	₱201,400,951	₱37,332,604	₱82,575,980	₱5,339,358,059
Other Segment Information						
Capital expenditures for property and equipment						₱34,016,272
Depreciation and amortization[(d)]						110,068,216
Noncash expenses other than depreciation and amortization						4,813,649

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

	For the year ended March 31, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,188,867,653	₱151,701,650	₱638,446,135	₱35,210,208	₱52,799,970	₱2,067,025,616
Results						
Income (loss) before other income (expenses) and income tax	₱52,135,410	(₱18,570,719)	₱210,486,682	(₱2,817,125)	(₱22,474,519)	₱218,759,729
Equity in net earnings of associates and joint ventures	5,307,508	–	–	–	–	5,307,508
Interest expense	(254,778,535)	(5,866,114)	(7,671,854)	(1,650,711)	(3,626,073)	(273,593,287)
Interest income	3,683,040	52,763	642,305	16,776	11,848	4,406,732
Other income (expenses)[(a)]	(174,186,545)	467,589	1,551,032	(913,959)	112,973	(172,968,910)
Provision for income tax	(13,327,985)	–	–	–	–	(13,327,985)
Net Income (Loss)	(₱381,167,107)	(₱23,916,481)	₱205,008,165	(₱5,365,019)	(₱25,975,771)	(₱231,416,213)
EBITDA						₱748,788,166

	As at March 31, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(b)]	₱8,146,789,735	₱862,538,856	₱1,056,229,769	₱79,609,220	₱161,317,517	₱10,306,485,097
Goodwill (see Note 15)	229,750,336	–	–	–	–	229,750,336
Investments in and advances to associates and joint ventures (see Note 12)	503,626,787	–	–	–	–	503,626,787
Noncurrent asset held for sale (see Note 9)	419,115,894	–	–	–	–	419,115,894
Deferred tax assets - net (see Note 29)	30,787,357	781,979	1,477,235	252,325	82,085	33,380,981
Total Assets	₱9,330,070,109	₱863,320,835	₱1,057,707,004	₱79,861,545	₱161,399,602	₱11,492,359,095
Segment liabilities[(c)]	₱622,093,582	₱45,187,635	₱97,823,096	₱14,708,518	₱29,313,862	₱809,126,693
Interest-bearing loans and borrowings (see Note 17)	1,154,262,208	–	–	–	–	1,154,262,208
Bonds payable (see Note 18)	2,964,418,162	–	–	–	–	2,964,418,162
Pension liabilities (see Note 27)	39,794,523	4,559,234	10,064,894	41,613	1,683,970	56,144,234
Lease liabilities (see Note 28)	131,576,949	84,981,927	104,329,597	23,381,858	51,638,155	395,908,486
Total Liabilities	₱4,912,145,424	₱134,728,796	₱212,217,587	₱38,131,989	₱82,635,987	₱5,379,859,783
Other Segment Information						
Capital expenditures for property and equipment						₱464,639,614
Depreciation and amortization[(d)]						437,444,138
Noncash expenses other than depreciation and amortization						69,642,742

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

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

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

In response to the COVID-19 outbreak, which has caused global economic disruption, STI ESG has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2021 consolidated financial statements from those applied in previous financial periods, other than for those disclosed under this section.

Judgments

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

Determination of Control Arising from a Management Contract. The Parent Company has management contract with STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct its relevant activities and has the means to obtain the majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control of STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Classification and Measurement of Financial Assets

a. Contractual Cash Flows Assessment

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with SPPI.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. "Interest" is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

b. *Evaluation of Business Model in Managing Financial Instruments*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Recognition of revenue from tuition and other school fees, educational services and royalty fees over time. The Group concluded that tuition and other school fees, educational services, and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Recognition of revenue from the sale of educational materials and supplies at the point in time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings (see Note 12). Management has assessed that it has significant influence by virtue of its pooling agreement with other stockholders of STI Holdings owning 31.12% of the voting stock of STI Holdings resulting in total voting power of 36.19%. Under this agreement, the Parent Company and the stockholder will pool their shares in STI Holdings and vote as a block in all matters that would require a vote of the shareholders and the BOD. Accordingly, the Parent Company has the power to participate in the financial and operating policy decisions of STI Holdings and accounts for the said investment as an associate.

Noncurrent Asset Held for Sale. On June 27, 2017, STI ESG's BOD approved the disposition of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- The shares will be sold at a price approximating its current fair value
- Actions to locate a buyer and complete the sale have been initiated
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings effective June 30, 2017 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 US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG (see Note 9).

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to the collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 33).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss given default*
  LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified approach for receivables from students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information at the end of the first three months subsequent to report date. As a result of this review, the probability of default of receivables from students that are due subsequent to report date was adjusted accordingly. Additional scenario analysis was incorporated which considered differing severity and duration assumptions relating to the global pandemic. This included probability-weighted shocks to annual gross domestic product (GDP) and consequential impacts on unemployment and other economic variables.

As uncertainties in market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, actual results in the future periods may differ from the estimates.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL amounting to ₱48.6 million for the year ended June 30, 2021, ₱2.0 million for the three-month period ended June 30, 2020, and ₱52.1 million for the year ended March 31, 2020. Allowance for ECL on receivables amounted to ₱138.8 million and ₱145.1 million as at June 30, 2021 and 2020, respectively. The carrying amounts of receivables as at June 30, 2021 and 2020 are disclosed in Note 6 to the consolidated financial statements.

Valuation of Noncurrent Assets Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount. Management used the adjusted consolidated net assets value of PhilPlans First, Inc. (PhilPlans) and discounted cash flows from the financial budget covering five years approved by the management of Philippine Life Financial Assurance Corporation (PhilLife) and PhilhealthCare, Inc. (PhilCare) in estimating the fair value of Maestro Holdings. PhilPlans consists primarily of investments in listed equity instruments, government bonds, other fixed-income securities (accounts valued at Level 1 and Level 2) and pre-need reserves. Management used a discount rate for the discounted cash flows of PhilLife and PhilCare equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Key assumptions used by management are growth rates, long-term growth rate, discount rates, discount on lack of control (DLOC), discount on lack of marketability (DLOM) and estimated costs to sell (under Level 3).

The Group recognized a provision for impairment of the noncurrent asset held for sale amounting to ₱297.5 million for the year ended March 31, 2020. No impairment was recognized for the year ended June 30, 2021 and the three-month period ended June 30, 2020. As at June 30, 2021 and 2020, the carrying value of the noncurrent asset held for sale amounted to nil and ₱419.1 million, respectively (see Note 9).

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2021 and 2020. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	June 30, 2021	June 30, 2020
Property and equipment (see Note 10)	**₱5,164,988,119**	₱5,417,046,126
Investment properties (see Note 11)	**433,637,481**	462,114,417
Intangible assets (see Note 15)	**31,003,360**	30,524,169

Impairment of Nonfinancial Assets. PFRS requires nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include property and equipment, investment properties, investment in and advances to associates and joint ventures, intangible assets and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While STI ESG believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

The carrying value of property and equipment, investment properties, investments in and advances to subsidiaries, associates and joint ventures, intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12, 13 and 15, respectively.

The Group recognized a provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million for the year ended June 30, 2021. No impairment was recognized for the three-month period ended June 30, 2020 and the year ended March 31, 2020. As at June 30, 2021 and 2020, the carrying value of the investments in and advances to subsidiaries, associates and joint ventures amounted to ₱503.8 million and ₱501.8 million, respectively (see Note 12).

Impairment of Goodwill and Intangible Assets with Indefinite Useful Life. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill and intangible assets with indefinite useful life which are subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill and intangible assets with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting period was conducted.

The recoverable amounts of CGUs have been determined based on the value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, EBITDA margins, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate ranging from 10.41% to 10.55% and from 9.52% to 10.03% were used as at June 30, 2021 and 2020, respectively. The growth rate used in extrapolating the cash flows beyond the period covered by the CGU's recent budgets was 5.00%.

Impairment testing as at June 30, 2021 and 2020 showed that the CGUs recoverable amounts were greater than their carrying amounts. No provision for impairment was recognized for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020. Goodwill amounted to ₱231.7 million and ₱229.8 million as at June 30, 2021 and 2020, respectively; while intangible assets with indefinite useful life amounted to ₱27.6 million as at June 30, 2021 and 2020 (see Note 15).

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

Deferred tax assets recognized as at June 30, 2021 and 2020 are disclosed in Note 29 of the consolidated financial statements.

Measurement of Lease Liability. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*
  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

  The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*
  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2021 and 2020 are disclosed in Note 28 of the consolidated financial statements.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 27 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at June 30, 2021 and 2020 are disclosed in Note 27 of the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2021	June 30, 2020
Cash on hand and in banks	**₱694,020,726**	₱508,963,843
Cash equivalents	**508,113,960**	75,215,471
	₱1,202,134,686	₱584,179,314

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

Interest earned from cash in banks and cash equivalents amounted to ₱2.8 million, ₱0.6 million and ₱3.7 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 22).

6. Receivables

This account consists of:

	June 30, 2021	June 30, 2020
Tuition and other school fees	**₱369,012,268**	₱373,058,586
Educational services	**137,840,304**	94,297,658
Rent, utilities and other related receivables	**31,545,623**	50,408,791
Advances to officers and employees (see Note 30)	**16,267,796**	22,849,022
Dividend receivable	**791,884**	–
Others	**20,347,620**	94,504,240
	575,805,495	635,118,297
Less allowance for expected credit losses	**138,802,580**	145,135,677
	₱437,002,915	₱489,982,620

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees include receivables from students, DepEd, CHED and Development Bank of the Philippines (DBP).

   On March 17, 2021, STI ESG executed a memorandum of agreement with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP.

   These receivables are noninterest-bearing. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱0.9 million, ₱0.3 million and ₱0.7 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 22).

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

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

e. Dividend receivable pertains to dividends declared by De Los Santos Medical Center, Inc. (DLSMC), formerly De Los Santos General Hospital, in June 2021 which were received by STI ESG on July 15, 2021.

f. As at June 30, 2020, other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay), a franchisee. On November 4, 2019, STI ESG and DBP entered into a Deed of Assignment wherein DBP assigned, transferred and conveyed, without recourse, all its collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

   This 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 land and building including improvements therein, located in Pasig City. Using the latest available appraisal report dated June 2019, the appraised value of these properties amounted to ₱89.4 million.

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 said properties in Tanay and 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. On July 14, 2021, the Office of the Clerk of Court of the Regional Trial Court of Pasig City issued the Certificate of Sale which indicates the sale to STI ESG, by public auction, of the said Pasig Property. The one (1) year redemption period will commence from the annotation of the Certificate of Sale on the TCT covering the property in 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, Rizal. As at October 7, 2021, STI ESG is complying with certain requirements of the Clerk of Court of Rizal for the foreclosure proceedings.

As at June 30, 2021, the outstanding receivable was reclassified to noncurrent asset under “Goodwill , intangible and other noncurrent assets” account” (see Note 15).

This account also includes receivables from a former franchisee, vendors and Social Security System amounting to ₱1.6 million, ₱6.7 million and ₱4.3 million, respectively, as at June 30, 2021 and amounting to ₱1.6 million, ₱6.3 million and ₱5.7 million, respectively, as at June 30, 2020. These receivables are expected to be collected within the next reporting period.

The movements in the allowance for expected credit losses are as follows:

	June 30, 2021		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱142,187,816**	**₱2,947,861**	**₱145,135,677**
Write-off	**(54,962,994)**	**–**	**(54,962,994)**
Provisions (see Note 25)	**45,208,275**	**3,421,622**	**48,629,897**
Balance at end of year	**₱132,433,097**	**₱6,369,483**	**₱138,802,580**

	June 30, 2020 (Three Months - see Note 2)		
	Tuition and Other School Fees	Others	Total
Balance at beginning of period	₱140,248,796	₱2,875,963	₱143,124,759
Provisions (see Note 25)	1,939,020	71,898	2,010,918
Balance at end of period	₱142,187,816	₱2,947,861	₱145,135,677

7. Inventories

This account consists of:

	June 30, 2021	June 30, 2020
At cost:		
Educational materials:		
Uniforms	**₱140,605,612**	₱105,771,285
Textbooks and other education-related materials	**14,848,007**	10,793,447
	155,453,619	116,564,732
Promotional materials:		
Proware materials	**11,199,903**	10,302,936
Marketing materials	**3,514,387**	3,029,945
	14,714,290	13,332,881
School materials and supplies	**2,906,995**	3,214,753
	₱173,074,904	₱133,112,366

Inventories are presented at the lower of cost and net realizable value. The carrying value of inventories carried at net realizable value is nil as at June 30, 2021 and 2020. Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, with original cost of ₱16.5 million and ₱15.7 million as at June 30, 2021 and 2020, respectively, are fully provided with allowance for inventory obsolescence. Provision for inventory obsolescence resulting from the excess of cost over the net realizable value of inventories amounted to ₱0.8 million, nil, and ₱4.8 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 25).

Inventories charged to cost of educational materials and supplies sold amounted to ₱19.4 million, ₱0.1 million and ₱105.0 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 24).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2021	June 30, 2020
Prepaid taxes	**₱29,725,931**	₱19,081,770
Input VAT - net	**8,605,899**	17,423,572
Prepaid subscriptions and licenses	**8,491,066**	139,699
Prepaid insurance	**6,214,726**	2,789,307
Excess contributions to CEAP (see Note 27)	**2,315,227**	3,005,913
Prepaid internet cost	**2,137,464**	–
Software maintenance cost	**1,567,359**	1,149,237
Prepaid rent	**626,277**	774,900
Others	**1,079,084**	1,552,120
	₱60,763,033	₱45,916,518

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

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. Input VAT is primarily from the purchase of goods and services.

Prepaid subscriptions and licenses pertain to Microsoft, Adobe Acrobat license, eLMS, Sangfor Firewall, and Autodesk subscriptions for SY 2021-2022. Sangfor Firewall is a security device used to protect the head office and school's network from internal and external attacks while Autodesk refers to the software used to design school building blueprints. These subscriptions are normally renewed annually and are amortized in accordance with the terms of the agreements.

Prepaid insurance primarily represents fire and building insurance and health coverage of employees which were paid in advance and are recognized as expense over the period of coverage which is within the next reporting period.

Excess contributions to CEAP pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail of 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 (see Note 27).

Prepaid internet cost represents advance payment for the cost of data connectivity for the students. STI ESG partnered with Smart Communications, Inc. (Smart) and Globe Telecom, Inc. (Globe) to provide students with a 34GB Smart SIM and up to 20GB Globe data plan or load per month, respectively. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime.

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

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

9. Noncurrent Asset Held for Sale

Maestro Holdings

Noncurrent asset held for sale amounting to nil and ₱419.1 million as at June 30, 2021 and 2020, respectively, represents the carrying value of STI ESG's 20% ownership in Maestro Holdings. Maestro Holdings owns 100% of PhilPlans, 99.89% of PhilCare, 91.04% of PhilLife and 100% of Banclife Insurance Co. Inc. (Banclife). PhilPlans is a leading pre-need company, providing innovative pension, education and life plans. It used to own 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 its sale 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 this 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 on June 30, 2017, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings and the investment was carried at the lower of its carrying amount or fair value less costs to sell.

For the year ended March 31, 2020, STI ESG recognized a provision for impairment of ₱297.5 million as a result of the decline in the fair value of Maestro Holdings. The decline in fair value as at March 31, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. The fair value was estimated using adjusted consolidated net assets value which consists significantly of investments in listed equity instruments, government bonds, other fixed income securities (accounts valued at Level 1 and Level 2) and pre-need reserves of PhilPlans and discounted cash flows from the financial budget covering five years approved by the management of PhilLife and PhilCare. No provision for impairment was recognized for the year ended June 30, 2021 and three-month period ended June 30, 2020.

Key assumptions used for the discounted cash flows of PhilLife and PhilCare (under Level 3) are growth rates for: net premiums (7.00% y-o-y growth), claims (30.00% of net premiums), enrollees' fee (9.31% to 9.66%) and enrollees' claims (70.00% of enrollees' fees); long-term growth rate (5.70%); and discount rates (13.80% to 15.10%). Other key assumptions used in determining the fair value less costs to sell include DLOC and DLOM (15.00% to 20.00%) and estimated costs to sell (5.00%) (see Note 4).

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, STI ESG's BOD approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for a purchase price of 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, equivalent to ₱480.5 million. The amount of US$10.0 million has been fully paid to STI ESG. This transaction resulted in a gain amounting to ₱15.5 million (net of capital gains tax of ₱45.9 million) which is presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the selling price of ₱480.5 million and the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15% of the ₱306.4 million, which is the difference between the selling price and the acquisition cost of investment amounting to ₱174.1 million. The sale 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 20).

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

	June 30, 2021 (One Year)												
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction-in-Progress**	**Right-of-Use Asset - Land**	**Right-of-Use Asset - Building**	**Right-of-Use Asset - Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	**₱2,303,062,317**	**₱4,704,479,911**	**₱202,100,780**	**₱60,431,467**	**₱67,772,908**	**₱739,198**	**₱49,804,523**	**₱15,519,876**	**₱198,632,318**	**₱132,631,411**	**₱170,097,944**	**₱13,468,108**	**₱7,918,740,761**
Additions	**2,870,012**	**122,593,192**	**47,316,989**	**8,130,813**	**1,777,994**	**216,065**	**5,327,352**	**7,051,708**	**89,696,010**	**–**	**26,771,300**	**7,259,169**	**319,010,604**
Reclassification from other noncurrent assets (see Note 15)	**183,051,923**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**183,051,923**
Disposal	**–**	**–**	**(86)**	**(6,476)**	**–**	**–**	**(44)**	**(15)**	**–**	**–**	**–**	**–**	**(6,621)**
Reclassifications	**–**	**15,678,326**	**(5,196,429)**	**–**	**(10,481,897)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Effect of business combinations (see Note 38)	**–**	**–**	**717,716**	**153,987**	**135,323**	**–**	**–**	**55,866**	**–**	**–**	**–**	**–**	**1,062,892**
Lease termination (see Note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,095,588)**	**(2,592,066)**	**(21,687,654)**
Depreciation and amortization (see Notes 23 and 25)	**–**	**(252,140,179)**	**(68,061,341)**	**(20,741,313)**	**(20,033,326)**	**(839,239)**	**(29,537,706)**	**(5,923,940)**	**–**	**(7,810,535)**	**(45,912,416)**	**(6,871,211)**	**(457,871,206)**
Balance at end of year	**₱2,488,984,252**	**₱4,590,611,250**	**₱176,877,629**	**₱47,968,478**	**₱39,171,002**	**₱116,024**	**₱25,594,125**	**₱16,703,495**	**₱288,328,328**	**₱124,820,876**	**₱131,861,240**	**₱11,264,000**	**₱7,942,300,699**
At June 30, 2021													
Cost	**₱2,488,984,252**	**₱6,165,866,586**	**₱728,685,598**	**₱316,836,702**	**₱243,243,208**	**₱7,588,984**	**₱380,539,874**	**₱128,488,314**	**₱288,328,328**	**₱142,394,578**	**₱223,373,307**	**₱63,445,414**	**₱11,177,775,145**
Accumulated depreciation and amortization	**–**	**1,575,255,336**	**551,807,969**	**268,868,224**	**204,072,206**	**7,472,960**	**354,945,749**	**111,784,819**	**–**	**17,573,702**	**91,512,067**	**52,181,414**	**3,235,474,446**
Net book value	**₱2,488,984,252**	**₱4,590,611,250**	**₱176,877,629**	**₱47,968,478**	**₱39,171,002**	**₱116,024**	**₱25,594,125**	**₱16,703,495**	**₱288,328,328**	**₱124,820,876**	**₱131,861,240**	**₱11,264,000**	**₱7,942,300,699**

	June 30, 2020 (Three Months - see Note 2)												
	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	₱134,584,044	₱183,371,271	₱15,047,189	₱8,002,960,313
Additions	–	2,509,426	2,401,709	37,221	–	–	955,055	425,816	27,687,045	–	–	–	34,016,272
Depreciation and amortization (see Notes 23 and 25)	–	(61,468,972)	(17,460,983)	(5,516,361)	(5,980,840)	(237,564)	(9,341,037)	(1,425,026)	–	(1,952,633)	(13,273,327)	(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	₱132,631,411	₱170,097,944	₱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	–	9,763,167	64,532,685	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	₱132,631,411	₱170,097,944	₱13,468,108	₱7,918,740,761

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

Additions

Land. On April 23, 2021, STI ESG and Heva Management & Development Corporation (HMDC) executed a deed of absolute sale for the purchase of a parcel of land with an area of 2,615 square meters situated in West Diversion Road, Iloilo City for a total consideration of ₱183.1 million. As such, STI ESG reclassified the deposit for asset acquisition to land under "Property and equipment" (see Note 15). STI ESG paid the real property tax and documentary stamp tax for the transfer of ownership amounting to ₱2.8 million during the year ended June 30, 2021. As at June 30, 2021, the property has an aggregate cost of ₱185.9 million, inclusive of the related taxes. The property is intended to be the new site for STI Iloilo.

Property and Equipment under Construction. As at June 30, 2021 and 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 were completed in August 2021.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱2.8 million for the year ended June 30, 2021, ₱13.8 thousand for the three-month period ended June 30, 2020 and ₱5.4 million for the year ended March 31, 2020. The average interest capitalization rate was 5.62%, 5.90% and 5.97% for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively, which was the effective rate of the borrowings.

Collaterals

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at June 30, 2021 and 2020 (see Note 28). The net book value of these equipment amounted to ₱11.3 million and ₱13.5 million as at June 30, 2021 and 2020, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	June 30, 2021		
	Land	**Condominium Units and Buildings**	**Total**
Cost:			
Balance at beginning and end of year	**₱23,986,424**	**₱636,233,550**	**₱660,219,974**
Accumulated depreciation:			
Balance at beginning of year	–	**174,119,133**	**174,119,133**
Depreciation (see Notes 23 and 25)	–	**28,476,936**	**28,476,936**
Balance at end of year	–	**202,596,069**	**202,596,069**
Net book value	**₱23,986,424**	**₱433,637,481**	**₱457,623,905**

	June 30, 2020 (Three Months - see Note 2)		
	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 23 and 25)	–	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

Description of valuation techniques used and key inputs to valuation of investment properties

The fair values of investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land

Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at June 30, 2021, the following shows the valuation techniques used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value	₱134,287,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the land is commercial utility.

Condominium Units and Buildings

Level 3 fair values of condominium units and buildings have also been derived using the market approach.

Using the latest available valuation report as at June 30, 2021, the following shows the valuation techniques used in measuring the fair value of the building, as well as the significant unobservable inputs used:

Fair value	₱1,462,838,000
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

The highest and best use of the condominium units and buildings is commercial utility.

Rental

Rental income earned from investment properties amounted to ₱84.7 million, ₱28.5 million and ₱109.2 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 28). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱5.7 million, ₱1.4 million and ₱5.1 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively.

12. Investments in and Advances to Associates and Joint Ventures

The details and movements of this account are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
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 earnings (losses) of associates and joint ventures	**3,661,134**	(1,783,119)
Dividends received	**(1,851,602)**	–
Balance at end of period	**(46,652,187)**	(48,461,719)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**440,842**	438,135
Remeasurement gain on pension liability	**158,937**	3,168
Unrealized fair value adjustment on equity instruments designated at FVOCI	**(9,813)**	(461)
Balance at end of period	**589,966**	440,842
	503,805,031	501,846,375
Advances (see Note 30)	**48,134,540**	37,868,986
Less allowance for impairment loss	**48,134,540**	37,868,986
	–	–
	₱503,805,031	₱501,846,375

Movements in the allowance for impairment in value of investments in and advances to associates and joint ventures are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2
Balance at beginning of period	**₱37,868,986**	₱37,868,986
Provision for impairment loss (see Note 25)	**10,265,554**	–
Balance at end of period	**₱48,134,540**	₱37,868,986

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

	June 30, 2021	June 30, 2020
Associates (see Note 30):		
STI Holdings	**₱465,071,956**	₱458,509,710
STI Accent	**48,134,540**	37,868,986
STI Alabang	**20,970,887**	24,873,546
GROW	**13,513,225**	14,109,539
Joint venture - PHEI	**4,248,963**	4,353,580
	551,939,571	539,715,361
Allowance for impairment loss	**48,134,540**	37,868,986
	₱503,805,031	₱501,846,375

As at June 30, 2021 and 2020, the carrying amount of the investments in STI Marikina, Synergia, STI Accent and PHNS amounted to nil. The Group received dividends from STI Marikina which was recognized as income amounting to ₱1.0 million for the year ended March 31, 2020.

Information about associates and indirect associates and their major transactions are discussed below:

STI Holdings. STI Holdings is a holding company whose primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock, so owned, but not to act as dealer in securities and to invest in and manage any company or institution. STI Holdings aims to focus on education and education related activities and investments.

Condensed financial information of STI Holdings is as follows:

	June 30, 2021	June 30, 2020	March 31, 2020
Current assets	**₱2,304,377,825**	₱2,023,283,976	₱2,177,644,765
Noncurrent assets	**11,436,374,204**	12,794,062,978	12,918,900,992
Current liabilities	**(1,193,439,529)**	(1,432,159,887)	(1,496,288,740)
Noncurrent liabilities	**(5,386,880,626)**	(5,296,510,070)	(5,347,584,743)
Total equity	**7,160,431,874**	8,088,676,997	8,252,672,274
Less:			
Equity attributable to holders of non-controlling interests	**(81,152,838)**	(82,465,840)	(81,683,099)
STI ESG's cumulative total comprehensive loss taken up by STI Holdings	**(2,412,620,838)**	(3,469,498,428)	(3,625,976,543)
Total equity, net of cumulative total comprehensive loss taken up by STI Holdings	**4,666,658,198**	4,536,712,729	4,545,012,632
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the Parent Company	**235,666,239**	229,103,993	229,523,138
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of the investment	**₱465,071,956**	₱458,509,710	₱458,928,855

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Revenues	**₱2,090,580,217**	₱196,887,727	₱2,674,624,129
Expenses	**(1,988,849,745)**	(433,672,815)	(2,885,226,196)
Income (loss) from operations	**101,730,472**	(236,785,088)	(210,602,067)
Other comprehensive income (loss)	**16,810,023**	(1,013,068)	(10,855,719)
Total comprehensive income (loss)	**118,540,495**	(237,798,156)	(221,457,786)
Less:			
Comprehensive loss attributable to equity holders of non-controlling interest	**1,089,780**	1,290,821	12,474,510
STI ESG's total comprehensive loss taken up by STI Holdings	**46,900,455**	228,411,423	298,170,646
Total comprehensive income (loss) attributable to equity holders of the parent company net of STI ESG's total comprehensive income taken up by STI Holdings	**166,530,730**	(8,095,912)	89,187,370
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total comprehensive income (loss)	**₱8,413,849**	(₱419,145)	₱4,506,129

STI Accent. STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2021 and 2020, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱48.1 million and ₱37.9 million, respectively. The Group recognized provision for impairment in its advances to STI Accent amounting to ₱10.3 million for the year ended June 30, 2021 and nil for the three-month period ended June 30, 2020 and the year ended March 31, 2020.

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

The aggregate financial information of individually immaterial associates follows:

	June 30, 2021	June 30, 2020	March 31, 2020
Current assets	**₱194,050,957**	₱174,217,900	₱177,665,351
Noncurrent assets	**41,929,742**	39,855,675	40,436,151
Current liabilities	**(154,859,791)**	(109,629,086)	(106,685,234)
Noncurrent liabilities	**(17,953,621)**	(15,610,013)	(15,340,787)
	₱63,167,287	₱88,834,476	₱96,075,481

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Revenues	**₱172,522,598**	₱46,707,334	₱489,941,910
Expenses	**(186,048,513)**	(52,037,224)	(493,140,183)
Total comprehensive loss	**(13,525,915)**	(5,329,890)	(3,198,273)
Share in comprehensive income (loss)	**(₱4,603,590)**	(₱1,361,267)	₱733,464

Terms and conditions relating to advances to associates and joint ventures are disclosed in Note 30 to the consolidated financial statements.

13. **Interest in Joint Ventures**

PHEI

On March 19, 2004, the Parent Company, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

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

a. The Parent Company shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as a campus of BSN while the premises of Information and Communications Technology Academy, Inc. (iACADEMY) will be the campus of the post graduate degree.

c. Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

The cost of STI ESG's investment in PHEI amounted to ₱5.0 million while its carrying value amounted to ₱4.2 million as at June 30, 2021 and 2020.

STI-PHNS

On September 16, 2005, GROW and PHNS International Holdings, Inc., a company incorporated in Dallas, Texas, USA, entered into a Joint Venture Agreement (JVA). Under the JVA, the parties have agreed to incorporate a joint venture company in the Philippines and set certain terms with regard to capitalization, organization, conduct of business and the extent of their participation in the management of affairs of the joint venture company for the primary purpose of engaging, directly or indirectly, in the business of medical transcription and other related business in the Philippines. As a result of the JVA, the parties incorporated STI-PHNS where each has a 50.00% ownership of the outstanding capital stock of STI-PHNS.

A Deed of Assignment between GROW and STI ESG was executed on May 5, 2006, to transfer all the rights of GROW in the JVA to the latter.

STI-PHNS ceased operations in 2014. On April 7, 2016, the BOD of STI-PHNS ratified the resolution approving the cessation of the business activities of STI-PHNS effective March 1, 2013 and approved the resolution to shorten the corporate term of STI-PHNS until June 30, 2017. On the same date, the BOD of Summit Technologies, Inc. (Summit) ratified the resolution approving the cessation of operations and closure of the business of Summit effective February 28, 2013 and March 1, 2013, respectively, and approved the resolution to shorten the corporate term of Summit until June 30, 2017. Summit is an 89.51%- subsidiary of STI-PHNS. Summit is primarily engaged in encoding, transcribing, translating or converting information, data, documents, files and records of whatever form into usable electronic information or database for use with software programs or other information or database application. The amendments to the STI-PHNS and Summit's Articles of Incorporation for shortening of the corporate term were approved by the SEC on July 12, 2016 and June 7, 2016, respectively.

The cost of STI ESG's investment in PHNS amounted to ₱5.6 million, equivalent to the allowance for impairment loss recognized as at June 30, 2021 and 2020. The carrying value of STI ESG's investment in PHNS amounted to nil as at June 30, 2021 and 2020.

The Group's share in the net losses of its joint ventures amounted to ₱0.1 million for the year ended June 30, 2021 while share in the net earnings amounted to ₱0.8 million and ₱2.1 million for the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively, which were are all individually immaterial.

14. Equity Instruments designated at Fair Value through Other Comprehensive Income (FVOCI)

This account consists of:

	June 30, 2021	June 30, 2020
Quoted equity shares	**₱4,783,024**	₱3,408,880
Unquoted equity shares	**63,841,663**	63,852,363
	₱68,624,687	₱67,261,243

a. Quoted Equity Shares

Quoted equity shares pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with the cumulative changes in fair values presented as a separate component of equity under the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account in the consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

b. Unquoted Equity Shares

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

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

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.8 million for the years ended June 30, 2021 and March 31, 2020 and nil for the three-month period ended June 30, 2020.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments designated at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Balance at beginning of period	**₱10,668,770**	₱11,006,834
Unrealized fair value adjustment on equity instruments designated at FVOCI	**1,363,444**	(338,064)
Balance at end of period	**₱12,032,214**	₱10,668,770

c. Pledged Shares

On June 3, 2013, the Parent Company executed a deed of pledge on all of its DLSMC shares in favor of Neptune Stroika Holdings, Inc., now known as Metro Pacific Hospital Holdings (MPHHI), a wholly-owned subsidiary of Metro Pacific Investments Corporation (MPIC), to cover the indemnity obligations of the Parent Company enumerated in its Investment Agreement entered into in 2013 with MPIC. On January 3, 2020, STI ESG received the notice of termination of the deed of pledge and as such, MPHHI released STI ESG from its liability. The pledged share certificates have likewise been released to STI ESG. The carrying value of the investment in DLSMC amounted to ₱29.0 million and ₱28.2 million as at June 30, 2021 and 2020, respectively.

15. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	June 30, 2021	June 30, 2020
Goodwill	**₱231,680,294**	₱229,750,336
Receivable from STI Tanay (see Note 6)	**75,478,724**	–
Advances to suppliers	**36,978,001**	50,395,925
Intangible assets (see Note 38)	**31,003,360**	30,524,169
Rental and utility deposits	**28,489,968**	31,612,543
Deposits for acquisition of shares of stock	**11,974,596**	–
Deposit for asset acquisitions (see Note 10)	–	185,951,923
Others	**2,823,114**	3,344,190
	₱418,428,057	₱531,579,086

Goodwill

As at June 30, 2021 and 2020, the Group's goodwill acquired through business combinations have been allocated to select schools which are considered as separate CGUs.

	June 30, 2021	June 30, 2020
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches (see Note 19)	**21,803,322**	21,803,322
NAMEI (see Note 38)	**21,231,234**	21,231,234

(Forward)

	June 30, 2021	June 30, 2020
STI Global City	**₱11,360,085**	₱11,360,085
STI Sta. Mesa	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Iloilo	**3,806,173**	3,806,173
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
STI Calbayog (see Note 38)	**1,325,721**	–
STI Dumaguete (see Note 38)	**604,237**	–
	₱231,680,294	₱229,750,336

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 10.41% to 10.55% and from 9.52% to 10.03% in June 30, 2021 and 2020, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 30, 2021 and 2020. The management used forecasted revenue increase ranging from 0.59% to 137.6% for the next five years except for select CGU with forecasted revenue decrease ranging from 6.83% to 13.32% in the next two years, considering the impact of COVID-19 pandemic. In 2020, the management used forecasted revenue decrease ranging from 10.19% to 46.93% on all CGUs for SY 2020-2021 and forecasted revenue increase on all CGUs ranging from 2.16% to 54.07% in the next five years. No provision for impairment on goodwill was recognized for the years ended June 30, 2021 and March 31, 2020 and for the three-month period ended June 30, 2020.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors. Revenue forecast of each CGU is primarily dependent to number of students enrolled and tuition fee rates which vary for each school.

- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differ for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond ten (10) years.

- Long-term growth rate - Rates are based on published industry research.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Advances to Suppliers
Advances to suppliers substantially pertain to advance payments made in relation to the acquisition of property and equipment and construction of STI Academic Center Legazpi (see Note 10). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

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.

It also includes the license to operate a maritime school and related agreements which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired. Such intangible assets with indefinite useful life representing the fair value of the license and agreements amounted to ₱27.6 million as at June 30, 2021 and 2020 (see Note 38).

The rollforward analyses of this account follow:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Cost, net of accumulated amortization:		
Balance at beginning of period	**₱30,524,169**	₱31,774,511
Additions (see Note 38)	**687,960**	267,857
Amortization (see Notes 23 and 25)	**(208,769)**	(1,518,199)
Balance at end of period	**₱31,003,360**	₱30,524,169
Cost	**₱71,645,689**	₱70,957,729
Accumulated amortization	**(40,642,329)**	(40,433,560)
Net carrying amount	**₱31,003,360**	₱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 the shareholders owning 48% of the outstanding capital stock. On August 3, 2021, STI ESG paid the remaining ₱4.0 million to one of the shareholders. In the same month, the shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000,

representing 48% of issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million.

Deposit for Asset Acquisitions
This account consists of deposit for the purchase of a property in Iloilo aggregating to ₱183.1 million as at June 30, 2020. The property has a total of 2,615 square meters and is intended to be the new site for STI Iloilo. On April 23, 2021, STI ESG and HMDC executed a Deed of Absolute Sale for the said property. Consequently, STI ESG reclassified the deposit to land under “Property and equipment” (see Note 10). The balance as at June 30, 2020 also includes the down payment amounting to ₱2.9 million for the acquisition of STI Calbayog and STI Dumaguete (see Note 38).

16. Accounts Payable and Other Current Liabilities

This account consists of:

	June 30, 2021	June 30, 2020
Accounts payable	**₱372,336,240**	₱386,394,171
Accrued expenses:		
Contracted services	**35,336,848**	35,895,421
School-related expenses	**30,272,270**	20,416,313
Interest	**28,974,871**	26,063,296
Salaries, wages and benefits	**22,254,454**	15,554,042
Utilities	**8,687,959**	19,722,025
Rent (see Note 28)	**4,295,441**	17,626,933
Advertising and promotion	**4,249,613**	2,269,007
Others	**3,709,149**	4,168,473
Current portion of payable to STI Diamond (see Note 19)	**24,140,773**	22,639,257
Statutory payables	**18,309,905**	20,062,954
Dividend payable	**13,760,123**	13,758,185
Network events fund	**11,603,126**	6,850,237
Student organization fund	**10,004,360**	8,599,132
Current portion of advance rent (see Note 19)	**7,154,403**	24,179,810
Current portion of refundable deposits (see Note 19)	**3,273,940**	8,469,032
Others	**5,848,291**	6,418,222
	₱604,211,766	₱639,086,510

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. Dividend payable pertains to dividend declared 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 next financial year.

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

g. Terms and conditions of payables to related parties are disclosed in Note 30 of the consolidated financial statements.

17. Interest-bearing Loans and Borrowings

This account consists of:

	June 30, 2021	June 30, 2020
Term loans[(a)]	**₱1,192,768,945**	₱794,693,192
Corporate notes[(b)]	**248,144,353**	360,000,000
Landbank ACADEME Program[(a)]	**21,989,678**	–
	1,462,902,976	1,154,693,192
Less current portion	**129,544,753**	240,000,000
Noncurrent portion	**₱1,333,358,223**	₱914,693,192

[(a)] *Net of unamortized debt issuance costs of ₱7.4 million and ₱5.3 million as at June 30, 2021 and 2020, respectively.*
[(b)] *Inclusive of unamortized premium on corporate notes of ₱8.1 million and nil as at June 30, 2021 and 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 would 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 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan

Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31%. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to 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 20, 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 consolidated financial statements:

1. Debt-to-equity ratio of not more than 1.5x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

The D/E ratios of STI ESG are 0.94:1.00 and 0.89:1.00 as at June 30, 2021 and June 30, 2020, respectively.

China Bank approved the temporary waiver of the DSCR requirement covering the period ended June 30, 2021 (see discussion on Waivers of Certain Covenants in this note). DSCR as at June 30, 2021 and 2020 is 1.42:1.00 and 1.62:1.00, respectively. As at June 30, 2021 and 2020, STI ESG has complied with the said covenants.

Breakdown of the Group's Term Loan are as follows:

	June 30, 2021	June 30, 2020
Balance at beginning of period	**₱800,000,000**	₱800,000,000
Proceeds	**400,000,000**	–
Balance at end of period	**1,200,000,000**	800,000,000
Deferred finance cost	**(7,231,055)**	(5,306,808)
Balance at end of period	**1,192,768,945**	794,693,192
Less current portion	**120,000,000**	–
Balance classified as noncurrent	**₱1,072,768,945**	₱794,693,192

These loans are unsecured and are due based on the following original 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

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million to be applied to the existing ₱1,200.0 million Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. Further, China Bank reduced the prepayment penalty from 3% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.6 million, including the 1.5% prepayment penalty. The prepayment has been applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022, according to the repayment schedule shown above.

The revised repayment schedule, after the application of the principal prepayment, are as follows:

Fiscal Year	Amount
2023	₱120,000,000
2024	240,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱960,000,000

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 BSP 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 entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

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

The Parent Company has made payments totaling to ₱120.0 million, nil and ₱240.0 million for the year ended June 30, 2021, the three months ended June 30, 2020, the year ended and March 31, 2020, respectively.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt-to-equity and DSCR ratios. The Parent Company was required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

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

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.

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

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

   (2) Debt service cover ratio of a minimum of 1.05x.

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, 2021 and 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, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from 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.

The above modification of terms and conditions resulted in the recognition of a loss on loan modification amounting to ₱8.3 million in the consolidated statement of comprehensive income for the year ended June 30, 2021.

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

	June 30, 2021	June 30, 2020
Balance at beginning of period	**₱360,000,000**	₱360,000,000
Repayments	**120,000,000**	–
	240,000,000	360,000,000
Add: Unamortized premium on corporate notes	**8,144,353**	–
Balance at end of period	**248,144,353**	360,000,000
Less current portion	–	240,000,000
Noncurrent portion	**₱248,144,353**	₱120,000,000

These loans are unsecured and with the January 29, 2021 amendments, 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 Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

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

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. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ending June 30, 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 June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱9.5 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. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

Short-term Loans
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%. The loan was fully settled in March 2021. The credit line is on a clean basis. The proceeds from this loan were used for working capital requirements.

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 in February 2021. The proceeds from this loan were used for working capital requirements.

STI ESG availed of loans from BPI aggregating to ₱468.0 million during the year ended March 31, 2020. These loans were subject to interest rates ranging from 4.75% to 5.75%. The short-term loans were unsecured and were fully settled as at March 31, 2020. The proceeds from these loans were used for working capital requirements.

Interest Expense
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 ₱86.8 million, ₱17.5 million and ₱56.7 million for the year ended June 30, 2021, the three-month period ended June 30, 2020, and year ended March 31, 2020, respectively.

18. Bonds Payable

This account consists of:

	June 30, 2021	June 30, 2020
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**26,917,125**	33,902,228
	₱2,973,082,875	₱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 PDEx, with interest payable quarterly and were issued with a fixed rate of 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by PhilRatings in 2017. 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 twelve (12) months.

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

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

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

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value as at June 30, 2021**	Carrying Value as at June 30, 2020	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,162,693,089**	₱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	**810,389,786**	809,054,679	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,973,082,875**	₱2,966,097,772	

Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. The Parent Company is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements.

The Group's debt-to-equity and debt service cover ratios as at June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
Total liabilities [a]	**₱5,441,261,355**	₱5,225,836,891
Total equity	**5,802,472,205**	5,888,520,185
Debt-to-equity	**0.94:1.00**	0.89:1.00

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

	June 30, 2021	June 30, 2020
EBITDA (see Note 3) [b]	**₱628,477,871**	₱789,899,217
Total interest-bearing liabilities [c]	**444,004,514**	488,916,326
Debt service cover	**1.42:1.00**	1.62:1.00

[b] *EBITDA for the last twelve months*
[c] *Total principal and interests due in 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, 2021 and 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 subpromissory 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 (50.0%) 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) 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 EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱26.9 million and ₱33.9 million as at June 30, 2021 and 2020, respectively. Amortization of bond issuance costs amounting to ₱7.0 million, ₱1.7 million and ₱6.4 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱185.9 million, ₱46.6 million and ₱183.7 million for the year ended June 30, 2021, the three-month period ended June 30, 2020, and the year ended March 31, 2020, respectively.

19. Other Noncurrent Liabilities

	June 30, 2021	June 30, 2020
Refundable deposit - net of current portion (see Notes 16 and 28)	**₱4,178,826**	₱12,255,852
Deferred lease liability	**924,829**	2,531,321
Advance rent - net of current portion (see Note 16)	**360,645**	21,688,321
Payable to STI Diamond - net of current portion (see Note 16)	**–**	16,640,773
	₱5,464,300	₱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. Refundable deposits are presented in the consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

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

Payable to STI Diamond represents STI Novaliches' obligations to STI Diamond resulting from the assignment, transfer and conveyance of all rights, title and interest in assets and liabilities of STI Diamond to STI Novaliches in 2016. The total carrying value of the unpaid purchase price as at June 30, 2021 which is also due in the next twelve months amounted to ₱24.1 million. The total carrying value of the unpaid purchase price as at June 30, 2020 amounted to ₱39.3 million, ₱22.6 million of which represents the current portion. The current portion of the payable is recorded under the "Accounts payable and other current liabilities" account as at June 30, 2021 and 2020, respectively (see Note 16).

20. **Equity**

Capital Stock

The details of the issued and outstanding number of common shares and amount as at June 30, 2021 and 2020 are as follows:

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

Treasury Stock

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

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

As at June 30, 2021, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale was reclassified 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.

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:

Share in associate's:	
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.

c. STI ESG's retained earnings available for dividend declaration computed based on the guidelines provided in the SEC Memorandum Circular No. 11 amounted to ₱2,020.5 million and ₱1,778.3 million as at June 30, 2021 and 2020, respectively.

Policy on Dividend 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 25.0% to 40.0% 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 Parent Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. Unless otherwise required by law, the BOD, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

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

21. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year - see Note 2)
Tuition and other school fees	**₱1,410,236,021**	₱82,174,375	₱1,707,247,204
Educational services	**107,311,098**	21,182,148	140,705,289
Royalty fees	**10,560,747**	1,963,548	12,950,012
Sale of educational materials and supplies	**24,003,336**	76,549	135,885,345
Other revenues	**74,912,695**	6,339,507	70,237,766
Total consolidated revenues	**₱1,627,023,897**	₱111,736,127	₱2,067,025,616

Timing of revenue recognition

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year - see Note 2)
Services transferred over time	**₱1,528,107,866**	₱105,320,071	₱1,860,902,505
Goods and services transferred at a point in time	**98,916,031**	6,416,056	206,123,111
Total consolidated revenue	**₱1,627,023,897**	₱111,736,127	₱2,067,025,616

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the consolidated statements of financial position. Significant changes in the contract liability include the 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 2) that resulted to change in the timing of revenue recognition.

Set out below is the amount of revenue recognized from:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Amounts included in contract liabilities at the beginning of the period	**₱73,429,278**	₱118,169,708

There was no revenue recognized from performance obligations satisfied in previous years for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020.

Performance Obligations
The performance obligation related to revenue from tuition and other school fees, educational services, and royalty fees are satisfied over time since the student and the franchisees receive and consume the benefit provided by the Group's performance. The payment for these services is normally due within the related school term.

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at June 30, 2021 and 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱48.7 million and ₱73.4 million, respectively. These pertain to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within one year. On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

22. Interest Income and Interest Expense

Sources of interest income are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Cash and cash equivalents (see Note 5)	**₱2,791,447**	₱629,632	₱3,730,967
Past due accounts receivable (see Note 6)	**946,940**	326,858	675,765
	₱3,738,387	₱956,490	₱4,406,732

Sources of interest expense are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Bonds payable (see Note 18)	**₱185,890,324**	₱46,550,147	₱183,737,468
Interest-bearing loans and borrowings (see Note 17)	**86,761,062**	17,522,763	56,672,029
Lease liabilities (see Note 28)	**24,312,531**	6,483,346	28,633,210
Others	**5,313,916**	1,810,983	4,550,580
	₱302,277,833	₱72,367,239	₱273,593,287

23. Cost of Educational Services

This account consists of:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Depreciation and amortization	**₱288,820,144**	₱71,329,323	₱297,950,364
Faculty salaries and benefits	**192,210,718**	31,471,978	258,822,292
Internet connectivity assistance	**64,949,974**	–	–
Student activities, programs and other related expenses	**56,041,394**	5,783,178	87,499,338
Rental (see Note 28)	**23,451,213**	5,917,068	29,592,050
Software maintenance	**12,317,815**	2,478,827	12,660,669
School materials and supplies	**3,581,520**	948,715	15,826,063
Courseware development costs	**1,818,376**	1,017,868	10,249,143
Others	**1,921,674**	161,390	2,692,761
	₱645,112,828	₱119,108,347	₱715,292,680

24. Cost of Educational Materials and Supplies Sold

This account consists of:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Educational materials and supplies	**₱17,457,239**	₱33,251	₱92,237,140
Promotional materials	**1,940,107**	22,246	12,804,117
	₱19,397,346	₱55,497	₱105,041,257

25. General and Administrative Expenses

This account consists of:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Salaries, wages and benefits	**₱212,840,531**	₱54,358,184	₱263,348,666
Depreciation and amortization	**197,736,767**	55,543,934	204,765,800
Professional fees	**77,776,942**	17,243,411	76,285,627
Outside services	**52,461,596**	13,445,748	93,433,367

(Forward)

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Provision for:			
ECL (see Note 6)	**₱48,629,897**	₱2,010,918	₱52,123,035
Impairment of investments in and advances to associates and joint ventures (see Note 12)	**10,265,554**	–	–
Inventory obsolescence (see Note 7)	**790,579**	–	4,805,445
Advertising and promotions	**45,955,999**	–	51,921,332
Light and water	**43,107,318**	11,881,292	106,447,474
Taxes and licenses	**29,420,494**	7,011,092	37,168,582
Transportation	**20,692,528**	3,513,839	25,514,302
Insurance	**15,331,800**	3,189,077	14,802,020
Repairs and maintenance	**15,013,188**	926,852	19,887,679
Meetings and conferences	**11,625,653**	2,897,120	14,017,525
Entertainment, amusement and recreation	**10,309,529**	2,592,238	13,369,134
Rental (see Note 28)	**10,055,101**	2,604,485	15,031,152
Communication	**5,415,415**	1,711,869	7,188,843
Office supplies	**4,125,780**	1,255,917	9,289,815
Software maintenance	**3,614,096**	717,733	2,840,650
Association dues	**346,630**	86,658	311,329
Others	**11,414,621**	1,483,290	15,380,173
	₱826,930,018	₱182,473,657	₱1,027,931,950

26. **Personnel Cost**

This account consists of:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 39)	March 31, 2020 (One Year - see Notes 2 and 39)
Salaries and wages	**₱351,742,187**	₱74,297,341	₱455,372,917
Pension expense (see Note 27)	**8,563,981**	2,802,731	12,714,262
Other employee benefits	**44,745,081**	8,730,090	54,083,779
	₱405,051,249	₱85,830,162	₱522,170,958

27. **Pension Plans**

Defined Benefit Plans

The Group (except De Los Santos-STI College and STI QA) has separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension asset/liability recognized in the consolidated statements of financial position as at June 30, 2021 and 2020 and March 31, 2020:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱6,848,889**	₱2,289,756	₱10,630,684
Net interest cost	**1,715,092**	512,975	2,083,578
	₱8,563,981	₱2,802,732	₱12,714,262

	June 30, 2021	June 30, 2020	March 31, 2020
Present value of defined benefit obligations	**₱140,963,986**	₱157,334,855	₱153,336,657
Fair value of plan assets	**(80,621,024)**	(90,835,851)	(97,192,423)
	₱60,342,962	₱66,499,004	₱56,144,234

The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	June 30, 2021	June 30, 2020	March 31, 2020
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱157,334,855**	₱153,336,657	₱150,224,551
Current service cost	**6,848,888**	2,289,756	10,630,684
Interest cost	**5,288,263**	1,708,442	8,959,741
Settlement gain	**(549,826)**	–	–
Benefits paid	**(17,217,278)**	–	(158,292)
Actuarial loss (gain) on pension obligation from change in:			
Demographic assumptions	**(383,636)**	–	4,667,527
Financial assumptions	**(4,866,850)**	–	(14,876,098)
Deviations of experience from assumptions	**(5,490,430)**	–	(6,032,213)
Effect of disposal of net assets (see Note 9)	–	–	(79,243)
Balance at end of year	**₱140,963,986**	₱157,334,855	₱153,336,657
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱90,835,851**	₱97,192,423	₱116,883,094
Interest income	**3,573,170**	(6,356,572)	6,876,163
Actuarial gain (loss) on plan assets	**3,152,218**	–	(26,566,834)
Contributions	**277,063**	–	158,292
Benefits paid	**(17,217,278)**	–	(158,292)
Balance at end of year	**₱80,621,024**	₱90,835,851	₱97,192,423
Actual return (loss) on plan assets	**₱368,816**	(₱19,690,671)	(₱19,690,671)

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

	June 30, 2021	June 30, 2020	March 31, 2020
Discount rate	**4.36%**	4.92%	4.92%
Future salary increases	**3.00%**	3.00%	3.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group’s total plan assets as a percentage of the fair value of the total plan assets are as follows:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	**2%**	6%
Short-term fixed income	**58%**	65%
Investments in:		
Equity securities	**34%**	23%
Debt securities	**6%**	6%
	100%	100%

The plan assets of the Group are maintained by Union Bank of the Philippines and United Coconut Planters Bank.

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	**₱1,546,350**	₱5,869,338
Short-term fixed income	**46,858,898**	58,210,552
Investments in:		
Equity securities	**27,214,177**	21,547,147
Debt securities	**5,001,599**	5,208,814
	₱80,621,024	₱90,835,851

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.39 and ₱0.30 per share as at June 30, 2021 and 2020, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱7.7 million and ₱14.0 million as at June 30, 2021 and 2020, respectively.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from one to thirteen years and bear interest rates ranging from 3.25% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2021 is ₱7.6 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment consists of 58.0% of short-term fixed income, 34.0% of equity instruments, 6% of debt securities and minimal cash and cash equivalents.

The average duration of the defined benefit obligation as at June 30, 2021 is 14 years.

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

	June 2021	June 2020
Less than one year	**₱37,324,378**	₱40,595,143
More than one year to five years	**47,507,826**	56,991,519
More than five years to 10 years	**58,418,459**	58,351,014
More than 10 years to 15 years	**82,140,793**	99,644,518
More than 15 years to 20 years	**70,232,365**	78,359,622
More than 20 years	**102,412,124**	108,441,132

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Defined Benefit Obligation		
	June 2021	June 2020	March 2020
Discount rates			
Increase by 1%	**(₱9,800,092)**	(₱9,901,659)	(₱9,901,659)
Decrease by 1%	**11,609,608**	11,627,329	11,627,329
Future salary increases			
Increase by 1%	**11,674,106**	11,807,506	11,807,506
Decrease by 1%	**(10,213,284)**	(10,402,124)	(10,402,124)
Employee turnover			
Increase by 10%	**(1,335,047)**	1,734,287	1,734,287
Decrease by 10%	**1,335,047**	(1,734,287)	(1,734,287)

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

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. The future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12-month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at June 30, 2021 and 2020 and March 31, 2020, the Group is in compliance with the requirements of RA No. 7641.

As at June 30, 2021 and 2020, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱2.3 million. These excess contributions are classified as a prepaid expense and will be offset against De Los Santos-STI College and STI QA's future required contributions to CEAP (see Note 8).

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

Pension expense recognized by De Los Santos-STI College and STI QA amounted to ₱10.1 thousand and ₱17.5 thousand for the year ended June 30, 2021 and three-month period ended June 30, 2020, and ₱0.1 million for the year ended March 31, 2020.

Total pension expense recognized in profit or loss follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Defined benefit plans	**₱8,553,849**	₱2,785,178	₱12,591,739
Defined contribution plans	**10,132**	17,554	122,523
	₱8,563,981	₱2,802,731	₱12,714,262

28. Leases

As Lessor

The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. All leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of some of the Group's properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱90.7 million, ₱30.3 million and ₱118.4 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Notes 11 and 30).

Future minimum rental receivable for the remaining lease terms follows:

	June 30, 2021	June 30, 2020
Within one year	**₱41,124,083**	₱109,239,651
After one year but not more than five years	**55,934,528**	185,170,583
	₱97,058,611	₱294,410,234

As Lessee

The Group leases land and building spaces, where the corporate office and schools are located, under 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. Certain transportation equipment were acquired under lease agreements with varying terms and periods ranging from 3 to 5 years.

The total rental expense charged to operations amounted to ₱33.5 million, ₱8.5 million and ₱44.6 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Notes 23 and 25).Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Note 15).

The following are the amounts recognized in consolidated statements of comprehensive income:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - See Note 2)	March 30, 2020 (One Year)
Depreciation expense of ROU assets included in property and equipment (see Note 10)	**₱60,594,162**	₱16,805,041	₱65,272,026
Expenses relating to short-term leases (see Notes 23 and 25)	**32,324,847**	8,514,236	43,761,281
Interest expense on lease liabilities (see Note 22)	**24,312,531**	6,483,346	28,633,210
Variable lease payments (see Notes 23 and 25)	**1,181,467**	7,317	861,921
Total amount recognized in the consolidated statements of comprehensive income	**₱118,413,007**	₱31,809,940	₱138,528,438

As a consequence of the COVID-19 pandemic, some lessors of the Group provided rent concessions for the year ended June 30, 2021 (none for the three-month period ended June 30, 2020 and the year ended March 31, 2020) 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 applied the practical expedient provided by the amendments to PFRS 16 for rent concessions that meet the aforementioned criteria resulting in recognition of income from rent concessions aggregating to ₱17.7 million recognized under "Other income - net" in the June 30, 2021 consolidated statement of comprehensive income (see Note 2).

For the year ended June 30, 2021, the Group exercised termination option for some operating leases resulting in the reversal of the ROU assets and lease liabilities amounting to ₱22.8 million and ₱24.0 million, respectively. The net effect of the reversal amounting to ₱1.2 million was recognized as other income under "Other income - net" in the June 30, 2021 consolidated statement of comprehensive income.

The rollforward analyses of lease liabilities are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - See Note 2)
Beginning balance	**₱383,793,647**	₱395,908,486
Additions (see Note 10)	**34,994,849**	–
Interest expense (see Note 22)	**23,635,793**	6,483,346
Income on rent concessions	**(17,677,038)**	–
Lease terminations	**(23,969,027)**	–
Payments	**(65,611,278)**	(18,598,185)
Ending balance	**335,166,946**	383,793,647
Less current portion	**48,816,823**	59,783,396
Noncurrent portion	**₱286,350,123**	₱324,010,251

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

	June 30, 2021	June 30, 2020
Within one year	**₱74,035,157**	₱82,331,831
After one year but not more than five years	**183,247,518**	199,579,040
More than five years	**226,503,534**	267,428,044
	₱483,786,209	₱549,338,915

29. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporations - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.0%) on its taxable income.

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill was signed by President Rodrigo Duterte on March 26, 2021 as RA No. 11534 and was published in Business Mirror on March 27, 2021 and took effect 15 days after its complete publication on April 11, 2021. CREATE Law introduces reforms to the corporate income tax and incentives systems to attract more investments and maintain fiscal prudence and stability in the Philippines.

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

- Preferential income tax rate for proprietary educational institutions which 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.

The enactment of the CREATE Act resulted in lower provision for current income tax of the Group by ₱1.5 million for the year ended June 30, 2021. The Group likewise remeasured its deferred tax assets and liabilities. This resulted in reduction of net deferred tax assets by ₱20.5 million for the year ended June 30, 2021.

The components of recognized net deferred tax assets and deferred tax liabilities are as follows:

	June 30, 2021	June 30, 2020
Deferred tax assets:		
Lease liabilities	**₱25,106,116**	₱37,012,486
NOLCO	**13,219,028**	14,461,268
Allowance for ECL (see Note 6)	**6,036,642**	14,513,568
Pension liabilities (see Note 27)	**5,011,336**	6,636,054
Excess of cost over net realizable value of inventories (see Note 7)	**1,649,612**	1,646,016
Unearned tuition and other school fees	**654,835**	7,342,928
Unamortized loan premium	**430,114**	–
Advance rent	**107,609**	4,586,813
	52,215,292	86,199,133
Deferred tax liabilities:		
Right-of-use assets (see Note 10)	**(19,666,364)**	(30,533,983)
Intangible assets (see Note 15)	**(2,762,187)**	(2,762,187)
Unamortized debt issue costs (see Note 17)	**(850,248)**	(1,501,367)
Excess of rental under operating lease computed on a straight-line basis	**(283,640)**	(1,358,370)
Unrealized forex gain	**(6,794)**	–
	(23,569,233)	(36,155,907)
Net deferred tax assets	**₱28,646,059**	₱50,043,226

Certain deferred tax assets of the Group were not recognized as at June 30, 2021 and 2020 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	June 30, 2021	June 30, 2020
NOLCO	**₱177,206,412**	₱78,467,814
Allowance for impairment of advances to associate (see Note 12)	**48,134,540**	37,868,986
Pension liability (see Note 27)	**–**	201,600
	₱225,340,952	₱116,538,400

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group has incurred NOLCO before the taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years as follows:

Period	Availment Period	Amount	Applied	Expired	Amount
2020	2021-2023	₱34,294,125	₱–	₱–	₱34,294,125
2019	2020-2022	34,979,451	–	–	34,979,451
2018	2019-2021	9,194,238	–	9,194,238	–
		₱78,467,814	₱–	₱9,194,238	₱69,273,576

The Group has incurred NOLCO for the year ended June 30, 2021 and the three-month period ended June 30, 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Period	Availment Period	Amount	Addition	Applied	Expired	Amount
2021	2022-2026	₱–	₱203,804,263	₱–	₱–	₱203,804,263
April-June 2020	2021-2025	144,612,679	–	–	–	144,612,679
		₱144,612,679	₱203,804,263	₱–	₱–	₱348,416,942

As at June 30, 2021 and 2020, the Group did not recognize any deferred tax assets on the provision for impairment losses on investment in associate because management does not expect to generate enough capital gains against which these capital losses can be offset. The Group, likewise, did not recognize any deferred tax asset on the provision for impairment losses on advances to associates and joint ventures since no deduction is expected to be claimed upon actual write-off of these advances in the future.

The reconciliation of the benefit from income tax on income (loss) before income tax computed at the effect of the applicable statutory income tax rate to the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	June 30, 2021	June 30, 2020	March 31, 2020
Benefit from income tax at statutory income tax rate	**(₱398,821)**	(₱23,275,398)	(₱21,808,823)
Difference of income tax rate due to CREATE act	**20,546,863**	–	–
Unrecognized deferred tax assets	**249,852**	7,133,493	7,110,516
Gain on sale of noncurrent asset held for sale	**(154,608)**	–	–
Royalty fees subjected to final tax	**(105,607)**	(196,355)	(1,295,001)
Interest income already subjected to final tax	**(37,384)**	(62,963)	(373,097)
Equity in net (earnings) loss of associates and joint ventures	**(36,611)**	178,312	(530,751)
Dividend income	**(7,919)**	–	(176,951)
Nondeductible expenses	**5,535**	481,365	6,964,274
Accounts written-off	–	–	(7,171,250)
Nondeductible expense pertaining to provision for impairment of noncurrent asset held for sale and goodwill	**–**	–	29,747,066
Others	**112,192**	(165,495)	862,002
Provision for (benefit from) income tax	**₱20,173,492**	(₱15,907,041)	₱13,327,985

30. Related Party Transactions

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

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

	Amount of Transactions During the Period			Outstanding Receivable (Payable)			
Related Party	**June 30, 2021 (One Year)**	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)	**June 30, 2021**	June 30, 2020	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱10,265,554**	₱–	₱–	**₱48,134,540**	₱37,868,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW							
Rental income and other charges	**1,099,024**	150,123	585,110	**4,285,040**	8,141,842	30 days upon receipt of billings	Unsecured; no impairment
STI Holdings							
Advisory fees	**14,400,000**	3,600,000	14,400,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**16,938**	–	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
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	**8,815,844**	1,510,445	12,283,237	**13,775,359**	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	**7,883,912**	1,333,914	12,116,812	**230,760**	147,455	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends received	**–**	–	1,171,260	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions During the Period June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)	Outstanding Receivable (Payable) June 30, 2021	June 30, 2020	Terms	Conditions
Affiliates*							
PhilCare							
Rental income and other charges	**₱10,754,273**	₱3,280,752	₱9,648,898	**₱1,352,281**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**12,548,672**	–	3,612,950	**(760,690)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	–	**(1,820,984)**	(1,820,984)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.							
Utilities and other charges	–	–	–	–	37,112	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**16,133,210**	32,102	6,207,615	**(9,170)**	(213,103)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues, utilities and other charges	**8,693,463**	2,854,461	10,342,494	**(3,454)**	(2,861,758)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Insurance	**395,232**	–	171,387	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	**12,381,476**	4,867,252	9,238,997	**3,910,441**	5,494,842	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU							
Educational services and sale of educational materials and supplies	**12,766,209**	108,219	13,637,929	**9,422,783**	4,043,379	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**4,843,315**	817,061	4,500,376	**1,523,522**	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	**5,812,068**	1,472,008	12,557,884	**16,267,796**	22,849,022	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental income and other charges	–	–	45,087	**1,449,223**	1,671,187	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱97,757,447	₱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:

	June 30, 2021	June 30, 2020
Advances to associates and joint ventures (see Note 12)	**₱48,134,540**	₱37,868,986
Educational services and sale of educational materials and supplies	**24,952,424**	13,382,692
Advances to officers and employees (see Note 6)	**16,267,796**	22,849,022
Rent, utilities and related receivables	**10,996,985**	15,344,983
Accounts payable	**(2,594,298)**	(4,895,845)
	₱97,757,447	₱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	**June 30, 2021 (One Year)**	June 30, 2020 (Three months - see Note 2)	March 31,2020 (One Year)	**June 30, 2021**	June 30, 2020	**Terms**	**Conditions**
Subsidiaries							
STI Caloocan							
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱60,447,249**	₱5,911,498	₱86,307,679	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**7,730,831**	677,455	3,423,929	**(205,366,632)**	(241,389,644)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**50,289,600**	12,572,400	50,289,600	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches							
Educational services, sale of educational materials and supplies, management fees, and other charges	**21,299,584**	2,352,167	28,807,978	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,591,087**	2,172,512	6,614,932	**(103,854,972)**	(145,730,413)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**30,720,000**	7,680,000	30,720,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao							
Educational services, sale of educational materials and supplies, management fees, and other charges	**118,896**	18,425	917,580	**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	**1,306,168**	282,331	1,953,440	**4,050,137**	2,845,968	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI DLS College							
Reimbursement for various expenses	**43,337,347**	–	–	**(43,337,347)**	–	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	**1,172,928**	389,075	7,023,318	**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**	–	–	**14,259,668**	14,251,618	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period June 30, 2021 (One Year)	 June 30, 2020 (Three months - see Note 2)	 March 31,2020 (One Year)	Outstanding Receivable (Payable) June 30, 2021	 June 30, 2020	Terms	Conditions
STI Batangas							
Educational services, sale of educational materials and supplies, management fees and other charges	**₱24,621,524**	₱4,176,448	₱23,004,071	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**974,081**	376,369	10,874,621	**9,842,330**	10,038,129	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**14,968,800**	3,742,200	14,968,800	**50,295,118**	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,	**522,476**	217,772	2,147,587	**8,264,119**	7,760,191	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**2,868,214**	56,839	2,930,171	**11,644,265**	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**	179,001	2,218,247	**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	**1,447,781**	252,230	3,446,117	**9,020,959**	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)	Due and demandable, noninterest-bearing	Unsecured
STI Tanauan							
Educational services, sale of educational materials and supplies,	**7,422,159**	391,384	7,492,746	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**406,356**	113,585	522,423	**(9,152,320)**	(14,548,739)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa							
Educational services, sale of educational materials and supplies,	**21,574,006**	3,157,379	22,495,896	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**985,990**	311,199	919,217	**2,402,086**	4,115,382	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**44,067,600**	11,016,900	44,067,600	**83,671,099**	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,	**11,794,423**	1,157,571	13,323,856	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**628,652**	165,653	10,380,338	**55,195,357**	58,671,099	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy							
Reimbursement for various expenses	**8,388,535**	–	8,363,843	**16,752,378**	8,363,843	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period June 30, 2021 (One Year)	June 30, 2020 (Three months - see Note 2)	March 31,2020 (One Year)	Outstanding Receivable (Payable) June 30, 2021	June 30, 2020	Terms	Conditions
NAMEI Polytechnic Institute of Mandaluyong Inc.							
Reimbursement for various expenses	**₱2,853,359**	₱458,306	₱3,633,188	**(₱397,934)**	₱11,712	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**5,940,754**	1,166,928	5,148,260	**11,055,943**	6,315,188	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute, Inc.							
Reimbursement for various expenses	**42,724,472**	4,010,188	55,999,726	**71,092,656**	53,032,577	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**8,523,128**	1,618,361	7,061,069	**8,972,962**	8,679,429	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

STI Holdings issued Surety Agreements in relation to Parent Company's loan facilities with LandBank (see Note 17).

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Short-term employee benefits	**₱39,061,731**	₱9,589,064	₱43,869,440
Post-employment benefits	**1,777,626**	585,651	2,432,229
	₱40,839,357	₱10,174,715	₱46,301,669

31. Basic and Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company

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

	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
Net loss attributable to equity holders of the Parent Company	**(₱56,914,526)**	(₱214,665,165)	(₱226,277,507)
Weighted average number of common shares outstanding	**3,087,829,443**	3,087,829,443	3,087,829,443
Basic and diluted loss per share on net loss attributable to equity holders of the Parent Company	**(₱0.02)**	(₱0.07)	(₱0.07)

The basic and diluted loss per share are the same for the year ended June 30, 2021, the three-month period ended June 30, 2020, and the year ended March 31, 2020 as there are no dilutive potential common shares.

32. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI Group to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies. As at October 7, 2021, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

33. Contingencies and Commitments

Contingencies

a. *Labor Cases*

i. A former employee filed a Petition with the Supreme Court after the Court of Appeals denied the former employee's claims and rendered prior decisions in favor of the Parent Company. Based on the Supreme Court's Decision dated July 9, 2014, the Supreme Court partially modified the March 31, 2006 Labor Arbiter Decision ("2006 LA Decision"), and ordered the Parent Company to reinstate the former employee to her former position, and pay (i) the exact salary, benefits, privileges and emoluments which the current holder of the position was receiving, (ii) damages, and (iii) backwages from the date of the former employee's dismissal until fully paid, with legal interest (the "SC Decision").

   As a result of the decision, the Parent Company recognized a provision amounting to ₱3.0 million representing the estimated compensation to be made to the former employee.

   Due to said SC Decision, the case was referred to execution proceedings of the favorable judgment in favor of the former employee. In the said proceedings, both parties presented their respective computations of the monetary judgment to be awarded to the former employee.

While said proceedings were pending, on October 20, 2015, a Bank Order to release was issued to one of Parent Company's depository banks for the release of the garnished amount of ₱2.2 million. The bank released the garnished amount to the National Labor Relations Commission (NLRC).

Said garnished amount was eventually released in favor of the former employee by order of the Labor Arbiter.

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

In addition, the former employee waived the reinstatement aspect of the 2006 LA Decision, and sought the payment of separation pay.

The aforesaid proceeding continued wherein STI ESG reiterated that the only issues to be resolved were the computations of the (a) backwages, (b) legal interest and (c) separation pay. STI ESG further reiterated that the former employee was entitled to receive backwages from May 2004 until October 2006 and separation pay from November 1999 until February 2016. Based on said premises, STI ESG paid the former employee ₱2.0 million in January 2018.

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

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

On 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.

After STI ESG opposed said appeal on the ground of improper remedy, the Labor Arbiter issued an Order dated November 5, 2020. In the Order, the Labor Arbiter “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.

After STI ESG filed its Comment to the Petition, the NLRC 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.

On May 14, 2021, STI ESG received a Petition for Certiorari filed by the former employee with the Court of Appeals.

As at October 7, 2021, the Court of Appeals has not issued any resolution requiring STI ESG to file its Comment to the Petition for Certiorari.

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 to 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.

On July 2, 2019, STI ESG sent a demand letter to recover the amount previously awarded to complainant. As at October 7, 2021, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In a Resolution dated January 13, 2021, the Supreme Court dismissed the Petition for Certiorari filed by the complainants for being filed out of time.

On April 7, 2021, STI ESG received a copy of the Motion for Reconsideration filed by one of the complainants. On May 5, 2021, STI ESG filed its comment on the Motion for Reconsideration. In a Resolution dated July 12, 2021, the Special Second Division of the Supreme Court denied the Motion for Reconsideration filed by one of the complainants and directed the issuance of Entry of Final Judgement.

As at October 7, 2021, STI ESG is yet to receive the Entry of Final Judgement.

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

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

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

   In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its 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 determined that the actions of STI ESG's Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

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

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

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

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

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 forty-five (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 require 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.

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

After the parties completed the presentation of their respective evidence, STI ESG received the Decision of the Trial Court on February 4, 2020.

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

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

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

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

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 forty-five (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.

On June 4, 2021, STI ESG received the Appellant's Brief.

On July 29, 2021, STI ESG filed its Appellee's Brief.

Unless the Court of Appeals require the parties to file other pleadings, the case is deemed submitted for resolution.

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

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

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

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

   As at October 7, 2021, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

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

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

   MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY 2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

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

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

STI ESG, through counsel, will 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.

The Group recognized a provision for impairment of the receivable from MOBEELITY amounting to ₱3.5 million for the year ended June 30, 2021 (see Note 25).

f. *Syndicated Estafa.* This is a complaint 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 Tanay, and used the tuition fees it collected for its benefit. Based on his estimation, said alleged tuition fees was around ₱12.0 million.

On December 29, 2020, STI ESG, through its representative, filed its Counter-Affidavit and presented evidence/documents showing that STI ESG managed STI Tanay (a) when said officer initially allowed the same while there was an ongoing negotiation for the purchase of STI 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 STI Tanay, which allowed him to file the complaint, and represent said corporation in the proceedings.

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

On September 28, 2021, STI ESG received the Resolution dated February 4, 2021 which dismissed the complaint.

The complainant may file a Motion for Reconsideration on the aforesaid dismissal within fifteen (15) days from his receipt of the Resolution.

g. *Extra-Judicial Foreclosure*

i. STI ESG filed two (2) Petition(s) for Extra-Judicial Foreclosure of Real Estate Mortgage under Act No. 3135, as amended (Petitions) over properties located in (a) Pasig and (b) Morong, Rizal.
On November 4, 2019, DBP and STI ESG executed a Deed of Assignment, wherein the latter acquired all rights and obligations arising from the following:

   a. Term Loan Agreement dated February 10, 2014 between DBP and STI Tanay for a loan amounting to ₱51.0 million, which is supported by four (4) Promissory Notes (Subject Loan);
   b. Term Loan Agreement dated April 5, 2016 between DBP and STI College Tanay, Inc. (STI Tanay) for a loan amounting to ₱24.5 million, which is supported by five (5) Promissory Notes (Subject Loan);
   c. Credit Line Agreement dated June 7, 2018 wherein DBP extended a credit line to STI Tanay up to a maximum amount of ₱6.0 million (Credit Line);
   d. Real Estate Mortgage dated May 5, 2014 executed by STI Tanay in favor of DBP over a parcel of land and improvements with an area of 5,502 sq.m. located in Tanay, Rizal, which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage); and
   e. Additional Real Estate Mortgage dated April 8, 2016 executed by STI Tanay, and Alejandro J. Bernardo married to Loretta Jabson Bernardo (Third Party Mortgagor) in favor of DBP over a parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property), which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage).

Said Deed of Assignment includes other loans obtained by STI Tanay from DBP (collectively, the "Loans").

Due to STI Tanay's failure to pay the Loans, STI ESG sent a Notice of Default dated February 14, 2020 to STI Tanay and Third Party Mortgagor. In the said Notice, STI ESG declared that the loans of STI Tanay amounting to ₱80.3 million as of December 31, 2019 to be immediately due and demandable, and STI ESG demanded full payment thereof.

Due to STI Tanay's failure to pay said Loans, STI ESG filed the instant Petition to foreclose the property covered by the Mortgage for the satisfaction of the former's outstanding obligation in the subject Loan and Credit Line amounting to ₱99.0 million as of November 30, 2020.

With respect to the Pasig Property, the same was foreclosed, and STI ESG was declared as the winning bidder. A Certificate of Sale was annotated on the title on August 5, 2021. Consequently, the one (1) year redemption period started to run on said date of annotation on the title.

With respect to the Morong Property, STI ESG is complying with certain requirements of the Clerk of Court of Rizal for the foreclosure proceedings.

ii. This is a Complaint for annulment of Extrajudicial Foreclosure Proceedings with application for 72-hour and 20-day Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction (Complaint) was filed by STI College Tanay, Inc. (STI Tanay) and Spouses Alejandro J. Bernardo and Loretta Jabson Bernardo (Mortgagors) (collectively, the "Plaintiffs") filed against the named Defendants.

On June 22, 2021, STI ESG received the Complaint.

Based on the Complaint, the Plaintiffs alleged that STI ESG, as the assignee of the loan of STI Tanay with DBP, foreclosed on the Mortgagors' parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property).

While the Complaint did not allege any procedural and/or substantive defects on the foreclosure proceedings, the Plaintiffs attempted to use the alleged illegal take-over of the operations of STI College Tanay to support the instant case.

Based on the said allegations in the Complaint, the Plaintiffs sought for the issuance of restraining orders to enjoin the registration of the Certificate of Sale and the alleged take-over of STI College Tanay.

After the due proceedings on the TRO, the Trial Court denied the issuance of the TRO and/or Writ of Preliminary Injunction on July 12, 2021.

Considering the issuance of Supreme Court's Circulars which ordered the physical closure of courts and suspension of filing of any pleading, STI ESG has yet to file its Answer to the Complaint.

h. 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.

<u>Commitments</u>

a. Financial Commitments

The Parent Company has domestic bills purchase lines from various local banks amounting to ₱115.0 million as at June 30, 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 June 30, 2021, STI ESG has contractual commitments and obligations for the construction of 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 June 30, 2021 and 2020, respectively.

c. Others

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

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

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

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

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

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

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

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

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.

Considering the pandemic and its effects in the economy, the parties decided to hold the project in abeyance. In the meantime, STI Tanauan remains as a wholly-owned subsidiary of STI ESG and is continuing its operations.

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

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

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

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

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

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

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.

34. **Financial Risk Management Objectives and Policies**

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

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

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide the flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint ventures with credit terms of thirty (30) days.

As at June 30, 2021 and 2020, the Group's current assets amounted to ₱1,948.5 million and ₱1,672.3 million respectively, while current liabilities amounted to ₱831.3 million and ₱1,014.9 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank and the STI ESG bondholders. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. DSCR as at June 30, 2021 and 2020 is 1.42:1.00 and 1.62:1.00, respectively (see Notes 17 and 18).

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

	June 30, 2021				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	**₱1,202,134,686**	**₱–**	**₱–**	**₱–**	**₱1,202,134,686**
Receivables*	**68,353,873**	**137,185,533**	**83,027,351**	**207,647,086**	**496,213,843**
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**–**	**–**	**–**	**28,489,968**	**28,489,968**
Equity instruments designated at FVOCI	**–**	**–**	**–**	**68,624,687**	**68,624,687**
	₱1,270,488,559	**₱137,185,533**	**₱83,027,351**	**₱304,761,741**	**₱1,795,463,184**
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	**₱–**	**₱–**	**₱–**	**₱3,000,000,000**	**₱3,000,000,000**
Interest	**–**	**–**	**178,905,220**	**514,650,200**	**693,555,420**
Interest-bearing loans and borrowings					
Principal	**–**	**–**	**129,544,753**	**1,332,594,957**	**1,462,139,710**
Interest	**–**	**41,062,520**	**42,016,018**	**196,250,481**	**279,329,019**
Accounts payable and other current liabilities**	**526,585,990**	**18,656,752**	**40,659,119**	**–**	**585,901,861**
Lease liabilities	**–**	**9,799,472**	**56,248,038**	**409,714,228**	**475,761,738**
Other noncurrent liabilities***	**–**	**–**	**–**	**4,178,826**	**4,178,826**
	₱526,585,990	**₱69,518,744**	**₱447,373,148**	**₱5,457,388,692**	**₱6,500,866,574**

	June 30, 2020				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	₱584,179,314	₱–	₱–	₱–	₱584,179,314
Receivables*	212,838,575	12,605,800	20,912,113	220,777,110	467,133,598
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	31,612,543	31,612,543
Equity investments designated at FVOCI	–	–	–	67,261,243	67,261,243
	₱797,017,889	₱12,605,800	₱20,912,113	₱319,650,896	₱1,150,186,698
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest	–	–	178,905,220	693,555,420	872,460,640
Interest-bearing loans and borrowings					
Principal	–	–	240,000,000	920,000,000	1,160,000,000
Interest	–	–	24,823,329	41,747,486	66,570,815
Accounts payable and other current liabilities**	573,924,568	7,157,518	713,109	37,228,361	619,023,556
Lease liabilities	–	16,842,787	56,142,623	397,601,148	470,586,558
Other noncurrent liabilities***	–	–	–	28,896,625	28,896,625
	₱573,924,568	₱24,000,305	₱500,584,281	₱5,119,029,040	₱6,217,538,194

**Excluding advances to officers and employees amounting to ₱15.8 million and ₱22.8 million as at June 30, 2021 and 2020, respectively.*
***Excluding government and other statutory liabilities amounting to ₱18.3 million and ₱20.1 million as at June 30, 2021 and 2020, respectively.*
****Excluding advance rent and deferred lease liability amounting to ₱1.3 million and ₱24.2 million as at June 30, 2021 and 2020, respectively.*

The Group's current ratios are as follows:

	June 30, 2021	June 30, 2020
Current assets	**₱1,948,454,262**	₱1,672,306,712
Current liabilities	**831,333,288**	1,014,941,573
Current ratios	**2.34:1.00**	1.65:1.00

Credit Risk
Credit risk is the risk that the Group will incur a loss arising from students, franchisees or other counterparties who fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring expenses in relation to such limits.

It is the Group's policy to require the students to pay all their tuition and other school fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity investments designated at FVOCI, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2021 and 2020, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	June 30, 2021		June 30, 2020	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱1,201,361,720**	**₱1,180,361,720**	₱582,532,730	₱561,532,730
Receivables*	**635,016,423**	**635,016,423**	467,133,598	467,133,598
Rental deposits**	**28,489,968**	**28,489,968**	31,612,543	31,612,543
Equity investment designated at FVOCI	**68,624,687**	**68,624,687**	67,261,243	67,261,243
	₱1,933,492,798	**₱1,912,492,798**	₱1,148,540,114	₱1,127,540,114

**Excluding advances to officers and employees amounting to ₱15.8 million and ₱22.8 million as at June 30, 2021 and 2020, respectively.*
***Included as part of "Goodwill, intangible and other noncurrent assets" account.*
(1) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.
(2) Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on STI ESG's credit rating system as at June 30, 2021 and 2020:

	June 30, 2021			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,246,625,259**	**₱272,035,213**	**₱–**	**₱1,518,660,472**
Class B	–	**292,573,487**	–	**292,573,487**
Class C	–	**116,662,322**	**6,369,483**	**123,031,805**
Gross carrying amount	**1,246,625,259**	**681,271,022**	**6,369,483**	**1,934,265,764**
ECL	–	**132,433,097**	**6,369,483**	**138,802,580**
Carrying amount	**₱1,246,625,259**	**₱548,837,925**	**₱–**	**₱1,795,463,184**

	June 30, 2020			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱655,824,349	₱302,070,583	₱–	₱957,894,932
Class B	–	276,164,214	–	276,164,214
Class C	–	58,315,368	2,947,861	61,263,229
Gross carrying amount	655,824,349	636,550,165	2,947,861	1,295,322,375
ECL	–	142,187,816	2,947,861	145,135,677
Carrying amount	₱655,824,349	₱494,362,349	₱–	₱1,150,186,698

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with a high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.

- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit losses:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
June 30, 2021	**₱161,527,989**	**₱42,777,433**	**₱632,769**	**₱116,662,322**	**(₱132,433,097)**	**₱189,167,416**
June 30, 2020	₱207,772,923	₱34,071,171	₱1,254,091	₱58,315,366	(₱142,187,816)	₱159,225,735

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year bonds and the 10-year bonds.

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and consolidated statements of changes in equity for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**June 30, 2021 (One Year)**	June 30, 2020 (Three Months - see Note 2)	March 31, 2020 (One Year)
+100 bps	**(₱44,782,060)**	(₱10,432,222)	(₱41,000,000)
-100 bps	**44,782,060**	10,432,222	41,000,000

Capital Risk Management Policy

The Group's objectives when managing capital are to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

The Group considers its equity contributed by stockholders as capital.

	June 30, 2021	June 30, 2020
Capital stock	**₱3,087,829,443**	₱3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Retained earnings (see Note 20)	**2,351,763,085**	2,357,529,814
	₱5,826,509,007	₱5,832,275,736

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

	June 30, 2021	June 30, 2020
Total liabilities*	**₱5,441,261,355**	₱5,265,928,781
Total equity	**5,802,472,205**	5,888,520,185
Debt-to-equity ratio	**0.94:1.00**	0.89:1.00

**Excluding unearned tuition and other school fees*

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

	June 30, 2021	June 30, 2020
Total assets	**₱11,292,403,976**	₱11,227,878,244
Total equity	**5,802,472,205**	5,888,520,185
Asset-to-equity ratio	**1.95:1.00**	1.91:1.00

No changes were made in the objectives, policies or processes during the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020.

35. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at June 30, 2021 and 2020. There are no material unrecognized financial assets and liabilities as at June 30, 2021 and 2020.

	June 30, 2021				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost -					
Rental and utility deposits	**₱28,489,968**	**₱28,663,274**	**₱–**	**₱–**	**₱28,663,274**
Equity instruments designated at FVOCI	**68,624,687**	**68,624,687**	**4,783,024**	**53,488,420**	**10,353,243**
	₱97,114,655	**₱97,114,655**	**₱4,783,024**	**₱53,488,420**	**₱39,016,517**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Refundable deposits	**₱7,452,766**	**₱7,733,023**	**₱–**	**₱–**	**₱7,733,023**
	₱7,452,766	**₱7,733,023**	**₱–**	**₱–**	**₱7,733,023**

	June 30, 2020				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost -					
Rental and utility deposits	₱31,612,543	₱31,002,988	₱–	₱–	₱31,002,988
Equity instruments designated at FVOCI	67,261,243	67,229,387	3,746,944	53,135,500	10,346,943
	₱98,873,786	₱98,232,375	₱3,746,944	₱53,135,500	₱41,349,931
Financial Liabilities					
Other financial liabilities at amortized cost:					
Refundable deposits	₱20,724,884	₱21,498,616	₱–	₱–	₱21,498,616
	₱20,724,884	₱21,498,616	₱–	₱–	₱21,498,616

Fair Value of Financial Instruments

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

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

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 1.61% to 4.97% and 5.71% to 6.08% as at June 30, 2021 and 2020, respectively, 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 estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows was 5.68% as of June 30, 2021 and ranged from 5.68% to 7.89% as at June 30, 2020.

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 ranging from 1.26% to 2.66% and 1.51% to 2.34% as at June 30, 2021 and 2020, respectively adjusted for 2% credit spread rate that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In June 30, 2021 and 2020, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Changes in Liabilities Arising from Financing Activities

			Noncash Movements									
	June 30, 2020	**Cash Flows**	**Unamortized Loan Premium**	**Income on Rent Concessions**	**Interest Expense** (see Note 22)	**Capitalized Borrowing Costs** (see Note 10)	**Dividends Declared** (see Note 20)	**Reclassified as Current**	**Reclassified as Noncurrent**	**Lease Termination** (see Notes 2 and 10)	**New Leases** (see Note 28)	**June 30, 2021**
Current portion of interest-bearing loans and borrowings	**₱240,000,000**	**(₱110,455,247)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱240,000,000**	**(₱240,000,000)**	**₱–**	**₱–**	**₱129,544,753**
Bonds payable	**2,966,097,772**	**–**	**–**	**–**	**6,985,103**	**–**	**–**	**–**	**–**	**–**	**–**	**2,973,082,875**
Interest-bearing loans and borrowings – net of current portion	**914,693,192**	**409,426,874**	**8,298,501**	**–**	**(1,836,569)**	**2,776,225**	**–**	**(240,000,000)**	**240,000,000**	**–**	**–**	**1,333,358,223**
Lease liabilities	**383,793,647**	**(65,611,278)**	**–**	**(17,677,038)**	**23,635,793**	**–**	**–**	**–**	**–**	**(23,969,028)**	**34,994,850**	**335,166,946**
Dividends payable	**13,758,185**	**(39,998,062)**	**–**	**–**	**–**	**–**	**40,000,000**	**–**	**–**	**–**	**–**	**13,760,123**
Interest payable	**26,063,296**	**(270,581,931)**	**–**	**–**	**273,493,506**	**–**	**–**	**–**	**–**	**–**	**–**	**28,974,871**
Total liabilities from financing activities	**₱4,544,406,092**	**(₱77,219,644)**	**₱8,298,501**	**(₱17,677,038)**	**₱302,277,833**	**₱2,776,225**	**₱40,000,000**	**₱–**	**₱–**	**(₱23,969,028)**	**₱34,994,850**	**₱4,813,887,791**

			Noncash Movements									
	March 31, 2020	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Interest Expense (see Note 22)	Capitalized Borrowing Costs (see Note 10)	Dividends Declared (see Note 20)	Reclassified as Current	Reclassified as Noncurrent	Lease Terminations (see Notes 2 and 10)	New Leases	June 30, 2020
Current portion of interest-bearing loans and borrowings	₱240,000,000	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱240,000,000
Bonds payable	2,964,418,162	–	–	–	1,679,610	–	–	–	–	–	–	2,966,097,772
Interest-bearing loans and borrowings – net of current portion	914,262,208	–	–	–	417,215	13,769	–	–	–	–	–	914,693,192
Lease liabilities	395,908,486	(18,598,185)	–	–	6,483,346	–	–	–	–	–	–	383,793,647
Dividends payable	13,758,185	–	–	–	–	–	–	–	–	–	–	13,758,185
Interest payable	8,957,748	(46,681,520)	–	–	63,787,068	–	–	–	–	–	–	26,063,296
Total liabilities from financing activities	₱4,537,304,789	(₱65,279,705)	₱–	₱–	₱72,367,239	₱13,769	₱–	₱–	₱–	₱–	₱–	₱4,544,406,092

37. Notes to the Consolidated Statements of Cash Flows

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

a. Noncash additions to ROU assets presented under "Property and equipment" amounted to ₱35.1 million, nil and ₱59.7 million for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, respectively (see Note 10).

b. Unpaid progress billing for construction-in-progress amounting to ₱16.9 million, ₱0.1 million and ₱13.9 million as at June 30, 2021, June 30, 2020 and March 31, 2020, respectively.

c. Uncollected dividends from DLSMC amounting to ₱0.8 million as at June 30, 2021 and nil as at June 30, 2020 and March 31, 2020 (see Note 14).

38. Business Combinations and Net Assets Disposal

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 for as business combinations. The purchase price consideration was allocated to the net assets based on provisional fair values at the date of acquisition resulting in excess of consideration aggregating to ₱1.9 million. 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 (see Note 10)	798,020
Other noncurrent asset	190,000
	1,599,310
Liabilities	
Accounts payable and other current liabilities	225,031
Total identifiable net assets at provisional fair values	1,374,279
Purchase consideration transferred	2,700,000
Goodwill (see Note 15)	₱1,325,721

STI Dumaguete

Assets	
Receivables	₱1,482,130
Prepaid expenses	12,835
Inventories	38,891
Property and equipment (see Note 10)	264,872
	1,798,728

Liabilities	
Accounts payable and other current liabilities	₱102,965
Total identifiable net assets at provisional fair values	1,695,763
Purchase consideration transferred	2,300,000
Goodwill (see Note 15)	₱604,237

NAMEI. On February 15, 2019, STI ESG and the shareholders of NAMEI entered into a share purchase agreement for the sale of approximately 92% of the 50,000 outstanding shares of NAMEI Polytechnic Institute, Inc. and 99% of the 10,000 outstanding shares of NAMEI Polytechnic Institute of Mandaluyong, Inc. Both shares are with par value of ₱10.0 each. In January 2019, STI ESG made a deposit of ₱14.0 million which was held in escrow with a law firm. This amount was treated as part of the purchase price at closing date. Another ₱36.0 million was paid on February 15, 2019. On the same date, STI ESG paid ₱10.0 million to NAMEI as deposit for future subscription in shares of NAMEI and another ₱10.0 million representing STI ESG's share in the transaction costs and all other fees and expenses incurred under the agreement. On April 1, 2019, Deeds of Assignment were executed by the shareholders of NAMEI transferring and conveying ownership of 94% of NAMEI Polytechnic Institute, Inc. and 100% ownership of NAMEI Polytechnic Institute of Mandaluyong, Inc. to STI ESG. NAMEI became a subsidiary of STI ESG effective April 1, 2019.

The identifiable assets and liabilities recognized in the consolidated financial statements as at March 31, 2020 were based on the purchase price allocation report and the fair value of these assets and liabilities at the time of acquisition resulting in goodwill amounting to ₱21.2 million. STI ESG identified the license to operate a maritime school and related agreements as an intangible asset with fair value of ₱27.6 million. Deferred tax liability amounting to ₱2.8 million was calculated based on the fair value of the intangible asset using 10.0% income tax rate for educational institutions. The carrying values of other accounts such as cash, receivables, and property and equipment, among others, approximate their fair values.

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

NAMEI Polytechnic Institute, Inc.

Assets	
Cash and cash equivalents	₱52,938
Receivables	8,173,081
Inventories	158,769
Prepaid expenses	51,000
Intangible assets (see Note 15)	27,621,874
Property and equipment (see Note 10)	12,630,327
	48,687,989
Liabilities	
Accounts payable and other current liabilities	9,330,730
Deferred tax liabilities	2,762,187
Non-controlling interest	1,090,678
Total identifiable net assets at fair value	35,504,394
Purchase consideration transferred	56,735,628
Goodwill (see Note 15)	₱21,231,234

NAMEI Polytechnic Institute of Mandaluyong, Inc.

Assets	
Cash and cash equivalents	₱1,390,786
Receivables	1,479,628
Inventories	19,563
Prepaid expenses	220,529
Property and equipment-net (see Note 10)	3,511,803
	6,622,309
Liabilities	
Accounts payable and other current liabilities	3,357,937
Total identifiable net assets at fair value	3,264,372
Purchase consideration transferred	3,264,372
Goodwill	₱–

Analysis of cash flow on acquisition is as follows:

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

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under *"Goodwill, intangible and other noncurrent assets"* in the consolidated statements of the financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

STI College Tagum, Inc. On March 27, 2019, STI ESG and STI College Tagum, Inc. (STI Tagum), the assignee, entered into a Deed of Assignment to assign, sell, transfer and set over unto the assignee, the assets of STI Tagum, a branch of STI ESG, for a sum of ₱7.0 million which was received in full in 2019. The sale is effective on April 1, 2019. The transaction resulted in a gain on disposal of net assets amounting to ₱4.4 million presented in the consolidated statement of comprehensive income for the year ended March 31, 2020.

39. Voluntary Presentation of Comparative Statements of Comprehensive Income

As discussed in Note 2, the amounts reflected in the June 30, 2020 consolidated statement of comprehensive income are for a three-month period only and the amounts reflected in the March 31, 2020 consolidated statement of comprehensive income are based on the Group's previous fiscal year-end. Accordingly, they are not comparable with the amounts in the June 30, 2021 consolidated statement of comprehensive income.

Set out below is a voluntary disclosure of consolidated statements of comprehensive income for the years ended June 30, 2020 and 2019 for the purpose of comparability.

	June 30, 2020	June 30, 2019
REVENUES		
Sale of services:		
Tuition and other school fees	₱1,691,275,674	₱1,687,506,236
Educational services	121,820,529	162,327,653
Royalty fees	11,518,869	15,410,209
Others	62,126,193	57,372,571
Sale of goods -		
Sale of educational materials and supplies	64,594,709	139,424,057
	1,951,335,974	2,062,040,726
COSTS AND EXPENSES		
Cost of educational services [(a)]	695,666,579	705,605,395
Cost of educational materials and supplies sold	48,636,264	106,780,873
General and administrative expenses [(b)]	947,111,234	1,037,708,627
	1,691,414,077	1,850,094,895
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	259,921,897	211,945,831
OTHER INCOME (EXPENSES)		
Provision for impairment of noncurrent asset held for sale	(297,470,664)	–
Interest expense	(282,747,142)	(201,317,138)
Rental income	121,510,994	110,457,539
Interest income	4,041,968	8,597,323
Equity in net earnings of associates and joint ventures	3,984,681	5,331,006
Dividend income	1,769,510	5,215,190
Gain on:		
Sale of property and equipment	–	666,988
Disposal of net assets	–	4,365,123
	(448,910,653)	(66,683,969)
INCOME (LOSS) BEFORE INCOME TAX	(188,988,756)	145,261,862
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 29)		
Current	25,617,921	20,028,609
Deferred	(9,627,115)	10,915,998
	15,990,806	30,944,607
NET INCOME (LOSS) *(Carried Forward)*	(204,979,562)	114,317,255

	June 30, 2020	June 30, 2019
NET INCOME (LOSS) *(Brought Forward)*	(₱204,979,562)	₱114,317,255
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss in pension liability	(17,809,762)	(59,486,870)
Tax effect on remeasurement loss in pension liability	1,791,228	5,811,489
Unrealized fair value adjustment on equity instruments designated at FVOCI	7,651,760	(231,520)
Share in associates' remeasurement loss on pension liabilities	(64,788)	(14,818)
Share in associates' fair value adjustment on equity instruments designated at FVOCI	(2,558)	3,733
OTHER COMPREHENSIVE LOSS, NET OF TAX	(8,434,120)	(53,917,986)
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱213,413,682)	₱60,399,269
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	(₱200,860,459)	₱116,567,735
Non-controlling interests	(4,119,103)	(2,250,480)
	(₱204,979,562)	₱114,317,255
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	(₱209,294,579)	₱62,649,749
Non-controlling interests	(4,119,103)	(2,250,480)
	(₱213,413,682)	₱60,399,269
Basic/Diluted Earnings Per Share (EPS) on Net Income (Loss) Attributable to Equity Holders of the Parent Company	(₱0.07)	₱0.04

[a] The cost of educational services account consists of:

	June 30, 2020	June 30, 2019
Depreciation and amortization	₱298,249,021	₱213,281,048
Faculty salaries and benefits	248,500,292	260,014,425
Student activities and programs and connectivity expenses	83,151,296	127,533,431
Rental	26,194,731	75,010,641
School materials and supplies	13,936,662	14,827,542
Software maintenance	12,355,194	9,456,553
Courseware development costs	11,223,921	2,172,105
Others	2,055,462	3,309,650
	₱695,666,579	₱705,605,395

(b) The general and administrative expenses account consists of:

	June 30, 2020	June 30, 2019
Salaries, wages and benefits	₱251,051,828	₱259,217,781
Depreciation and amortization	207,359,396	176,257,572
Light and water	94,804,362	107,727,102
Outside services	84,394,239	84,856,543
Professional fees	78,885,378	76,629,779
Provision for:		
ECL (see Note 6)	45,083,847	39,608,519
Inventory obsolescence	4,805,445	43,403
Impairment of investments in advances to subsidiaries, associates and joint ventures (see Note 12)	–	17,035,240
Taxes and licenses	33,266,209	38,870,336
Transportation	23,499,202	26,614,470
Advertising and promotions	18,137,333	60,202,701
Repairs and maintenance	17,702,388	20,489,780
Insurance	14,716,934	12,406,725
Entertainment, amusement and recreation	13,510,561	14,811,282
Rental	13,433,340	44,676,388
Meetings and conferences	13,417,186	17,493,127
Office supplies	8,586,141	12,444,424
Communication	7,009,881	7,909,806
Software maintenance	2,794,271	2,829,584
Association dues	317,721	539,769
Others	14,335,572	17,044,297
	₱947,111,234	₱1,037,708,628

40. **Events after Reporting Period**

a. On August 4, 2021, the shareholders of DLS-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of issued and outstanding capital stock of DLS-STI College, for a total consideration of ₱16.0 million.

b. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed ECQ throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of each cities and municipalities in different levels of community quarantine between March 13, 2020 to date.

   These measures have caused disruptions to businesses and economic activities, and their impact on businesses continue to evolve. The Group has considered the impact of these disruptions to its financial position, performance and cash flows as at and for the year ended June 30, 2021 and for the three-month period ended June 30, 2020. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2021 and 2020 and for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, included in this Form 17-A, and have issued our report thereon dated October 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2021 and 2020 and for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
CPA Certificate No. 111562
Tax Identification No. 242-917-987
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 1539-AR-1 (Group A)
March 26, 2019, valid until March 25, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

October 7, 2021

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension,
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2021 and 2020 and for the year ended June 30, 2021, the three-month period ended June 30, 2020 and the year ended March 31, 2020, included in this Form 17-A, and have issued our report thereon dated October 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Benjamin N. Villacorte

Benjamin N. Villacorte
Partner
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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-120-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8534383, January 4, 2021, Makati City

October 7, 2021

SCHEDULE A - FINANCIAL ASSETS
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Valued Based on Market Quotation at End of Reporting Period	Income Received and Accrued

The Group has no financial assets at Fair Value Through Profit or Loss as at June 30, 2021

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at End of Period

The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above P1,000,000 or 1% of total assets, whichever is less, as at June 30, 2021

SCHEDULE C – AMOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of Debtor and Description	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at End of Period
STI Batangas	₱43,568,241	₱40,564,405	(₱23,995,198)	₱0	₱0	₱60,137,448	**₱60,137,448**
STI Iloilo	16,785,918	3,392,639	(270,173)	-	8,264,119	11,644,265	**19,908,384**
STI Lipa	46,795,590	66,609,916	(27,332,321)	-	-	86,073,185	**86,073,185**
STI Pagadian	14,243,237	1,537,848	(1,333,682)	-	5,426,444	9,020,959	**14,447,403**
STI Quezon Avenue	14,850,399	1,180,903	(1,022,179)	-	749,455	14,259,668	**15,009,123**
STI Sta Maria	58,671,099	12,423,075	(15,898,817)		-	55,195,357	**55,195,357**
STI Tuguegarao	15,861,712	1,425,064	(100,026)	-	13,136,613	4,050,137	**17,186,750**
STI Namei HS	6,326,900	8,794,113	(4,463,004)	-	-	11,055,943	**10,658,009**
STI Namei College	61,712,006	51,247,600	(32,893,988)	-	-	80,065,618	**80,065,618**
STI Training Academy	8,363,843	8,388,535	0	-	-	16,752,378	**16,752,378**

SCHEDULE D – LONG-TERM DEBT
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Title of Issue and Type of Obligation	**Amount Authorized by Indenture**	**Amount shown under caption "Current portion of interest-bearing loans and borrowings" in related Statement of Financial Position**	**Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position**
China Banking Corporation - Corporate notes facility Maturity Date / Interest Rate September 19, 2026 / 5.56% to 6.58%*	₱3,000,000,000	₱0	₱248,144,353
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively**	5,000,000,000	-	2,973,082,875
China Banking Corporation - Term loan: Maturity Date / Interest Rate September 19, 2026 / 5.56% to 6.31% ***	1,200,000,000	120,000,000	1,072,768,945
LandBank ACADEME Program: Maturity Date / Interest Rate August 2022 and January 2023 / 3.00% ****	22,139,710	9,544,753	12,444,925

**presented inclusive of unamortized premium on corporate notes of ₱8.1 million in the Statements of Financial Position*

***presented net of bond issue costs with carrying value of ₱26.9 million in the Statements of Financial Position*

****presented net of issuance costs with carrying value of ₱7.2 million in the Statements of Financial Position*

*****presented net of issuance costs with carrying value of ₱0.2 million in the Statements of Financial Position*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

The Group has no long-term loans from related parties as at June 30, 2021

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is filed	Title of Issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee

The Group does not have guarantees of securities of other issuing entities as at June 30, 2021

SCHEDULE G – CAPITAL STOCK
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Number of Shares held by Directors, Officers and Employees	Number of Shares held by Others
Common Stock	5,000,000,000	3,081,877,170	-	3,081,877,155	15	-

Related Parties		
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,382,275	0.43%
GONZALES, FRANSCISCO B. JR. (DECEASED)	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL M.S.	241,279	0.01%
ZARASPE, ANACLETA C.	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
GARCIA, NOEL B.	83,190	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%
LAO, ERIENE C.	63,384	0.00%
PAULINO, MA. LUZ LOURDES M.	55,061	0.00%
ANSALDO, LYDIA V.	53,876	0.00%
CANTOS, LOLITA	53,185	0.00%
LIMJOCO, ALEX	47,603	0.00%
ZAPANTA, PRISCILLA D.	37,500	0.00%
HERBOSA, ARTURO ALFONSO J.	36,219	0.00%
NANO, ANA BELEN N.	35,288	0.00%
YU, ANNIE	30,434	0.00%
BRAVO, MELINDA C.	16,517	0.00%
DE LEON, AURORA F.	7,923	0.00%
GOPALAN, MA. LOURDES	6,155	0.00%
CAPAROS, VILMA	6,155	0.00%
PASCUA, ARNOLD F.	3,648	0.00%
BALAN, ARIEL KELLY D.	3,169	0.00%
PANTALEON, SERAFIN M.	2,117	0.00%
BASA, VIRGILIO T.	1,857	0.00%
GAMBOA, HERMAN T.	1,429	0.00%
DE LEON, MA. LOIDA	1,367	0.00%
DE LEON, ROSANO	1,367	0.00%
VILLASEÑOR, CELSO A.	1,330	0.00%
TOLENTINO, RUFINO (DECEASED)	738	0.00%
MONSOD, CHRISTIAN S.	714	0.00%
ZETA, BENJAMIN D.	688	0.00%
BALAGOT, WILFRED P.	466	0.00%
BARTOLOME, ARSENIO M., III	410	0.00%
MACHICA, RAMON G.	399	0.00%
ANGELES, BERNARD DAN F.	106	0.00%
SUAREZ, ROLANDO A.	106	0.00%
DAYCO, ROLANDO P.	30	0.00%
ABAYA, RAMON C. (Trustee of E.H. Tanco)	1	0.00%
ALFONSO, FELIPE B. (Trustee of E.H. Tanco)	1	0.00%
QUINTOS JOAQUIN E. (Trustee of E.H. Tanco)	1	0.00%
VILLA, JESUS S. (Trustee for AADC)	1	0.00%
TOTAL	**3,081,877,155**	

Directors, officers and employees	
BORJA, RAINERIO M. (Trustee of E.H. Tanco)	2
JACOB, MONICO V. (Trustee of E.H. Tanco)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL B.	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
BAUTISTA, PAOLO MARTIN O.	1
FERNANDEZ, PETER K.	1
VERGARA, ROBERT G.	1
	15

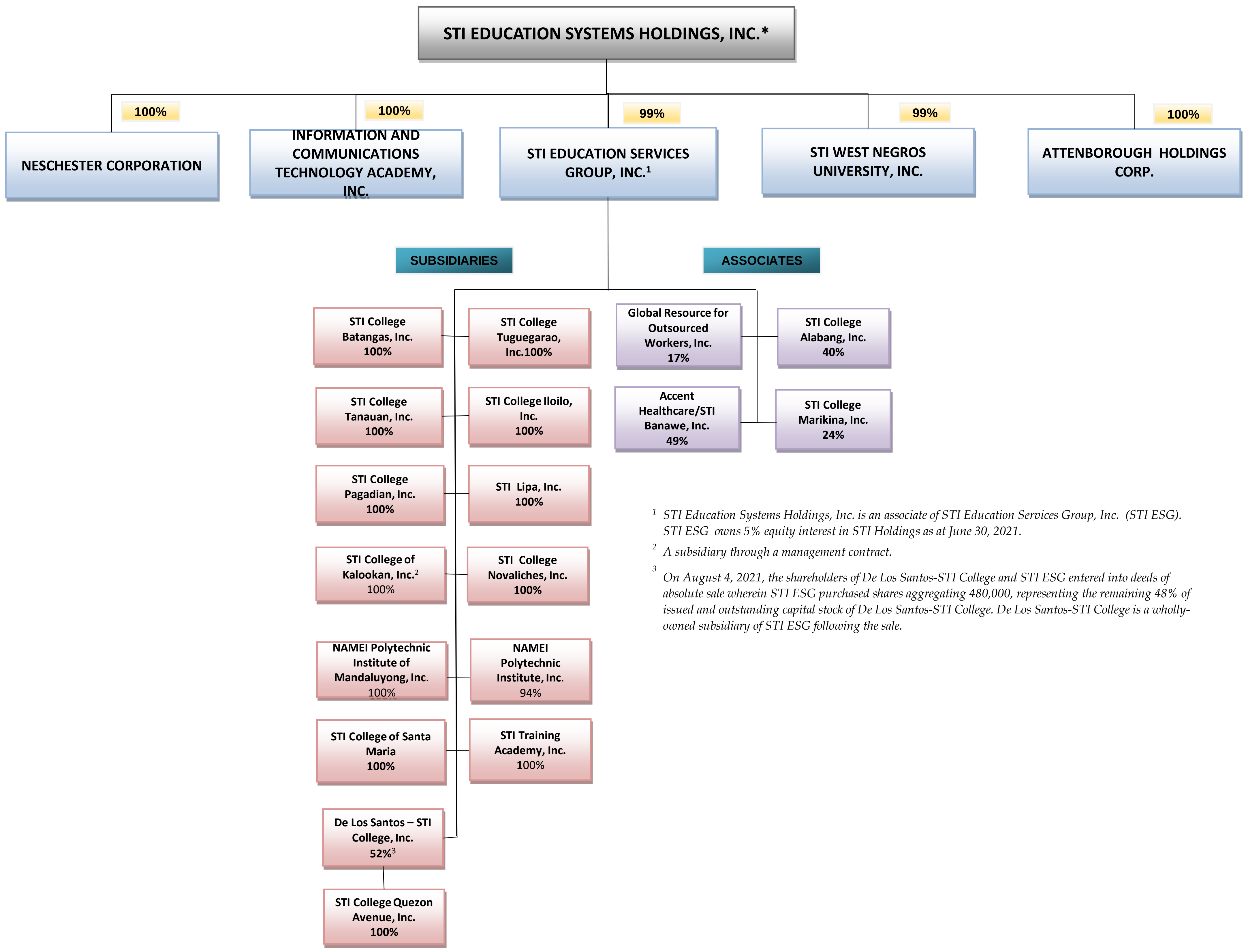
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
June 30, 2021
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Unappropriated Retained Earnings, beginning		₱1,834,863,446
Adjustments:		
Deferred tax assets, beginning		(46,503,496)
Unappropriated Retained Earnings, as adjusted, beginning		1,788,359,950
Net income during the period closed to Retained Earnings		267,454,888
Less: Non-actual/unrealized income, net of tax		
Movement of recognized deferred tax assets for the year		15,553,166
Net income actually realized during the year		283,008,054
Add (Less):		
Dividend declarations during the period	(₱40,000,000)	
Treasury shares	(10,833,137)	(50,833,137)
Retained earnings available for dividend declaration, end		2,020,534,867
Reversal of appropriations		-
Total RE, end available for dividend - Parent		**₱2,020,534,867**

SCHEDULE I – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY
AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR
CO-SUBSIDIARIES, AND ASSOCIATES
June 30, 2021

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal



[1] *STI Education Systems Holdings, Inc. is an associate of STI Education Services Group, Inc. (STI ESG). STI ESG owns 5% equity interest in STI Holdings as at June 30, 2021.*

[2] *A subsidiary through a management contract.*

[3] *On August 4, 2021, the shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000, representing the remaining 48% of issued and outstanding capital stock of De Los Santos-STI College. De Los Santos-STI College is a wholly-owned subsidiary of STI ESG following the sale.*

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

	June 2021 (Audited)	June 2020 (Audited)	March 2020 (Audited)	June 2021 vs June 2020 Inc (Dec)	%	June 2020 vs March 2020 Inc (Dec)	%
Financial Ratios							
Debt to equity ratio [1]	0.94	0.89	0.87	0.05	6	0.02	2
Current ratio [2]	2.25	1.65	1.78	0.60	36	(0.13)	(7)
Asset to equity ratio [3]	1.95	1.91	1.88	`	2	0.03	2
Liquidity Ratios							
Current ratio [2]	2.25	1.65	1.32	0.60	36	0.33	25
Quick ratio [4]	1.97	1.06	0.76	0.91	86	0.30	39
Cash ratio [5]	1.45	0.58	0.34	0.87	150	0.24	71
Solvency ratios							
Debt to equity ratio [1]	0.94	0.89	0.68	0.05	6	0.21	31
Asset to equity ratio [2]	1.95	1.91	1.81	0.04	2	0.10	6
Debt service cover ratio [6]	1.42	1.62	1.51	(0.20)	(12)	0.11	7
Interest coverage ratio [7]	0.85	(2.22)	0.20	3.07	(138)	(2.42)	(1,210)
Profitability ratios							
EBITDA margin [8]	39%	41%	34%	-2%	(5)	7%	21
Gross profit margin [9]	59%	62%	61%	-3%	(5)	1%	2
Operating profit margin [10]	8%	13%	10%	-5%	(38)	3%	30
Net income (loss) margin [11]	-4%	-11%	6%	7%	(64)	-17%	(283)
Return on equity (annualized)[12]	-1%	-3%	2%	2%	(67)	-5%	(250)
Return on assets[13]	-1%	-2%	1%	1%	(50)	-3%	(300)

(1) *Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.*

(2) *Current ratio is measured as current assets divided by current liabilities.*

(3) *Asset to equity ratio is measured as total assets divided by total equity.*

(4) *Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.*

(5) *Cash ratio is measured as cash and cash equivalents divided by current liabilities.*

(6) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months.*

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

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

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

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

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

(12) *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.*

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

EBITDA is net income (loss) excluding provision for (benefit from) income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, provision for impairment of noncurrent asset held for sale , income from rent concessions, and nonrecurring gains/losses such as gain on sale of noncurrent asset held for sale net of capital gains tax, income from rent concessions,, gain from sale disposal of net assets , loss on loan modification and foreign exchange differences .

COVER SHEET

0 0 0 0 0 1 1 3 1 5 6

STI EDUCATION SERVICES GROUP, INC.

(Company's Full Name)

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

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

ARSENIO C. CABRERA, JR.

Contact Person

(632) 8813 7111

Company Telephone Number

0 6 3 0

Month *Day*

Fiscal Year

SEC FORM 17-L

FORM TYPE

1st Thursday of November

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-L

NOTIFICATION OF INABILITY TO FILE ALL OR ANY PORTION OF SEC FORM 17-A OR 17-Q

Check One:

Form 17-A [**X**] Form 17-Q [ ]

Period-Ended Date of required filing..... **For the Fiscal Year Ended 30 June 2021/13 October 2021**

Date of this report..11 October 2021

Nothing in this Form shall be construed to imply that the Commission has verified any information contained herein.

If this notification relates to a portion or portions of the filing checked above, identify the item(s) to which the notification relates:...

1. SEC Identification Number ....**113156** 2. BIR Tax Identification No. **000-143-457-000**

3. **STI EDUCATION SERVICES GROUP, INC.**
Exact name of issuer as specified in its charter

4. **Philippines**
Province, country or other jurisdiction of incorporation

5. Industry Classification Code: [ ] (SEC Use Only)

6. **STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal, 1900**
Address of principal office Postal Code

7. **(632) 8812-1784**
Issuer's telephone number, including area code

8. ....
Former name, former address, and former fiscal year, if changed since last report.

9. Are any of the issuer's securities listed on a Stock Exchange?

Yes [ ] No [**X**]

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

Philippine Stock Exchange **Common stock**

Part I - Representations

If the subject report could not be filed without unreasonable effort or expense and the issuer seeks relief pursuant to SRC Rule 17-1, the following should be completed. (Check box if appropriate)

(a) The reasons described in reasonable detail in Part II of this Form could not be estimated without unreasonable effort or expense. [✓]

(b) The subject annual report on SEC Form 17-A, or portion thereof, will be filed on or before the fifteenth calendar day following the prescribed due date; or the subject quarterly report on SEC Form 17-Q, or portion thereof, will be filed on or before the fifth day following the prescribed due date. [✓]

(c) The accountant's statement or other exhibit required by paragraph 3 of SRC Rule 17-1 has been attached if applicable. [ ]

Part II - Narrative

State below in reasonable detail the reasons why SEC Form 17-A or SEC Form 17-Q, or portion thereof, could not be filed within the prescribed period. (Attach additional sheets if needed.)

The preparation of the Financial Statements ("FS"), and timely completion of the statutory audit of the Company's Consolidated and Parent Company FS have been greatly affected by the following factors:

(1) the declaration of granular lockdowns in different parts of the country, particularly the lockdown declared from 6 August 2021 to 20 August 2021 in the National Capital Region;
(2) the curfew and the limit set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF") on the number of employees who can physically go to work;
(3) the inefficiency attributable to work-from-home arrangements during the audit of financial statements since documents still need to be examined and verified; and
(4) the fact that, while most employees have already been vaccinated, some employees were still infected with the COVID-19 virus and other employees who were exposed to these infected employees also had to be placed in quarantine in accordance with IATF rules.

In view of the factors summarized above, the prescribed deadline of October 13, 2021 was not sufficient for the Company to prepare its Consolidated and Parent Company FS and Annual Report (SEC Form 17-A) for Fiscal Year Ended June 30, 2021.

We would like to request for an additional period of fifteen (15) days or up to 28 October 2021 to file the Company's FS and SEC Form 17-A for the Fiscal Year Ended June 30, 2021.

Part III - Other Information

(a) Name, address and telephone number, including area code, and position/title of person to contact in regard to this notification

ARSENIO C. CABRERA, JR.
Corporate Secretary and Corporate Information Officer
5/F, SGV II Building, 6758 Ayala Avenue
Makati City
Telephone number : 8813-7111
Fax number : 8813-7881

(b) Have all other periodic reports required under Section 17 of the Code and under Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months, or for such shorter period that the issuer was required to file such report(s), been filed? If the answer is no, identify the report(s).

Yes [**X**] No [ ] Reports: ....

(c) Is it anticipated that any significant change in results of operations from the corresponding period for the last fiscal year will be reflected by the earnings statements to be included in the subject report or portion thereof?

Yes [ ] No [**X**]

If so, attach an explanation of the anticipated change, both narratively and quantitatively, and, if appropriate, state the reasons why a reasonable estimate of the results cannot be made.

SIGNATURE

Pursuant to the requirements of the SRC Rule 17-1, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STI EDUCATION SERVICES GROUP, INC.
Registrant's full name as contained in charter

ARSENIO C. CABRERA, JR.
Corporate Secretary
Signature and Title

Date: **11 October 2021**