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Sent: Monday, 16 May 2022 2:53 pm
To: Arsenio C. Cabrera <accabrera@htc-law.com.ph>
Subject: Re: STI Education Systems Holdings, Inc._SEC Form 17-Q For the Quarter Ended 31 March 2022_16May2022

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, Monthly Reports, Quarterly Reports, Letters, through email at

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FOR MC28, please email to:

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For your information and guidance.

Thank you and keep safe.

COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

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

12 31	SEC FORM 17-Q For the Quarter ended 31 March 2022	Third Friday of November
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

N A

Secondary License Type, If Applicable

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

Total Amount of Borrowings

1263	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**31 March 2022**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	____________________
7.	Address of Philippine Office	**7/F STI Holdings Center 6764 Ayala Avenue Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 8844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	

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

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

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

9,904,806,924 – LISTED SHARES

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

Yes [x]　　　　No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

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

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

Date May 16, 2022

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

Date May 16, 2022

ANNEX "A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2022 AND JUNE 30, 2021

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,503,735,276**	₱1,470,503,591
Receivables (Note 6)	**864,255,332**	486,250,896
Inventories (Note 7)	**169,026,292**	178,771,671
Prepaid expenses and other current assets (Note 8)	**112,244,969**	93,372,943
	2,649,261,869	2,228,899,101
Noncurrent asset held for sale (Notes 9 and 11)	**1,026,085,206**	1,020,728,064
Total Current Assets	**3,675,347,075**	3,249,627,165
Noncurrent Assets		
Property and equipment (Note 10)	**9,775,465,064**	10,041,279,490
Investment properties (Notes 11 and 14)	**938,326,712**	846,072,465
Investments in and advances to associates and joint ventures (Note 12)	**18,066,619**	38,733,075
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**80,111,621**	69,147,732
Deferred tax assets - net	**29,762,267**	34,781,681
Goodwill, intangible and other noncurrent assets (Notes 11 and 14)	**370,958,111**	481,838,485
Total Noncurrent Assets	**11,212,690,394**	11,511,852,928
TOTAL ASSETS	**₱14,888,037,469**	₱14,761,480,093

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱502,005,893**	₱807,037,380
Current portion of interest-bearing loans and borrowings (Note 16)	**242,672,729**	208,812,671
Unearned tuition and other school fees (Note 20)	**785,047,258**	101,754,837
Current portion of lease liabilities	**71,687,122**	75,745,111
Income tax payable	**386,214**	89,530
Total Current Liabilities	**1,601,799,216**	1,193,439,529
Noncurrent Liabilities		
Bonds payable (Note 17)	**2,978,613,565**	2,973,082,875
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,293,333,447**	1,771,433,275
Lease liabilities - net of current portion	**403,656,196**	409,072,273
Pension liabilities - net	**115,652,373**	105,409,464
Deferred tax liabilities - net	**115,064,593**	114,921,367
Other noncurrent liabilities (Note 18)	**14,827,588**	12,961,372
Total Noncurrent Liabilities	**4,921,147,762**	5,386,880,626
Total Liabilities *(Carried Forward)*	**6,522,946,978**	6,580,320,155

	March 31, 2022 Unaudited	June 30, 2021 Audited
Total Liabilities *(Brought Forward)*	**₱6,522,946,978**	₱6,580,320,155
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**17,123,836**	19,277,239
Fair value change in equity instruments at FVOCI (Note 13)	**13,083,021**	12,149,020
Other equity reserve	**(1,686,369,660)**	(1,670,477,910)
Share in associates':		
Cumulative actuarial gain	**321,569**	321,569
Fair value change in equity instruments designated at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**4,367,244,677**	4,165,349,454
Total Equity Attributable to Equity Holders of the Parent Company	**8,284,791,171**	8,100,007,100
Equity Attributable to Non-controlling Interests	**80,299,320**	81,152,838
Total Equity	**8,365,090,491**	8,181,159,938
TOTAL LIABILITIES AND EQUITY	**₱14,888,037,469**	₱14,761,480,093

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

	Nine Months Ended March 31		Three Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)	**2022 (Unaudited)**	2021 (Unaudited)
REVENUES (Note 20)				
Sale of services:				
Tuition and other school fees	**₱1,721,670,521**	₱1,349,870,279	**₱704,908,824**	₱531,390,124
Educational services	**98,345,532**	84,472,725	**43,725,623**	36,081,451
Royalty fees	**9,667,934**	8,294,048	**3,613,825**	2,930,325
Others	**63,584,982**	52,716,526	**30,436,314**	11,621,575
Sale of educational materials and supplies	**24,910,848**	23,564,746	**11,134,243**	7,834,567
	1,918,179,817	1,518,918,324	**793,818,829**	589,858,042
COSTS AND EXPENSES				
Cost of educational services (Note 21)	**673,691,585**	608,514,758	**250,020,453**	230,403,019
Cost of educational materials and supplies sold (Note 22)	**20,678,747**	19,819,652	**8,672,049**	6,336,121
General and administrative expenses (Note 23)	**815,793,438**	794,596,855	**263,495,421**	238,621,164
	1,510,163,770	1,422,931,265	**522,187,923**	475,360,304
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**408,016,047**	95,987,059	**271,630,906**	114,497,738
OTHER INCOME (EXPENSES)				
Interest expense (Notes 16 and 17)	**(239,416,883)**	(253,637,980)	**(76,661,202)**	(83,766,653)
Rental income	**50,102,816**	95,639,400	**16,134,089**	30,499,186
Derecognition of contingent consideration (Notes 15 and 26)	**25,000,000**	–	**–**	–
Foreign exchange gain - net (Note 5)	**24,707,529**	3,727,883	**8,404,829**	3,727,883
Interest income (Notes 5 and 6)	**36,732,310**	3,647,901	**34,539,993**	1,094,644
Gain on:				
Settlement of receivable from STI Tanay (Note 11)	**4,185,090**	–	**4,185,090**	–
Disposal of property and equipment	**1,482,394**	57,610	**–**	–
Sale of noncurrent asset held for sale	**–**	61,424,106	**–**	–
Capital gains tax on sale of noncurrent asset held for sale	**–**	(45,963,285)	**–**	–
Dividend income	**1,049,714**	–	**142,600**	–
Equity in net earnings (losses) of associates and joint ventures (Note 12)	**(20,666,456)**	(5,732,651)	**(20,526,865)**	59,618
Other income - net (Note 2)	**16,051,010**	16,733,436	**11,712,317**	16,733,436
	(100,772,476)	(124,103,580)	**(22,069,149)**	(31,651,886)
INCOME (LOSS) BEFORE INCOME TAX	**307,243,571**	(28,116,521)	**249,561,757**	82,845,852
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**4,655,288**	1,860,336	**3,117,467**	578,732
Deferred	**5,405,158**	1,381,455	**5,236,809**	(285,965)
	10,060,446	3,241,791	**8,354,276**	292,767
NET INCOME (LOSS) *(Carried Forward)*	**297,183,125**	(31,358,312)	**241,207,481**	82,553,085

	Nine Months Ended March 31		Three Months Ended March 31	
	2022 Unaudited	2021 Unaudited	**2022 Unaudited**	2021 Unaudited
NET INCOME (LOSS) *(Brought Forward)*	**₱297,183,125**	(₱31,358,312)	**₱241,207,481**	₱82,553,085
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent years:				
Remeasurement gain (loss) on pension liability	**(2,425,168)**	14,234,380	**1,069,130**	10,545,476
Fair value change in equity instruments at FVOCI (Note 13)	**966,389**	1,040,010	**(453,072)**	486,500
Income tax effect	**242,517**	(1,432,204)	**(106,913)**	(1,063,313)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(1,216,262)**	13,842,186	**509,145**	9,968,663
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱295,966,863**	(₱17,516,126)	**₱241,716,626**	₱92,521,748
Net Income (Loss) Attributable To				
Equity holders of the Parent Company	**₱295,938,963**	(₱30,355,736)	**₱239,086,751**	₱81,968,980
Non-controlling interests	**1,244,162**	(1,002,576)	**2,120,730**	584,105
	₱297,183,125	(₱31,358,312)	**₱241,207,481**	₱82,553,085
Total Comprehensive Income (Loss) Attributable To				
Equity holders of the Parent Company	**₱294,719,561**	(₱16,701,137)	**₱239,585,960**	₱91,803,063
Non-controlling interests	**1,247,302**	(814,989)	**2,130,666**	718,685
	₱295,966,863	(₱17,516,126)	**₱241,716,626**	₱92,521,748
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**₱0.030**	(₱0.003)	**₱0.024**	₱0.008

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary**	**Cumulative Actuarial Gain**	**Fair Value Change in Equity Instruments at FVOCI** (Note 13)	**Other Equity Reserve**	**Share in Associates' Cumulative Actuarial Gain** (Note 12)	**Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI** (Note 12)	**Other Comprehensive Income Associated with Noncurrent Asset Held for Sale**	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 2021	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱19,277,239**	**₱12,149,020**	**(₱1,670,477,910)**	**₱321,569**	**(₱114)**	**₱–**	**₱4,165,349,454**	**₱8,100,007,100**	**₱81,152,838**	**₱8,181,159,938**
Net income	–	–	–	–	–	–	–	–	–	**295,938,963**	**295,938,963**	**1,244,162**	**297,183,125**
Other comprehensive income (loss)	–	–	–	**(2,153,403)**	**934,001**	–	–	–	–	–	**(1,219,402)**	**3,140**	**(1,216,262)**
Total comprehensive income (loss)	–	–	–	**(2,153,403)**	**934,001**	–	–	–	–	**295,938,963**	**294,719,561**	**1,247,302**	**295,966,863**
Acquisition of De Los Santos-STI College minority shares of stock (Note 19)	–	–	–	–	–	**(15,891,750)**	–	–	–	–	**(15,891,750)**	**(74,378)**	**(15,966,128)**
Dividend declaration	–	–	–	–	–	–	–	–	–	**(94,043,740)**	**(94,043,740)**	–	**(94,043,740)**
Share of non-controlling interest on dividends declared by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	**(2,026,442)**	**(2,026,442)**
Balance at March 31, 2022	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱17,123,836**	**₱13,083,021**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱–**	**₱4,367,244,677**	**₱8,284,791,171**	**₱80,299,320**	**₱ 8,365,090,491**

	Equity Attributable to Equity Holders of the Parent Company												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain	Fair Value Change in Equity Instruments at FVOCI (Note 13)	Other Equity Reserve	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Fair Value Change in Equity Instruments Designated at FVOCI (Note 12)	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱3,803,874	₱10,998,066	(₱1,670,477,910)	₱321,569	(₱114)	₱90,645,302	₱4,006,680,084	₱8,015,358,713	₱82,592,356	₱8,097,951,069
Net loss	–	–	–	–	–	–	–	–	–	(30,355,736)	(30,355,736)	(1,002,576)	(31,358,312)
Other comprehensive income	–	–	–	12,630,627	1,023,972	–	–	–	–	–	13,654,599	187,587	13,842,186
Total comprehensive income (loss)	–	–	–	12,630,627	1,023,972	–	–	–	–	(30,355,736)	(16,701,137)	(814,989)	(17,516,126)
Dividend declaration	–	–	–	–	–	–	–	–	–	(34,796,184)	(34,796,184)	–	(34,796,184)
Disposal of noncurrent asset held for sale (Note 19)	–	–	–	–	–	–	–	–	(90,645,302)	90,645,302	–	–	–
Share of non-controlling interest on dividends declared by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(535,442)	(535,442)
Balance at March 31, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱16,434,501	₱12,022,038	(₱1,670,477,910)	₱321,569	(₱114)	₱–	₱4,032,173,466	₱7,963,861,392	₱81,241,925	₱8,045,103,317

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

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED MARCH 31, 2022 AND 2021

	2022	2021
	Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱307,243,571**	(₱28,116,521)
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 14, 21 and 23)	**449,828,231**	464,044,464
Interest expense (Notes 16 and 17)	**239,416,883**	253,637,980
Derecognition of contingent consideration	**(25,000,000)**	–
Unrealized foreign exchange gain	**(23,574,809)**	(1,453,150)
Income on rent concessions (Note 2)	**(16,775,051)**	(16,733,436)
Net change in net pension liabilities	**7,817,739**	5,628,821
Interest income (Notes 5 and 6)	**(36,732,310)**	(3,647,901)
Equity in net losses of associates and joint ventures (Note 12)	**20,666,456**	5,732,651
Gain on:		
Settlement of receivables from STI Tanay (Notes 11 and 14)	**(4,185,090)**	–
Sale of property and equipment	**(1,482,394)**	(57,610)
Dividend income (Note 13)	**(1,049,714)**	–
Provision for impairment on investments in and advances to an associate (Note 12)	–	10,265,350
Gain on sale of noncurrent asset held for sale	–	(61,424,106)
Operating income before working capital changes	**916,173,512**	627,876,542
Decrease (increase) in:		
Receivables	**188,061,276**	17,570,155
Inventories	**9,745,379**	(48,465,146)
Prepaid expenses and other current assets	**(22,150,340)**	(27,753,948)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(254,599,490)**	(113,967,665)
Unearned tuition and other school fees	**116,190,138**	222,757,046
Other noncurrent liabilities	**1,866,217**	(67,283,776)
Net cash generated from operations	**955,286,692**	610,733,208
Income tax paid	**(596,830)**	(7,923,814)
Interest received	**3,758,930**	3,647,901
Net cash from operating activities	**958,448,792**	606,457,295
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale of property and equipment	**1,500,000**	64,230
Sale of non-current asset held for sale	**–**	480,540,000
Acquisitions of:		
Property and equipment (Note 10)	**(86,328,598)**	(217,113,524)
Equity instruments designated at FVOCI (Note 13)	**(9,997,500)**	–
Decrease (increase) in:		
Intangible and other noncurrent assets	**(9,865,137)**	8,035,674
Noncurrent asset held for sale	**(5,357,142)**	–
Investments in and advances to associates and joint ventures	**(3,991,532)**	(10,265,350)
Dividends received	**1,841,598**	–
Net cash from (used in) investing activities	**(112,198,311)**	261,261,030

(Forward)

	2022	2021
	Unaudited	Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from:		
Availment of long-term loans (Note 16)	**₱–**	₱400,000,000
Availment of short-term loans (Note 16)	**–**	400,000,000
LandBank ACADEME Program (Note 16)	**–**	10,040,559
Payments of:		
Short-term loans (Note 16)		(400,000,000)
Long-term loans (Note 16)	**(444,332,786)**	(239,400,000)
Interest	**(236,969,697)**	(253,875,049)
Lease liabilities	**(61,313,921)**	(78,286,840)
Term loan issuance cost	**–**	(3,000,000)
Dividends	**(91,950,759)**	(34,791,768)
Dividends paid to non-controlling interests	**(2,026,442)**	(535,442)
Net cash used in financing activities	**(836,593,605)**	(199,848,540)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**23,574,809**	1,453,150
NET INCREASE IN CASH AND CASH EQUIVALENTS	**33,231,685**	669,322,935
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,470,503,591**	836,213,825
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,503,735,276**	₱1,505,536,760

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

   a. General

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

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

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

		March 31, 2022		June 30, 2021	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–
STI WNU	Educational Institution	**99**	**–**	99	–
iACADEMY	Educational Institution	**100**	**–**	100	–
AHC	Holding Company	**100**	**–**	100	–
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**–**	**99**	–	99
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**–**	**99**	–	99
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**	–	99
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**–**	**99**	–	99
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**	–	99
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**	–	99
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**–**	**99**	–	99
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**	–	99
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**–**	**99**	–	99
NAMEI Polytechnic Institute of Mandaluyong, Inc.	Educational Institution	**–**	**99**	–	99
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**	–	93
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(b)]	Educational Institution	–	**99**	–	51
STI College Quezon Avenue, Inc. (STI QA) [(c)]	Educational Institution	**–**	**99**	–	51

[(a)] A subsidiary of STI ESG through a management contract.

[(b)] In June 2016, De Los Santos-STI College suspended its operations for school years (SYs) 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021 (see Note 19). De Los Santos-STI College has not resumed its school operations as at March 31, 2022.

[(c)] A wholly-owned subsidiary of De Los Santos-STI College. In September 2020, STI QA suspended its operations for SY 2020-2021 and SY 2021-2022. It has not resumed its operations as at March 31, 2022.

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

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings’ ownership of STI ESG is at 98.7% as at March 31, 2022 and June 30, 2021.

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

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

Other features of the licensing agreements are as follows:

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

Merger with Several Majority and Wholly-owned Subsidiaries

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

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by CHED and SEC on March 15, 2011 and May 6, 2011, respectively.

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

- Phase 3: On August 30, 2017, the SEC approved the application for merger of STI College-Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) with STI ESG as the surviving entity.

On September 25, 2013, STI ESG’s Board of Directors (BOD) approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares at par value to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at May 16, 2022, the amendment is pending approval by the SEC. Also, as at May 16, 2022, STI ESG’s request for confirmatory ruling on the tax-free merger from the Bureau of Internal Revenue (BIR) is still pending.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy with STI ESG owning 100.0% of the subscribed and issued capital stock. STI Training Academy is established to operate an assessment center and a training center which shall provide courses of study for 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 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 College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED in June 2021, and the Department of Education (DepEd) and TESDA in July 2021 of its decision not to accept enrollees for SY 2021-2022. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrollment turnout and/or the high cost of rental of facilities. As at March 31, 2022, STI ESG's network of operating schools totals 63 schools with 35 owned schools and 28 franchised schools comprising 60 colleges and 3 education centers.

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

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at March 31, 2022 and June 30, 2021, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million and ₱67.0 million, respectively (see Note 15). As at March 31, 2022 and June 30, 2021, the Parent Company owns 99.9% of STI WNU.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers primary, junior and senior high school, tertiary and post-graduate programs.

It also offers maritime training services required by the Maritime Industry Authority (MARINA) for officers and crew on board Philippine and/or foreign-registered ships operating in Philippine and/or international waters.

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

iACADEMY, established in 2002, is a premier school offering specialized programs in SHS and College that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science, and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology.

iACADEMY is a wholly-owned subsidiary of STI Holdings. iACADEMY's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City.

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

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. As at May 16, 2022, the request is pending with the BIR.

e. Attenborough Holdings Corp. (AHC)

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University (PWU) and Unlad Resources Development Corporation (Unlad). Under the Agreements, AHC is set to own up to 20.0% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 26).

Since February 2015, STI Holdings owns 100.0% of AHC.

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings (see Note 26).

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

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

Basis of Preparation

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

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements as at and for the nine-month periods ended March 31, 2022 and 2021 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual consolidated financial statements of STI Holdings as at and for the year ended June 30, 2021.

Changes in Accounting Policies and Disclosures

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, 2021. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

- Amendments to Philippine Financial Reporting Standard (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 approach for rent concessions granted to the Group that meet the aforementioned criteria resulting in recognition of other income amounting to ₱16.8 million, which is presented under "Other income - net" in the unaudited interim condensed consolidated statements of comprehensive income for the nine-month period ended March 31, 2022.

- 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 manages 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.

<u>Standards Issued but Not Yet Effective</u>
The standards and interpretations that are issued but not yet effective as at March 31, 2022 are listed below. The Group intends to adopt these standards when they become effective. These standards and interpretations are not expected to have any significant impact on the unaudited interim condensed consolidated financial statements, except otherwise stated.

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 amendment is 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 Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits 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 adopters of PFRSs.

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

    The amendment clarifies 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 amendment is 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 amendment removes 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 amendments are 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, FRSC deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2022 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle for STI ESG and STI WNU is one academic year that starts in September and ends in June of the following year. For iACADEMY, classes start in August and end in May and July of the following year for SHS and tertiary level, respectively. The Group transitioned to full remote learning with the imposition of the community quarantine restrictions around the country for SYs 2020-2021 and 2021-2022 (see Note 30).

STI ESG and STI WNU 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 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.

In SY 2020-2021, iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning (GOAL). GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students, including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians.

The Group uses a world-class and award-winning e-learning management system (eLMS) that is being used by schools and universities across the globe. This cloud-based eLMS 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 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 are delivered 100% online for SY 2020-2021. For SY 2021-2022, face-to-face classes remain suspended and thus the Group has continued to conduct classes online for most schools, as at end of March 2022. The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and selected subjects beginning February 2022, March 2022 and May 2022 for STI ESG, STI WNU and iACADEMY, respectively and for SHS students starting April 2022 and May 2022 for STI ESG and STI WNU, respectively. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process.

The Group is continuously ensuring adherence to the guidelines set by the IATF, CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

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, 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.

4. Segment Information

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

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

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

On a consolidated basis, the Group’s performance is evaluated based on unaudited interim condensed consolidated net income (loss) and EBITDA, defined as earnings (losses) before depreciation and amortization, interest expense, interest income, provision for income tax, capital gains tax on sale of noncurrent asset held for sale, equity in net losses of associates and joint ventures, and nonrecurring gains such as gain on settlement of receivable from STI College Tanay, Inc. (STI Tanay), gain on sale of noncurrent asset held for sale, gain on foreign exchange differences, derecognition of contingent consideration, and income on rent concessions. Depreciation and interest expenses for purposes of this computation exclude those related to Right-of-Use (ROU) assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA for the nine-month periods ended March 31, 2022 and 2021:

	2022 Unaudited	2021 Unaudited
Consolidated net income (loss)	**₱297,183,125**	(₱31,358,312)
Depreciation and amortization[1]	**393,547,567**	406,743,736
Interest expense[1]	**215,404,783**	230,216,915
Interest income[2]	**(36,732,310)**	(3,647,901)
Derecognition of contingent consideration	**(25,000,000)**	–
Foreign exchange gain - net	**(24,707,529)**	(3,727,883)
Income on rent concessions	**(16,775,051)**	(16,733,436)
Equity in net losses of associates and joint ventures	**20,666,456**	5,732,651
Provision for income tax	**10,060,446**	3,241,791
Gain on:		
Settlement of receivable from STI Tanay	**(4,185,090)**	–
Sale of noncurrent asset held for sale	**–**	(61,424,106)
Capital gains tax on sale of noncurrent asset held for sale	**–**	45,963,285
Consolidated EBITDA	**₱829,462,397**	₱575,006,740

[1]Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.
[2]Interest income includes accrued interests and default charges on the assigned loans of STI Tanay aggregating ₱33.0 million and nil for the nine-month periods ended March 31, 2022 and 2021, respectively (see Note 14).

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the the nine-month periods ended March 31, 2022 and 2021:

	Nine-month period ended March 31, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱1,045,228,934**	**₱132,045,648**	**₱478,108,244**	**₱217,467,080**	**₱45,329,911**	**₱1,918,179,817**
Results						
Income before other income (expenses) and income tax	**94,270,583**	**24,483,622**	**211,280,412**	**76,449,093**	**1,532,337**	**408,016,047**
Interest expense	**(228,789,758)**	**(3,094,162)**	**(4,823,189)**	**(615,470)**	**(2,094,304)**	**(239,416,883)**
Interest income	**36,511,195**	**17,858**	**113,903**	**84,117**	**5,237**	**36,732,310**
Equity in net losses of associates and joint ventures	**(20,666,456)**	**–**	**–**	**–**	**–**	**(20,666,456)**
Derecognition of contingent consideration	**25,000,000**	**–**	**–**	**–**	**–**	**25,000,000**
Other income[(a)]	**97,261,991**	**–**	**285,670**	**30,892**	**–**	**97,578,553**
Benefit from (provision for) income tax	**(8,267,295)**	**204,123**	**(1,033,131)**	**(964,143)**	**–**	**(10,060,446)**
Net Income (Loss)	**(₱4,679,740)**	**₱21,611,441**	**₱205,823,665**	**₱74,984,489**	**(₱556,730)**	**₱297,183,125**
EBITDA						**₱829,462,397**

	Nine-month period ended March 31, 2021 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱843,571,625	₱100,258,753	₱ 377,816,587	₱161,435,914	₱35,835,445	₱1,518,918,324
Results						
Income (loss) before other income (expenses) and income tax	(91,239,962)	(2,420,195)	151,523,438	41,270,869	(3,147,091)	95,987,059
Interest expense	(243,267,513)	(2,470,065)	(4,857,620)	(1,229,031)	(1,813,751)	(253,637,980)
Interest income	3,176,816	32,092	127,806	305,648	5,539	3,647,901
Equity in net losses of associates and joint ventures	(5,732,651)	–	–	–	–	(5,732,651)
Other income (expenses)[(a)]	131,624,843	9,060	34,786	(64,331)	14,792	131,619,150
Benefit from (provision for) income tax	3,899,207	–	–	(7,140,998)	–	(3,241,791)
Net Income (Loss)	(₱201,539,260)	(₱4,849,108)	₱146,828,410	₱33,142,157	(₱4,940,511)	(₱31,358,312)
EBITDA						₱575,006,740

The following tables present certain assets and liabilities information regarding geographical segments as at March 31, 2022 and June 30, 2021:

	March 31, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[b]	**₱10,255,378,037**	**₱828,897,401**	**₱1,569,771,530**	**₱742,927,604**	**₱169,787,279**	**₱13,566,761,851**
Noncurrent asset held for sale	**1,026,085,206**	–	–	–	–	**1,026,085,206**
Investments in and advances to associates and joint ventures	**18,066,619**	–	–	–	–	**18,066,619**
Goodwill	**231,680,294**	–	–	**15,681,232**	–	**247,361,526**
Deferred tax assets - net	**15,728,701**	**1,484,464**	**4,759,254**	**6,112,085**	**1,677,763**	**29,762,267**
Total Assets	**₱11,546,938,857**	**₱830,381,865**	**₱1,574,530,784**	**₱764,720,921**	**₱171,465,042**	**₱14,888,037,469**
Segment liabilities[c]	**₱684,669,029**	**₱100,110,504**	**₱291,530,416**	**₱180,015,182**	**₱45,941,822**	**₱1,302,266,953**
Interest-bearing loans and borrowings	**1,536,006,176**	–	–	**–**	–	**1,536,006,176**
Bonds payable	**2,978,613,565**	–	–	–	–	**2,978,613,565**
Pension liabilities - net	**69,316,233**	**5,818,343**	**11,855,380**	**26,608,525**	**2,053,892**	**115,652,373**
Lease liabilities	**258,252,382**	**57,114,118**	**97,428,777**	**20,081,909**	**42,466,132**	**475,343,318**
Deferred tax liabilities - net	**115,064,593**	–	–	–	–	**115,064,593**
Total Liabilities	**₱5,641,921,978**	**₱163,042,965**	**₱400,814,573**	**₱226,705,616**	**₱90,461,846**	**₱6,522,946,978**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱108,522,866**
Depreciation and amortization[d]						**393,547,567**
Noncash expenses other than depreciation and amortization						**89,403,283**

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

	June 30, 2021 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[b]	₱10,835,166,262	₱813,510,696	₱1,055,085,741	₱566,544,416	₱149,568,632	₱13,419,875,747
Noncurrent asset held for sale	1,020,728,064	–	–	–	–	1,020,728,064
Investments in and advances to associates and joint ventures	38,733,075	–	–	–	–	38,733,075
Goodwill	231,680,294	–	–	15,681,232	–	247,361,526
Deferred tax assets - net	19,963,944	1,273,873	5,653,273	6,212,828	1,677,763	34,781,681
Total Assets	₱12,146,271,639	₱814,784,569	₱1,060,739,014	₱588,438,476	₱151,246,395	₱14,761,480,093
Segment liabilities[c]	₱648,925,286	₱54,233,156	₱107,450,933	₱73,096,014	₱38,137,730	₱921,843,119
Interest-bearing loans and borrowings	1,980,245,946	–	–	–	–	1,980,245,946
Bonds payable	2,973,082,875	–	–	–	–	2,973,082,875
Pension liabilities - net	58,732,468	5,293,944	10,473,090	29,023,923	1,886,039	105,409,464
Lease liabilities	271,649,612	68,171,906	99,537,001	8,105,526	37,353,339	484,817,384
Deferred tax liabilities - net	114,921,367	–	–	–	–	114,921,367
Total Liabilities	₱6,047,557,554	₱127,699,006	₱217,461,024	₱110,225,463	₱77,377,108	₱6,580,320,155
Other Segment Information						
Capital expenditure -						
Property and equipment						₱298,613,757
Depreciation and amortization[d]						537,108,249
Noncash expenses other than depreciation and amortization						68,676,525

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

5. Cash and Cash Equivalents

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Cash on hand and in banks	**₱1,023,747,043**	₱799,348,838
Cash equivalents	**479,988,233**	671,154,753
	₱1,503,735,276	₱1,470,503,591

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

Interest earned from cash in banks and cash equivalents amounted to ₱2.3 million and ₱2.9 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱23.6 million and ₱1.5 million for the nine-month periods ended March 31, 2022 and 2021, respectively. The Group also recognized a realized net gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱1.1 million and ₱2.3 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

6. Receivables

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Tuition and other school fees	**₱915,889,033**	₱477,215,476
Educational services	**140,476,450**	126,893,999
Rent, utilities and other related receivables	**38,295,859**	33,674,798
Advances to officers and employees (see Note 24)	**19,912,871**	20,875,796
Dividend receivable	**–**	791,884
Others	**27,121,470**	36,291,673
	1,141,695,683	695,743,626
Less allowance for expected credit losses	**277,440,351**	209,492,730
	₱864,255,332	₱486,250,896

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees receivables 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 starting 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 school year.

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

   Interest earned from past due accounts of franchised schools amounted to ₱1.4 million and ₱0.8 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

c. Rent, utilities and other related receivables are normally collected within the 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), in June 2021 which were received by STI ESG on July 15, 2021.

f. Other receivables include receivables from a former franchisee, vendors, and Social Security System, amounting to ₱1.6 million, ₱11.9 million and ₱4.2 million, respectively, as at March 31, 2022 and amounting to ₱1.6 million, ₱12.3 million and ₱4.6 million, respectively, as at June 30, 2021. These receivables are expected to be collected within the year.

7. Inventories

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱135,306,636**	₱141,968,660
Textbooks and other education-related materials	**12,358,283**	14,943,391
	147,664,919	156,912,051
Promotional materials:		
Proware materials	**14,493,851**	13,761,674
Marketing materials	**1,299,216**	3,514,387
	15,793,067	17,276,061
School materials and supplies	**5,568,306**	4,583,559
	₱169,026,292	₱178,771,671

Inventories are presented at the lower of cost and net realizable value. Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Hence, the carrying value of these inventories at net realizable value is nil as at March 31, 2022 and June 30, 2021. Allowance for inventory obsolescence amounted to ₱17.1 million and ₱16.5 million as at March 31, 2022 and June 30, 2021, respectively. Additional provision for inventory obsolescence resulting from the excess of cost over the net realizable value of these obsolete inventories recognized for the nine-month period ended March 31, 2022 amounted to ₱0.6 million. No such provision was recognized for the nine-month period ended March 31, 2021.

Inventories charged to cost of educational materials and supplies sold for the nine-month periods ended March 31, 2022 and 2021 amounted to ₱20.7 million and ₱19.8 million, respectively.

8. Prepaid Expenses and Other Current Assets

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Prepaid taxes	**₱56,187,591**	₱44,275,128
Input VAT - net	**14,963,631**	14,792,832
Prepaid subscriptions and licenses	**14,024,032**	13,060,678
Prepaid insurance	**5,788,139**	11,830,587
Prepaid internet cost	**5,616,765**	2,137,464
Advances to suppliers	**3,211,776**	1,643,208
Software maintenance cost	**2,793,305**	1,567,359
Excess contributions to CEAP	**2,315,227**	2,315,227
Others	**7,344,503**	1,750,460
	₱112,244,969	₱93,372,943

Prepaid taxes represent excess creditable withholding taxes over tax due which will be applied against income tax due on 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 output VAT and is recoverable in future periods. Input VAT is primarily from the purchase of goods and services.

Prepaid subscriptions and licenses primarily pertain to Microsoft, Adobe Acrobat license, Adobe Creative Cloud, eLMS, Sophos Firewall and Toon Boom Harmony subscriptions for SY 2021-2022. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents fire and building insurance which were paid in advance and are recognized as expense over the period of coverage.

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. This prepaid internet cost is recognized as expense over the remaining months of the school year.

Advances to suppliers mainly include down payments for rental of venues for company events, repair and maintenance, and laboratory and electrical supplies.

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

Excess contributions to Catholic Educational Association of the Philippines Retirement Plan (CEAP) pertain to contributions made by De Los Santos-STI College and STI QA to CEAP which are already considered forfeited pension benefits of those employees who can no longer avail their pension benefits either because they did not meet the required tenure of ten (10) years or they did not reach the retirement age of sixty (60) when they left the service or when De Los Santos-STI College and STI QA have already advanced the benefits of qualified employees. In August 2021, the BODs of De Los Santos-STI College and STI QA authorized the withdrawal of the retirement funds from CEAP in view of the suspension of operations of the two schools. The BODs also authorized the transfer of the retirement funds from CEAP to the custody of a trustee bank that administers the retirement funds of the Group. As at March 31, 2022, STI ESG is documenting the transfer of the retirement funds from CEAP to a trustee bank of STI ESG.

The Group purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million, in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program. This is recognized as "Prepaid Expense - Others" with balances amounting to ₱4.7 million and nil as at March 31, 2022 and June 30, 2021, respectively.

9. Noncurrent Asset Held for Sale

Quezon City Properties

Noncurrent asset held for sale represents the carrying value of the land, building and land improvements located in Quezon City ("Quezon City dacion properties") which were obtained by the Parent Company through dacion en pago in 2016 (see Notes 11 and 26).

On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since acquisition. Negotiations with the interested buyer are ongoing as at March 31, 2022. With the classification as noncurrent asset held for sale, the Parent Company ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized as a result of such classification.

The carrying value increased by ₱5.4 million, representing legal and other fees incurred in relation to its planned sale, from ₱1,020.7 million as at June 30, 2021 to ₱1,026.1 million as at March 31, 2022.

10. **Property and Equipment**

March 31, 2022 (Unaudited)

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Right-of-Use Asset – Land	Right-of-Use Asset - Building	Right-of-Use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	**₱3,390,832,629**	**₱5,714,244,874**	**₱202,978,925**	**₱60,017,828**	**₱41,202,838**	**₱2,935,971**	**₱44,921,630**	**₱21,024,608**	**₱288,328,328**	**₱124,820,876**	**₱135,347,715**	**₱14,623,268**	**₱10,041,279,490**
Additions	**1,510,163**	**40,134,188**	**29,359,281**	**4,241,835**	**4,137,817**	**–**	**15,393,633**	**3,480,255**	**10,265,694**	**5,842,960**	**31,361,962**	**8,349,562**	**154,077,350**
Reclassifications	**–**	**282,874,086**	**–**	**–**	**20,544**	**–**	**–**	**(20,544)**	**(282,874,086)**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(117,606)**	**(117,606)**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(247,016,104)**	**(57,527,335)**	**(18,556,268)**	**(18,328,660)**	**(1,043,446)**	**(24,461,301)**	**(5,567,313)**	**–**	**(6,078,853)**	**(35,751,926)**	**(5,442,964)**	**(419,774,170)**
Balance at end of period	**₱3,392,342,792**	**₱5,790,237,044**	**₱174,810,871**	**₱45,703,395**	**₱27,032,539**	**₱1,892,525**	**₱35,853,962**	**₱18,917,006**	**₱15,719,936**	**₱124,584,983**	**₱130,957,751**	**₱17,412,260**	**₱9,775,465,064**
At March 31, 2022:													
Cost	**₱3,392,342,792**	**₱8,028,223,694**	**₱944,123,926**	**₱384,107,863**	**₱274,017,175**	**₱19,431,519**	**₱508,330,569**	**₱220,414,683**	**₱15,719,936**	**₱148,160,627**	**₱264,163,265**	**₱73,611,453**	**₱14,272,647,502**
Accumulated depreciation and amortization	**–**	**2,237,986,650**	**769,313,055**	**338,404,468**	**246,984,636**	**17,538,994**	**472,476,607**	**201,497,677**	**–**	**23,575,644**	**133,205,514**	**56,199,193**	**4,497,182,438**
Net book value	**₱3,392,342,792**	**₱5,790,237,044**	**₱174,810,871**	**₱45,703,395**	**₱27,032,539**	**₱1,892,525**	**₱35,853,962**	**₱18,917,006**	**₱15,719,936**	**₱124,584,983**	**₱130,957,751**	**₱17,412,260**	**₱9,775,465,064**

June 30, 2021 (Audited)

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Right-of-Use Asset – Land	Right-of-Use Asset - Building	Right-of-Use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	₱3,204,910,694	₱5,889,268,463	₱239,311,564	₱78,878,572	₱71,917,411	₱5,105,581	₱78,751,183	₱21,855,038	₱199,316,318	₱132,631,411	₱176,286,353	₱15,404,776	₱10,113,637,364
Additions	2,870,012	129,755,055	51,848,172	8,784,807	1,777,994	216,065	6,354,738	7,310,904	89,696,010	–	26,771,300	9,909,772	335,294,829
Reclassification from other noncurrent assets	183,051,923	–	–	–	–	–	–	–	–	–	–	–	183,051,923
Reclassifications	–	15,678,326	(5,201,563)	–	(9,818,441)	5,134	–	20,544	(684,000)	–	–	–	–
Effect of business combinations	–	–	717,716	153,987	135,323	–	–	55,865	–	–	–	–	1,062,891
Lease termination	–	–	–	–	–	–	–	–	–	–	(19,095,588)	(2,592,066)	(21,687,654)
Disposal	–	–	(86)	(6,476)	–	–	(122,594)	(14)	–	–	–	(333,333)	(462,503)
Depreciation and amortization	–	(320,456,970)	(83,696,878)	(27,793,062)	(22,809,449)	(2,390,809)	(40,061,697)	(8,217,729)	–	(7,810,535)	(48,614,350)	(7,765,881)	(569,617,360)
Balance at end of period	₱3,390,832,629	₱5,714,244,874	₱202,978,925	₱60,017,828	₱41,202,838	₱2,935,971	₱44,921,630	₱21,024,608	₱288,328,328	₱124,820,876	₱135,347,715	₱14,623,268	₱10,041,279,490
At June 30, 2021:													
Cost	₱3,390,832,629	₱7,705,215,421	₱915,233,248	₱380,014,622	₱269,879,358	₱22,048,622	₱494,501,071	₱217,122,699	₱288,328,328	₱142,394,578	₱232,939,134	₱68,363,305	₱14,126,873,015
Accumulated depreciation and amortization	–	1,990,970,547	712,254,323	319,996,794	228,676,520	19,112,651	449,579,441	196,098,091	–	17,573,702	97,591,419	53,740,037	4,085,593,525
Net book value	₱3,390,832,629	₱5,714,244,874	₱202,978,925	₱60,017,828	₱41,202,838	₱2,935,971	₱44,921,630	₱21,024,608	₱288,328,328	₱124,820,876	₱135,347,715	₱14,623,268	₱10,041,279,490

There were no idle property and equipment as at March 31, 2022 and June 30, 2021.

Additions

Land. STI ESG purchased a property in Iloilo for ₱183.1 million on an installment basis. The property has a total area of 2,615 square meters. On April 23, 2021, STI ESG and Heva Management and Development Corporation (HMDC) executed a Deed of Absolute Sale for the said property, hence, STI ESG reclassified the deposit to land under "Property and equipment".

Property and Equipment under Construction. The renovation works for STI Tanauan and STI Baguio were completed in January 2022 while the renovation works for STI Naga were completed in March 2022. The total contract costs of these projects, which were recognized largely as part of the cost of building improvements under "Property and equipment", aggregated to ₱20.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects.

As at March 31, 2022, the construction-in-progress account substantially pertains to the renovation of STI WNU's Engineering Building with a total project cost of ₱34.3 million. Renovation started in January 2022 and is expected to be completed in June 2022. Costs incurred as at March 31, 2022 is ₱9.8 million. The construction-in-progress account also includes the costs incurred for the construction of an isolation room in preparation for the implementation of limited face-to-face classes in iACADEMY. The project costs ₱1.0 million and is expected to be completed by third week of May 2022. The aggregate contract costs of these projects under construction-in-progress account amount to ₱35.3 million, inclusive of costs of materials, labor and overhead and all other costs necessary for the completion of the construction projects.

As at June 30, 2021, the construction-in-progress account pertains substantially to the construction of STI Academic Center Legazpi. The related contract costs amounted to ₱379.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. Located at Rizal St., 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. Similarly, the construction works where STI Training Academy will operate its assessment and training center were completed in October 2021. The related contract costs amounted to ₱15.3 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. The related construction costs were reclassified to building as part of "Property and equipment" for STI Legazpi and STI Training Academy, respectively, as at March 31, 2022.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to nil and ₱2.8 million for the nine-month period ended March 31, 2022 and for the year ended June 30, 2021, respectively. The average interest capitalization rate was 5.62% per annum for the year ended June 30, 2021, which was the effective rate of the borrowings.

Collaterals

iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and the building, and all other facilities, machineries, equipment and improvements therein (see Note 16). As at March 31, 2022 and June 30, 2021, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,408.0 million and ₱1,444.2 million, respectively.

Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at March 31, 2022 and June 30, 2021. The net book value of these equipment amounted to ₱17.4 million and ₱14.6 million as at March 31, 2022 and June 30, 2021, respectively.

11. **Investment Properties**

	March 31, 2022 (Unaudited)			
	Land and Land Improvements	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Total**
Cost:				
Balance at beginning of period	**₱308,726,258**	**₱636,233,550**	**₱133,183,838**	**₱1,078,143,646**
Reclassification from other noncurrent assets (Note 14)	**54,486,350**	**66,942,600**	**–**	**121,428,950**
Balance at end of period	**363,212,608**	**703,176,150**	**133,183,838**	**1,199,572,596**
Accumulated depreciation:				
Balance at beginning of period	**–**	**202,596,069**	**29,475,112**	**232,071,181**
Depreciation (see Notes 21 and 23)	**–**	**19,462,781**	**9,711,922**	**29,174,703**
Balance at end of period	**–**	**222,058,850**	**39,187,034**	**261,245,884**
Net book value	**₱363,212,608**	**₱481,117,300**	**₱93,996,804**	**₱938,326,712**

	June 30, 2021 (Audited)			
	Land and Land Improvements	Condominium Units and Buildings	Right-of-Use Asset - Building	Total
Cost:				
Balance at beginning of year	₱1,313,385,559	₱665,357,550	₱133,183,838	₱2,111,926,947
Reclassification to noncurrent asset held for sale (see Note 9)	(1,004,659,301)	(29,124,000)	–	(1,033,783,301)
Balance at end of year	308,726,258	636,233,550	133,183,838	1,078,143,646
Accumulated depreciation:				
Balance at beginning of year	–	184,806,821	16,375,062	201,181,883
Depreciation	–	30,844,485	13,100,050	43,944,535
Reclassification to noncurrent asset held for sale (see Note 9)	–	(13,055,237)	–	(13,055,237)
Balance at end of year	–	202,596,069	29,475,112	232,071,181
Net book value	₱308,726,258	₱433,637,481	₱103,708,726	₱846,072,465

Land and Buildings. STI ESG and DBP executed a Deed of Assignment in 2019 wherein DBP assigned, transferred and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay 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 thereon, and registered in the name of STI Tanay, and 2) a third-party mortgage over land and building including improvements thereon, located in Pasig City.

STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay. Fees aggregating to ₱8.8 million, representing legal and filing fees, publication and other costs from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the extrajudicial foreclosure sale of the mortgaged real estate properties situated in Pasig City and Tanay, Rizal, were incurred as at March 31, 2022. Accrued interests and default charges on the assigned loans of STI Tanay aggregated to ₱33.0 million as at March 31, 2022 (see Note 14).

The Extrajudicial Foreclosure Sale for the property located in Tanay, Rizal was conducted on March 15, 2022 by the Office of the Clerk of Court of Rizal. At the conclusion of the Extrajudicial Foreclosure Sale, STI ESG was declared as the winning bidder for the said Tanay property. The Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the Certificate of Sale on April 11, 2022, which certified that the real estate covered by a mortgage ,where STI Tanay is situated was sold at a public auction to STI ESG, as the highest bidder, on March 15, 2022. STI ESG submitted the requirements for the annotation of the Certificate of Sale with the Registry of Deeds of Rizal, Morong Branch on May 5, 2022. The one (1) year redemption period commences from the date the Certificate of Sale is annotated on the title. STI ESG recognized the said property as part of its "Investment properties" amounting to ₱27.5 million and ₱60.0 million, equivalent to the latest appraised values, of the land and building, respectively. The foreclosure resulted in a gain on settlement of receivable amounting to ₱4.2 million as at March 31, 2022 (see Note 14).

The Extrajudicial Foreclosure Sale for the property located in Pasig City was completed 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 Clerk of Court and Ex-Officio Sheriff of Pasig City issued the Certificate of Sale which certified that the real estate covered by a mortgage on the property located in Pasig City was sold at a public auction to STI ESG, as the highest bidder, on March 16, 2021. The Certificate of Sale was annotated on the title on August 5, 2021. The one (1) year redemption period commenced to run from the date the Certificate of Sale was annotated to the title. STI ESG recognized the said property as part of its "Investment properties". The land and building have carrying values of ₱27.0 million and ₱6.9 million, respectively, as at March 31, 2022 (see Note 14).

The carrying value of the properties classified as Quezon City dacion properties amounting to ₱1,020.7 million was reclassified to "Noncurrent asset held for sale" under current assets (see Note 9) following the approval of the Parent Company's BOD to its sale last June 24, 2021.

12. Investments in and Advances to Associates and Joint Ventures

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net losses:		
Balance at beginning of period	**(8,159,640)**	(3,556,050)
Equity in net losses of associates and joint ventures	**(20,666,456)**	(4,603,590)
Balance at end of period	**(28,826,096)**	(8,159,640)
Accumulated share in associates' other comprehensive income:		
Balance at beginning and end of period	**329,306**	329,306
	18,066,619	38,733,075
Advances (see Note 24)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱18,066,619	₱38,733,075

There is no movement in the allowance for impairment of investments in and advances to associates and joint ventures.

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

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Associates:		
Accent Healthcare/STI-Banawe, Inc. (STI Accent)	**₱48,134,540**	₱48,134,540
Global Resource for Outsourced Workers, Inc. (GROW)	**13,993,358**	13,513,225
STI College Alabang, Inc. (STI Alabang)	**–**	20,970,887
Joint venture - Philippine Healthcare Educators, Inc. (PHEI)	**4,073,261**	4,248,963
	66,201,159	86,867,615
Allowance for impairment loss	**48,134,540**	48,134,540
	₱18,066,619	₱38,733,075

13. Equity Instruments at Fair Value through Other Comprehensive Income

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Quoted equity shares	**₱16,715,500**	₱5,285,174
Unquoted equity shares	**63,396,121**	63,862,558
	₱80,111,621	₱69,147,732

a. Quoted Equity Shares

The quoted equity shares above pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with cumulative changes in fair values presented as a separate component in equity under the "Fair value change in equity instruments at FVOCI" account in the unaudited interim condensed consolidated statements of financial position. The fair values of these shares are based on the quoted market price as at the financial reporting date.

In September 2021, STI ESG subscribed to quoted equity shares of RL Commercial REIT, Inc. (RCR) amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. The carrying value of the investment in RCR amounted to ₱11.4 million as at March 31, 2022. STI ESG recognized dividend income from RCR amounting to ₱0.3 million and nil for the nine-month periods ended March 31, 2022 and 2021, respectively.

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of DLSMC. The carrying value of the investment in DLSMC amounted to ₱28.5 million and ₱29.0 million as at March 31, 2022 and June 30, 2021, respectively.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.8 million and nil for the nine-month periods ended March 31, 2022 and 2021, respectively.

14. Goodwill, Intangible and Other Noncurrent Assets

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Goodwill	**₱247,361,526**	₱247,361,526
Intangible assets	**47,379,182**	47,476,586
Rental and utility deposits	**36,401,652**	36,756,267
Deferred input VAT	**19,935,714**	20,989,671
Advances to suppliers	**15,056,924**	36,978,001
Receivable from STI Tanay (see Note 26)	–	75,478,724
Deposits for acquisition of shares of stock	–	11,974,596
Others	**4,823,113**	4,823,114
	₱370,958,111	₱481,838,485

Goodwill
As at March 31, 2022 and June 30, 2021, the Group's goodwill acquired through business combinations have been allocated to select schools which are considered as separate Cash-Generating Units (CGUs). Management performs its impairment test at the end of each annual reporting period for all the CGUs.

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school 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 March 31, 2022 and June 30, 2021.

It also includes the Group's accounting and school management software which are being amortized over their estimated useful lives.

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.

Deferred Input VAT
This account represents input VAT which is expected to be recovered beyond one year (see Note 8).

Advances to Suppliers
Advances to suppliers substantially pertain to advance payments made in relation to the acquisition of property and equipment, supply and installation of condenser coils for two (2) chillers at iACADEMY's Nexus campus, and various ongoing projects in the schools. These will be reclassified to the "Property and equipment" account when the goods are received, or the services are rendered.

Receivable from STI Tanay
This account pertains to the receivable of STI ESG from STI Tanay, a franchisee, resulting from the Deed of Assignment executed by STI ESG and DBP wherein DBP assigned, transferred and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay. STI ESG recognized as interest income the accrued interests and default charges on the assigned loans of STI Tanay

aggregating to ₱33.0 million in March 2022. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans. These properties, situated in Pasig City and Tanay, Rizal, were foreclosed on March 16, 2021 and March 15, 2022, respectively. STI ESG has been declared as the winning bidder in both foreclosure sale proceedings Consequently, STI ESG recognized the real estate situated in Tanay, Rizal and Pasig City, as part of its "Investment Properties", and derecognized the receivable from STI Tanay. Receivable from STI Tanay amounted to nil and ₱75.5 million as at March 31, 2022 and June 30, 2021, respectively (see Notes 10 and 11).

Deposits for Acquisition of Shares of Stock
The balance as at June 30, 2021 pertains to the deposits made by STI ESG for the acquisition of shares of stock in De Los Santos-STI College held by the shareholders owning 48.0% of the outstanding capital stock (see Note 19).

15. Accounts Payable and Other Current Liabilities

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Accounts payable	**₱260,471,308**	₱464,212,251
Accrued expenses:		
Contracted services	**37,596,998**	42,072,232
School-related expenses	**19,256,092**	30,604,440
Salaries, wages and benefits	**16,784,909**	29,152,557
Utilities	**13,393,428**	9,647,443
Interest	**6,599,989**	33,505,531
Advertising and promotion	**3,586,762**	4,346,613
Rent	**2,056,612**	4,295,441
Others	**6,769,586**	6,104,115
Dividends payable	**28,100,152**	25,934,641
Statutory payables	**28,032,635**	23,356,254
Nontrade payable	**17,000,000**	67,000,000
Current portion of payable to STI Diamond	**14,650,146**	24,140,773
Student organization fund	**14,062,281**	10,004,360
Network events fund	**13,213,165**	9,525,376
Current portion of advance rent (see Note 18)	**7,199,403**	7,154,403
Current portion of refundable deposits (see Note 18)	**3,560,510**	3,273,940
Others	**9,671,917**	12,707,010
	₱502,005,893	₱807,037,380

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

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

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

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

d. Statutory payables primarily include taxes payable and other payables to government agencies which are normally settled within thirty (30) days.

e. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. On September 6, 2021, the Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement for the payment of ₱25.0 million as final and full settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement (see Note 26).

f. Payable to STI Diamond College, Inc. (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.

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

h. Refundable deposits pertain to security deposits from existing lease agreements which are expected to be settled within the year.

i. Terms and conditions of payables to related parties are disclosed in Note 24 to the unaudited interim condensed consolidated financial statements.

16. Interest-bearing Loans and Borrowings

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Term loan facilities[(a)]	**₱1,272,071,316**	₱1,710,111,915
Corporate Notes Facility[(b)]	**246,207,974**	248,144,353
Landbank ACADEME Program[(c)]	**17,726,886**	21,989,678
	1,536,006,176	1,980,245,946
Less current portion	**242,672,729**	208,812,671
Noncurrent portion	**₱1,293,333,447**	₱1,771,433,275

(a) *Net of unamortized debt issuance costs of ₱7.9 million and ₱9.8 million as at March 31, 2022 and June 30, 2021, respectively.*
(b) *Inclusive of unamortized premium of ₱6.2 million and ₱8.1 million as at March 31, 2022 and June 30, 2021, respectively.*
(c) *Net of unamortized debt issuance costs of ₱0.1 million and ₱0.2 million as at March 31, 2022 and June 30, 2021, respectively.*

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

iACADEMY made the following drawdowns:

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

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

On September 13, 2019, China Bank approved iACADEMY's request to partially prepay the term loan. iACADEMY paid ₱200.0 million on September 30, 2019. On September 27, 2019, the interest repricing date, the loan balance of ₱600.0 million, after the prepayment, was repriced at an interest rate of 5.3030% per annum. On September 28, 2020, the loan balance of ₱560.0 million was repriced at 3.3727% per annum.

With the prepayment made on September 30, 2019, China Bank approved the future repayment of the loan principal as follows:

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

On September 16, 2021, China Bank approved iACADEMY's request to partially prepay the term loan and the waiver of the prepayment penalty. On September 29, 2021, iACADEMY paid the ₱40.0 million regular amortization plus the prepayment of ₱120.0 million. The prepayment was applied in the inverse order of maturity according to the repayment schedule. The prepayment penalty of 3.0% was waived by China Bank.

With the prepayment made, China Bank approved the future repayment of the loan principal as follows:

Fiscal year	Amount
2022	₱40,000,000
2023	80,000,000
2024	80,000,000
2025	80,000,000
2026	80,000,000
	₱360,000,000

On September 28, 2021, the loan balance of ₱360.0 million was repriced at an interest rate of 3.2068% per annum. On March 29, 2022, iACADEMY made a payment in the amount of ₱40.0 million.

Breakdown of iACADEMY's Term Loan follows:

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Balance at beginning of period	**₱520,000,000**	₱600,000,000
Payments	**(200,000,000)**	(80,000,000)
Balance at end of period	**320,000,000**	520,000,000
Unamortized debt issuance costs	**(1,635,095)**	(2,657,030)
Balance at end of period	**318,364,905**	517,342,970
Less current portion	**79,591,226**	79,267,918
Noncurrent portion	**₱238,773,679**	₱438,075,052

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the effective interest rate (EIR) method. These are presented as a contra-liability account in the unaudited interim condensed consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱1.6 million and ₱3.3 million as at March 31, 2022 and 2021, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱1.0 million and ₱0.2 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

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

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

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

As at March 31, 2022 and June 30, 2021, iACADEMY has complied with the above covenants.

STI ESG. On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan could be used for the (i) financing of campus expansion projects (ii) acquisition of schools

(iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year BVAL rate plus an interest spread of 1.50% per annum 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 1.50% per annum 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% per annum 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% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.7895% per annum effective September 20, 2021.

The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's unaudited interim condensed consolidated financial statements as at and for the period ending March 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year:

1. D/E ratio of not more than 1.50x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

The D/E ratios of STI ESG are 0.86:1.00 and 0.94:1.00 as at March 31, 2022 and June 30, 2021, respectively. As at March 31, 2022 and June 30, 2021, STI ESG is compliant with the required ratios.

DSCR as at March 31, 2022 and June 30, 2021 are 1.70:1.00 and 1.42:1.00, respectively.

As at March 31, 2022 and June 30, 2021, STI ESG had complied with the said covenants.

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, China Bank reduced the prepayment penalty from 3.0% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, inclusive of 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.

Breakdown of STI ESG's Term Loan follows:

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Balance at beginning of period	**₱1,200,000,000**	₱800,000,000
Prepayments	**(240,000,000)**	–
Proceeds	–	400,000,000
Balance at end of period	**960,000,000**	1,200,000,000
Unamortized debt issuance costs	**(6,293,589)**	(7,231,055)
Balance at end of period	**953,706,411**	1,192,768,945
Less current portion	**120,000,000**	120,000,000
Noncurrent portion	**₱833,706,411**	₱1,072,768,945

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 (2.0%) 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 WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million. On the same date, STI WNU availed the amount of ₱300.0 million under the same terms and conditions as that of STI ESG's Credit Facility, which has a term of seven (7) years with floating interest based on the 1-year PDST-F plus a margin of two percent (2.0%) per annum, which interest rate shall in no case be lower than the BSP overnight rate plus a margin of three-fourths percent (0.75%) per annum and is subject to annual repricing every January 31. This loan is secured by a Comprehensive Surety issued by the Parent Company.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75% per annum. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.556% per annum and 5.7895% per annum effective February 1, 2021 and September 20, 2021, respectively.

STI WNU has made payments on the Corporate Notes Facility totaling to ₱39.4 million for the year ended June 30, 2021. Of the amount paid, ₱19.6 million pertains to the payment made in January 2021, as full and final settlement of its loan from the Corporate Notes Facility.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required D/E ratio and DSCR. STI ESG and STI WNU were required to maintain a D/E ratio of not more than 1.00:1.00 and a DSCR of not less than 1.10:1.00.

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

a) change in interest rate of either (1) the 1-year benchmark rate (PDST-R2) plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month benchmark rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.

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

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

The required DSCR of a minimum of 1.10x for STI WNU remained the same.

China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 for both STI ESG and STI WNU (see discussion on the Waiver of Certain Covenants). STI WNU has fully paid its loan from the Corporate Notes Facility as of June 30, 2021.

As at March 31, 2022 and June 30, 2021, STI ESG had 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 Agreement of STI ESG are as follows:

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

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

c) amendment of the interest period commencing on January 31, 2021 and each successive period of six (6) 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 premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of 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. The carrying value of the unamortized premium on corporate notes amounted to ₱6.2 million and ₱8.1 million as at March 31, 2022 and June 30, 2021, respectively. Amortization of loan premium amounting to ₱1.9 million and nil for the nine-month periods ended March 31, 2022 and 2021 respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income.

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

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Balance at beginning of period	**₱240,000,000**	₱399,400,000
Payments	–	(159,400,000)
Balance at end of period	**240,000,000**	240,000,000
Unamortized premium on corporate notes	**6,207,974**	8,144,353
Balance at end of period	**246,207,974**	248,144,353
Less current portion	**30,000,000**	–
Noncurrent portion	**₱216,207,974**	₱248,144,353

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

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

Waiver of Certain Covenants

a. On June 23, 2020, STI ESG requested China Bank for the waiver 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 periods ended September 30, 2020 and March 31, 2021. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the periods ended December 31, 2020 and June 30, 2021.

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

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

- the waiver of Section 7.02(g) of the Corporate Notes Facility Agreement re: Assignment of Revenues and Income which prohibits STI WNU from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program;

- the waiver of Section 7.02(o) of the Corporate Notes Facility Agreement re: Encumbrances which prohibits STI WNU from permitting any Indebtedness to be secured by or to benefit from any Lien in favor of any creditor or class of creditors on or in respect of any present or future assets or revenues of STI WNU or the right of STI WNU in receiving income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program.

China Bank likewise approved the one-time waiver of the DSCR testing covering the period ended September 30, 2020 in relation to the Corporate Notes Facility Agreement. China Bank further approved the waiver of the DSCR requirement for the period ended December 31, 2020.

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

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

   - the waiver of Section 16.02(k) of the Omnibus Agreement re: Encumbrances which prohibits iACADEMY from permitting any Indebtedness to be secured by or to benefit from any Lien in favor of any creditor or class of creditors on or in respect of any present or future assets or revenues of iACADEMY or the right of iACADEMY to receive income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program; and

   - the waiver of Section 16.02(m) of the Omnibus Agreement re: Assignment of Revenues and Income which prohibits iACADEMY from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program.

<u>LandBank ACADEME Program</u>
On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70.0% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parents/benefactors of the students, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors of students are interest-free.

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. STI ESG has drawn from its Term Loan/Rediscounting Line Facility with LandBank an aggregate amount of ₱22.1 million, of which ₱4.3 million was paid in January 2022. Out of the ₱17.8 million outstanding loan, ₱13.1 million is due within the next twelve months as at March 31, 2022. 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 a loan from Security Bank Corporation amounting to ₱100.0 million subject to an interest rate of 4.75% per annum. 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 was 4.25% per annum subject to quarterly repricing. The credit line was on a clean basis. This loan was fully settled on February 26, 2021. The proceeds from this loan 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, STI WNU and iACADEMY is the BVAL reference rate for one-year tenor.

Interest expense on the loans for the nine-month periods ended March 31, 2022 and 2021 amounted to ₱69.8 million and ₱83.6 million, respectively.

17. **Bonds Payable**

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**21,386,435**	26,917,125
	₱2,978,613,565	₱2,973,082,875

On March 23, 2017, STI ESG issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which ended on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million were listed through the Philippine Dealing & Exchange Corporation (PDEx), with interest payable quarterly and were issued with a fixed rate

5.8085% per annum for the 7-year series, due 2024, and 6.3756% per annum for the 10-year series, due 2027. The bonds were rated ‘PRS Aa’ by the Philippine Rating Services Corporation (PhilRatings) in 2017. In January 2021, PhilRatings changed the Issue Credit Rating for STI ESG’s outstanding bond issuance to PRS A plus, with a Negative Outlook, from PRS Aa, with a Stable Outlook. Obligations rated PRS A have favorable investment attributes and are considered as upper-medium grade obligations. Although these obligations are somewhat more susceptible to the adverse effects of changes in economic conditions, STI ESG’s capacity to meet its financial commitments on the obligation is still strong. A ‘plus’ or ‘minus’ sign may be added to further qualify ratings. A Negative Outlook, on the other hand, indicates that there is a potential for the present credit rating to be downgraded in the next 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 STI ESG.

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

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value as at March 31, 2022	Carrying Value as at June 30,2021	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,167,162,970**	₱2,162,693,089	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	**811,450,595**	810,389,786	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,978,613,565**	₱2,973,082,875	

Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all of its assets. The Credit Facility Agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the unaudited interim condensed consolidated financial statements.

STI ESG’s D/E ratios and DSCRs as at March 31, 2022 and June 30, 2021 are as follows:

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Total liabilities[a]	**₱4,965,690,340**	₱5,441,261,355
Total equity	**5,796,720,723**	5,802,472,205
Debt-to-equity	**0.86:1.00**	0.94:1.00

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

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
EBITDA[b]	**₱827,070,882**	₱628,477,871
Total interest-bearing liabilities[c]	**486,203,030**	444,004,514
Debt service cover	**1.70:1.00**	1.42:1.00

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

STI ESG obtained the required consent of the 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 March 31, 2022 and June 30, 2021, STI ESG has complied with the above covenants.

Amendments to the Trust Agreement
On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the Record Bondholders to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Record Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the DSCR up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50.0%) 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 DSCR requirement shall be waived up to June 30, 2023.

<u>Bond Issuance Cost</u>
In 2017, STI ESG incurred costs related to the issuance of the bonds amounting to ₱53.9 million. These costs were capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱21.4 million and ₱26.9 million as at March 31, 2022 and June 30, 2021, respectively. Amortization of bond issuance costs amounting to ₱5.5 million and ₱5.2 million for the nine-month periods ended March 31, 2022 and 2021, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

<u>Interest Expense</u>
Interest expense (including amortization of bond issuance costs), associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱139.7 million and ₱139.4 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

18. Other Noncurrent Liabilities

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Refundable deposits - net of current portion (see Notes 15 and 27)	**₱8,705,853**	₱7,248,762
Advance rent - net of current portion (see Notes 15 and 27)	**5,117,085**	4,417,107
Deferred lease liability	**633,976**	924,829
Deferred output VAT	**370,674**	370,674
	₱14,827,588	₱12,961,372

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease agreement. Refundable deposits are presented in the unaudited interim condensed consolidated statements of financial position at amortized cost. The difference between the fair value at initial recognition and the notional amount of the refundable deposit is charged to "Deferred lease liability" and amortized on a straight-line basis over the respective lease term.

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

19. Equity

Capital Stock

Details as at March 31, 2022 and June 30, 2021 are as follows:

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

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

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

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

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

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

As at March 31, 2022 and June 30, 2021, the Parent Company has a total number of shareholders on record of 1,263 and 1,265, respectively.

Cost of Shares Held by a Subsidiary

This account represents STI Holdings shares owned by STI ESG as at March 31, 2022 and

June 30, 2021 which are treated as treasury shares in the unaudited interim condensed consolidated statements of financial position.

Details of the account as at March 31, 2022 and June 30, 2021 are as follows:

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

Other Comprehensive Income and Non-controlling Interests

	March 31, 2022 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss)	**₱17,123,836**	**(₱360,105)**	**₱16,763,731**
Fair value changes in equity instruments at FVOCI (see Note 13)	**13,083,021**	**193,632**	**13,276,653**
Share in associates' cumulative actuarial gain (see Note 12)	**321,569**	**7,853**	**329,422**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 12)	**(114)**	**(2)**	**(116)**
	₱30,528,312	**(₱158,622)**	**₱30,369,690**

	June 30, 2021 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss)	₱19,277,239	(₱360,105)	₱18,917,134
Fair value changes in equity instruments at FVOCI	12,149,020	161,244	12,310,264
Share in associates' cumulative actuarial gain	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI	(114)	(2)	(116)
	₱31,747,714	(₱191,010)	₱31,556,704

Retained Earnings

a) On December 3, 2021, cash dividends amounting to ₱0.01 per share or the aggregate amount of ₱99.0 million were declared by the Parent Company's BOD in favor of all stockholders of record as at January 6, 2022, payable on January 31, 2022.

b) On November 20, 2020, cash dividends amounting to ₱0.0037 per share or the aggregate amount of ₱36.6 million were declared by the Parent Company's BOD in favor of all stockholders of record as at December 29, 2020, payable on January 26, 2021.

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

The BOD approved a dividend declaration policy of not less than 25.0% of the core income of STI Holdings from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on STI Holdings by lenders or other financial institutions, and its investment plans and financial condition.

Core income is defined as unaudited interim condensed consolidated net income after income tax derived from STI Holdings' main business which is education, and other recurring income.

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

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

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

Other equity reserve
On August 4, 2021, the minority 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 48.0% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. As a result, De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021. Consequently, the carrying value of the equity attributable to non-controlling interest in De Los Santos-STI College amounting to ₱0.07 million was derecognized and other equity reserve, amounting to ₱15.9 million, representing the difference between the consideration paid by STI ESG and the carrying value of non-controlling interest in De Los Santos-STI College, was recognized in the March 31, 2022 unaudited interim condensed consolidated financial statements.

As at December 31, 2020, 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 ₱89.9 million and ₱0.7 million, respectively, following the disposal of STI ESG's 20% share in the ownership of Maestro Holdings, Inc. (Maestro Holdings).

20. **Revenues**

Disaggregated Revenue Information
The table below shows the disaggregation of revenues of the Group by type of services or goods for the nine-month periods ended March 31, 2022 and 2021:

	Nine Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Tuition and other school fees	**₱1,721,670,521**	₱1,349,870,279
Educational services	**98,345,532**	84,472,725
Sale of educational materials and supplies	**24,910,848**	23,564,746
Royalty fees	**9,667,934**	8,294,048
Other revenues	**63,584,982**	52,716,526
Total consolidated revenues	**₱1,918,179,817**	₱1,518,918,324

Timing of Revenue Recognition

	Nine Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Services transferred over time	**₱1,893,268,969**	₱1,495,353,578
Goods and services transferred at a point in time	**24,910,848**	23,564,746
	₱1,918,179,817	₱1,518,918,324

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱90.6 million and ₱117.7 million for the nine-month period ended March 31, 2022 and for the year ended June 30, 2021, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the nine-month periods ended March 31, 2022 and 2021.

Performance Obligations
The performance obligations related to revenues from tuition and other school fees are satisfied over time since the students receive and consume the benefit provided by the Group upon performance of the services. The payment for these services is normally due within the related school term(s).

The performance obligations related to revenues from educational services and royalty fees are also satisfied over time since the franchised schools receive and consume the benefit provided by STI ESG upon performance of the services. The payment for these services is normally due within thirty (30) days.

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 thirty (30) days from delivery.

As at March 31, 2022 and June 30, 2021, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱785.0 million and ₱101.8 million, respectively. This represents contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and is recognized as earned income proportionately until the end of the school year. Meanwhile, the remaining performance obligations as at June 30, 2021 include advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

21. Cost of Educational Services

	Nine Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation and amortization	**₱277,062,870**	₱285,941,845
Faculty salaries and benefits	**253,166,582**	194,727,627
Internet connectivity assistance	**52,623,804**	51,620,659
Student activities, programs and other related expenses	**45,215,575**	36,263,351
Software maintenance	**21,747,968**	14,442,452
Rental	**14,983,414**	15,490,492
School materials and supplies	**2,228,310**	1,803,156
Courseware development costs	**561,205**	1,362,006
Others	**6,101,857**	6,863,170
	₱673,691,585	₱608,514,758

22. Cost of Educational Materials and Supplies Sold

	Nine Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Educational materials and supplies	**₱18,569,335**	₱18,230,104
Promotional materials	**2,109,412**	1,589,548
	₱20,678,747	₱19,819,652

23. General and Administrative Expenses

	Nine Months Ended March 31	
	2022	2021
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	**₱236,189,318**	₱236,577,428
Depreciation and amortization	**172,765,361**	178,102,619
Provision for:		
ECL	**78,448,140**	55,977,241
Inventory obsolescence	**565,244**	–
Impairment of investments in and advances to associates and joint ventures	**–**	10,265,350
Outside services	**59,559,596**	54,813,194
Professional fees	**56,825,646**	56,711,817
Light and water	**49,491,372**	38,574,463
Advertising and promotions	**27,817,796**	29,950,836
Taxes and licenses	**24,514,894**	27,630,405
Transportation	**21,213,898**	21,445,982
Insurance	**13,961,506**	13,545,033
Meetings and conferences	**13,414,081**	12,634,023
Repairs and maintenance	**12,721,479**	11,997,418
Communication	**9,022,337**	9,948,138
Rental	**8,708,376**	9,008,074
Entertainment, amusement and recreation	**8,193,762**	7,987,971
Office supplies	**5,297,604**	5,531,618
Software maintenance	**4,396,833**	2,829,987
Training and seminars	**2,969,964**	1,788,934
Association dues	**1,407,360**	1,076,685
Others	**8,308,871**	8,199,639
	₱815,793,438	₱794,596,855

24. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the Parent 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:

Related Party	Amount of Transactions during the Period		Outstanding Receivable (Payable)		Terms	Conditions
	March 31, 2022 (Unaudited)	March 31, 2021 (Unaudited)	**March 31, 2022 (Unaudited)**	June 30, 2021 (Audited)		
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱10,265,350	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW						
Rental income and other charges	**755,108**	879,940	**5,127,709**	4,285,040	30 days upon receipt of billings	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**8,458,824**	7,749,301	**20,906,949**	13,775,359	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI College Marikina, Inc.						
Educational services and sale of educational materials and supplies	**6,517,167**	6,946,624	**1,199,417**	230,760	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilhealthCare, Inc.						
Facility sharing and other charges	**9,106,868**	8,322,423	**1,213,178**	₱1,382,699	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**1,540,722**	5,307,665	**–**	(760,690)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses	**–**	64,572	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**69,901**	–	**(1,665,249)**	(1,820,984)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.						
Rental and other charges	**3,462,742**	3,329,709	**8,055**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**14,266,176**	13,359,600	**(602)**	(9,170)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**7,359,989**	7,205,067	**(3,454)**	(3,454)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippine Life Financial Assurance Corporation						
Facility sharing, utilities and other charges	**9,687,759**	9,408,513	**2,389,339**	4,232,133	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**555,344**	–	**(2,627)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**69,901**	–	**(1,665,249)**	–	Refundable upon end of contract	Unsecured;
Officers and employees						
Advances for various expenses	**7,900,163**	24,007,660	**19,912,871**	20,875,796	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**264,557**	244,273	**1,393,528**	1,449,223	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**516,198**	300,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱96,948,405	₱91,771,252		

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

Related party receivables and payables are generally settled in cash.

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

	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)
Advances to associates and joint ventures (see Note 12)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**19,912,871**	20,875,796
Educational services	**22,106,366**	14,006,119
Rent, utilities and other related receivables	**10,131,809**	11,349,095
Accounts payable	**(3,337,181)**	(2,594,298)
	₱96,948,405	₱91,771,252

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated at the unaudited interim condensed consolidated financial statements follow:

	Amount of Transactions during the Period		**Outstanding Receivable (Payable)**			
Category	**March 31, 2022 (Unaudited)**	March 31, 2021 (Unaudited)	**March 31, 2022 (Unaudited)**	June 30, 2021 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI ESG						
Advisory fee	**₱10,800,000**	₱10,800,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
Reimbursements	**26,495**	11,127	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend income	**152,031,152**	39,464,558	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividend payable	**5,004,328**	1,851,602	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI WNU						
Advisory fee	**2,700,000**	2,700,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividend income	**24,963,736**	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
AHC						
Payable to AHC	**–**	–	**(63,778,000)**	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**382,500**	595,000	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment

The Parent Company executed Surety Agreements in relation to its subsidiaries' loan facilities with China Bank and LandBank (see Notes 16 and 26).

<u>Material Related Party Transactions Policy</u>
The Parent Company's BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10.0%) or more of the consolidated total assets that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process requirements. The Parent Company may set a lower threshold upon determination by the BOD of the risk of the related party transactions to cause damage to the Parent Company and its stockholders.

25. Basic and Diluted Earnings (Losses) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company

The table below shows the summary of net income (loss) and weighted average number of common shares outstanding used in the calculation of earnings (losses) per share for the nine-month periods ended March 31, 2022 and 2021:

	Nine Months Ended March 31	
	2022 (Unaudited)	2021 (Unaudited)
Net income (loss) attributable to equity holders of STI Holdings	**₱295,938,963**	(₱30,355,736)
Common shares outstanding at beginning and end of period	**9,904,806,924**	9,904,806,924
Basic and diluted earnings (losses) per share on net income (loss) attributable to equity holders of STI Holdings	**₱0.030**	(₱0.003)

The basic and diluted earnings (losses) per share are the same for the nine-month periods ended March 31, 2022 and 2021 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

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

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

   On March 13, 2015, Dr. Helena Z. Benitez (HZB) filed a Creditor-Initiated Petition for Rehabilitation of PWU (PWU Rehabilitation Case) in RTC Manila (Rehabilitation Court). The Rehabilitation Case was dismissed by the Rehabilitation Court. The Motion for Reconsideration and responsive pleadings thereto subsequently filed by HZB and PWU were likewise denied by the Rehabilitation Court on January 21, 2016.

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

On March 1, 2016, the Parent Company and AHC executed a Deed of Assignment wherein AHC assigned its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings.

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

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

Consequently, the Parent Company recognized the Quezon City and Davao properties as "Investment properties" (see Notes 9 and 11).

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

(i). *Complaint filed by the Heirs of the Family of Villa-Abrille relative to Unlad's Davao Property.* On October 21, 2015, the Parent Company and AHC each received copies of the Complaint filed by the Heirs of Carlos Villa-Abrille, Heirs of Luisa Villa-Abrille, Heirs of Candelaria V.A. Tan, Heirs of Adolfo V.A. Lim, Heirs of Saya V.A. Lim Chiu, Heirs of Guinga V.A. Lim Lu, Heirs of Rosalia V.A. Lim Lua, Heirs of Lorenzo V.A. Lim, and Heirs of Fermin Abella against the Philippine Women's Educational Association ("PWEA"), Unlad, the Parent Company, and AHC for cancellation of certificate of title, reconveyance of real property, declaration of nullity of real estate mortgage, damages, and attorney's fees. The subject matter of the case is Unlad's property located in Davao City.

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

Upon motion by the Parent Company and AHC, the Complaint was dismissed by the Trial Court on October 20, 2016. In the Order, the Trial Court determined, among others, that there were no violations of the provisions and/or restrictions in the Deed of Sale annotated on the title of the subject property.

Said dismissal was affirmed both by the Court of Appeals in its Decision dated August 17, 2018 and by the Supreme Court in its Resolution dated July 24, 2019.

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

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

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

a. Mr. Conrado L. Benitez II (the Claimant) filed on June 28, 2016 a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. ("PDRCI"), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, Mr. Alfredo Abelardo B. Benitez ("ABB") and AHC (collectively, the "Respondents") submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the "Loan Documents").

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

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

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

   As at May 16, 2022, the PDRCI has not issued any response to said letter.

b. After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed on June 29, 2016 a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, ABB and AHC (collectively, the "Defendants") docketed as Civil Case No. 16-136130 in the RTC of Manila (the "Derivative Suit").

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

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

Meanwhile, the other co-defendants, namely (a) ABB, and (b) Dr. Jose Francisco and Marco Benitez, filed their respective Answer(s) to the Complaint.

After the termination of Court-Annexed Mediation and pre-trial conference, the Petitioner manifested that the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with Interim Rules Governing Intra-Corporate Controversies.

The Trial Court issued an Order dated June 23, 2017 requiring the parties to file their respective Memoranda within twenty (20) days from receipt thereof in order for the Trial Court to proceed to render judgment, full or otherwise, based on all of the pleadings and evidence submitted by the parties in relation and pursuant to Rule 4, Section 4 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under RA No. 8799 ("Interim Rules"). All of the parties filed their respective Memoranda on July 25, 2017.

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

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

While the said Petition for Review is pending, the Parent Company discovered that the Petitioner was able to cause the annotation of lis pendens on the titles of the three (3) Quezon City properties subject of the amicable settlement with PWU and Unlad.

Consequently, the Parent Company filed a Motion to Cancel Lis Pendens with the Court of Appeals where the case was pending. In the Motion, the Parent Company sought for the cancellation of said lis pendens due to impropriety and/or invalidity of the same.

The Court of Appeals issued a *Resolution* requiring all of the parties to file their respective Memoranda. On May 9, 2019, the Parent Company, AHC and EHT filed their Joint-Memorandum.

While the appeal of the Petitioner is pending, the Parent Company filed a Manifestation and Motion dated July 29, 2020. In the said Manifestation and Motion, the Parent

Company informed the Court of Appeals about the death of the Petitioner on March 28, 2020. Consequently, the Parent Company moved for the resolution and dismissal of the said appeal.

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

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

In the Resolution dated October 28, 2021, the Court of Appeals granted the Motion for Substitution.

In the Resolution dated February 11, 2022, the Court of Appeals dismissed the Petition filed by the Plaintiffs. The Court of Appeals also granted the Motion to Cancel the Lis Pendens annotated on the Quezon City Properties.

On March 23, 2022, the Parent Company received the Motion for Reconsideration filed by the Heirs of Plaintiff Conrado Benitez II on the aforesaid Resolution dated February 11, 2022.

As at May 16, 2022, the Court of Appeals has not issued an order requiring the Parent Company to file its comment to the Motion for Reconsideration.

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

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

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

On May 28, 2019, the Parent Company received the Answer with Compulsory Counterclaim dated May 14, 2019.

The case was referred to Court-Annexed Mediation on September 26, 2019 by the Trial Court.

During the mediation hearing, the Parent Company insisted that it should be in possession of the Subject Premises. However, the counsel and representative of PWC-Davao, without offering any proposal to amicably settle the case, rejected aforesaid position and moved to terminate the mediation hearing.

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

The Trial Court has yet to issue the new schedule for the pre-trial.

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

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

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

In order to expedite the proceedings, the Agustin family were able to submit the case for summary judgment by the Trial Court. Despite the opposition thereto, the Trial Court rendered its Decision dated April 4, 2018 (the "Summary Judgment"). In the Summary Judgment, the Trial Court ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest from the filing of the case until full payment only.

On September 11, 2018, the Parent Company filed and paid the corresponding docket fees for its Notice of Appeal Ex Abudanti Ad Cautelam (Notice of Appeal) on the said Summary Judgment

Upon motion by the Agustin family, the Trial Court granted their Motion for Execution Pending Appeal dated September 5, 2018.

While the record of the case was still with the Trial Court, the Parent Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018.

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

After the Agustin family filed a Motion for Reconsideration on the Stay Order, the Trial Court denied the same in its Order dated March 14, 2019.

The following are the related cases filed by the parties before the Court of Appeals – Cebu (collectively, the "CA Cases"):

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

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

After the parties filed their respective Brief(s), the Court of Appeals issued the *Decision* dated May 26, 2021. In the *Decision,* the Court of Appeals denied the appeal on the ground that the Parent Company failed to expressly plead in its *Answer* as one of its affirmative defenses, that there was failure of the written agreement to express true intent of the parties in order to invoke parole evidence. Consequently, the Court of Appeals determined that the price provided in the *Share Purchase Agreement* and *Deed of Absolute Sale* shall govern the transaction.

On July 21, 2021, the Parent Company filed its *Motion for Reconsideration* wherein it cited the pertinent portions of the *Answer* showing that it raised as a defense that there was failure of the written agreement to express the true intent of the parties. In the said *Motion,* the Parent Company sought to reverse the *Decision* dated May 26, 2021 or in the alternative, remand the case for further proceedings in relation to the introduction of parole evidence.

The Agustin family may file a Comment to the Motion for Reconsideration within the period to be granted by the Court of Appeals.

(ii) Petition for Certiorari filed by the Agustin family (CA G.R. CV No. 12663)

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

After the parties filed their responsive pleadings, the Court of Appeals issued the Decision dated July 26, 2021, which denied the Petition, and upheld the suspension of the execution of the Summary Judgement pending appeal.

While the aforesaid CA Cases were pending, the parties decided to amicably settle and terminate said cases by executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and filing a *Joint Motion for Judgment Based on Compromise Agreement* dated September 20, 2021. In the Compromise Agreement, the Parent Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the latter's claim against the former in the aforementioned cases (see Note 15).

In addition, the parties agreed to review the financial records of STI WNU to determine the status of the Agustin family guarantee on the collectability of the trade receivables, and the release, if any, of the ₱27.3 million to the Agustin family as provided in the *Share Purchase Agreement.*

The Court of Appeals issued the Amended Decision dated January 7, 2022 in CA GR CV No. 07140, which approved the Compromise Agreement between the parties.

c. *Labor Cases.*

(i) A former employee filed a Petition with the Supreme Court after the Court of Appeals affirmed the dismissal by the National Labor Relations Commission ("NLRC") of the former employee's claims of illegal dismissal against STI ESG ("illegal Dismissal Case"). On

August 13, 2014, STI ESG received the Supreme Court's Decision dated July 9, 2014 which (a) annulled the decision of the Court of Appeals and (b) ordered that STI ESG to reinstate the former employee to her former position, and pay (i) the exact salary, benefits, privileges and emoluments which the current holder of the position was receiving, (ii) damages and (iii) backwages from the date of the former employee's dismissal until fully paid, with legal interest (the "SC Decision").

On November 17, 2014, the Supreme Court issued a resolution which denied with finality STI ESG's Motion for Reconsideration.

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

Pursuant to STI ESG's computation of said award, STI ESG paid the former employee a total amount of ₱4.2 million, exclusive of withholding taxes. Based on said payment, STI ESG moved for the Labor Arbiter to issue a resolution that STI ESG has fully paid the judgment award of the former employee.

The former employee maintains that the computation of STI ESG is incorrect because the latter deemed that the former's alleged waiver of reinstatement pending appeal by STI ESG on the Illegal Dismissal Case in October 2006 interrupted the running of backwages until present day. The former employee refused to acknowledge that there was such valid waiver on reinstatement pending appeal and averred that she should receive the amount of ₱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 10.0% 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 ₱0.2 million.

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.

The former employee filed a Petition seeking 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.

Upon order of the Court of Appeals, STI ESG filed its Comment to the Petition for Certiorari dated December 31, 2021. In the said Comment, STI ESG emphasized that the former employee not only failed to comply with the procedural rules in the NLRC but she did not also follow the rules in filing a Petition for Certiorari before the Court of Appeals.

Unless the parties are required to file additional pleadings, the case is deemed submitted for resolution by the Court of Appeals.

(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 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. 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. STI ESG 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. STI ESG subsequently filed with the Court of Appeals a Petition for Certiorari questioning the decision of the NLRC.

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 (“Motion for Execution”) 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.

In the June 5, 2017 hearing on the motion for execution, 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. STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the backwages and separation pay. The complainant manifested that she will file her reply to STI ESG’s opposition.

On June 2, 2017, STI ESG received a copy of the Minute Resolution of the Court of Appeals dated January 12, 2017 dismissing its Petition for Certiorari. STI ESG filed its Motion for Reconsideration on June 21, 2017.

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. STI ESG also received on July 21, 2017 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 September 25, 2017, the Court of Appeals resolved to grant STI ESG's motion for reconsideration and reinstated STI ESG's petition for certiorari. The complainant was then directed to file her comment to the petition while STI ESG was directed to file its reply to Complainant's comment.

On January 15, 2018, the Court of Appeals 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. Consequently, 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 to 30, 2014.

On September 5, 2018, STI ESG received a copy of the Motion for Reconsideration filed by the complainant with the Court of Appeals. STI ESG filed its Comment to the Motion for Reconsideration filed of the complainant on November 12, 2018.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals 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 the complainant. As at May 16, 2022, 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) of STI Davao, until they were separated from service effective June 23, 2009.

On September 3, 2009, STI Davao filed a Motion to Dismiss before the Labor Arbiter and prayed for the dismissal of the Complaint for illegal dismissal on the ground that the Labor Arbiter and the NLRC have no jurisdiction over the case. STI Davao argued that Complainants are not mere employees, but are rather corporate officers, of STI Davao. As such, the controversy involving their removal involves an intra-corporate dispute which falls within the jurisdiction of the regular courts.

The Labor Arbiter issued an Order on December 16, 2009 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 whose removal from office is not within the ambit of the jurisdiction of the NLRC.

The 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. 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. 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.

In the September and October 2017 hearings with the Labor Arbiter, 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. The Complainants' said they are willing to accept the amicable settlement of the case with a total amount of ₱33.2 million..

No amicable settlement was reached by the parties, hence, they were directed to file their respective position papers. Consequently, STI ESG and the Complainants filed their position paper. 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 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. 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 a Decision dated February 13, 2019, the Eighth Division of the NLRC in Cagayan De Oro City dismissed the Appeal filed by the complainants and hereby affirmed the earlier Decision of Labor Arbiter dated June 28, 2018. A motion for reconsideration dated March 4, 2019 was filed by the complainants. On March 25, 2019, STI ESG filed its Opposition to the Motion for Reconsideration filed by the complainants. In a Resolution dated March 26, 2019, the Eighth Division of the NLRC in Cagayan De Oro City denied the Motion for Reconsideration filed by the complainants.

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

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

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

On April 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 May 16, 2022, STI ESG is yet to receive the Entry of Final Judgement.

d. *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) STI ESG's Finance Officer 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 6.0% per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

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

On August 25, 2020, the Trial Court issued its Order, which modified the Decision only insofar as requiring 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.

As at May 16, 2022, the appeal filed by the Plaintiffs is deemed submitted for resolution.

e. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance with 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 15.0% 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.

As at May 16, 2022, the case is deemed submitted for resolution.

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

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

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

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

As at May 16, 2022, the Office of the City Prosecutor of Taguig City has yet to issue a resolution in the instant case.

g. *Breach of Contract.* STI ESG engaged the services of Mobeelity Innovations, Inc. (MOBEELITY) to deploy its digital classroom pilot, also known as eLMS and MOBEELITY committed to provide the necessary applications suite of the intended learning management system of STI ESG.

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

MOBEELITY provided STI ESG access to the EDU 2.0 LMS. EDU 2.0 LMS is a product of Cypher Learning, and MOBEELITY was an authorized reseller of this product. In accordance with the terms of the Agreement, STI ESG paid MOBEELITY the sum of ₱3.3 million as downpayment for services to be rendered by MOBEELITY for the First Semester of SY 2016-2017 or from June to November 2016.

On June 12, 2016, it came to the attention of STI ESG that Cypher Learning had terminated its relationship with MOBEELITY due to the fraudulent acts committed by MOBEELITY against Cypher Learning.

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

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

STI ESG, through counsel, will file the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law. However, STI ESG needs to identify any assets of MOBEELITY in order for the motion for execution to be effective.

The total receivables of STI ESG from MOBEELITY amounted to ₱4.2 million. An equivalent allowance for estimated credit losses has been recognized as at March 31, 2022.

h. *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.

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.

As at May 16, 2022, STI ESG has not received a Motion for Reconsideration on the said dismissal. In the absence of a Motion for Reconsideration, the instant complaint is deemed terminated.

i. *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) Tanay, 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 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.

The Extrajudicial Foreclosure Sale for the property located in Pasig City was conducted on March 16, 2021 and declared STI ESG as the winning bidder. A Certificate of Sale was annotated on the title on August 5, 2021. Within the one (1) year redemption period, Mr. Alejandro Bernardo, through counsel, manifested his intention to redeem the Pasig Property.

On November 17, 2021, STI ESG submitted the Statement of Account, which will be used to compute the redemption price for the Subject Property.

With respect to the Tanay Property, the Extrajudicial Foreclosure Sale was conducted on March 15, 2022. At the conclusion of Extrajudicial Foreclosure Sale, STI ESG was also declared as the winning bidder. STI ESG obtained the Certificate of Sale covering the Tanay Property dated April 11, 2022. STI ESG submitted the requirements for the annotation of the Certificate of Sale with the Registry of Deeds of Rizal, Morong Branch on May 5, 2022.

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) filed by STI Tanay and Spouses Alejandro J. Bernardo and Loretta Jabson Bernardo (Mortgagors) (collectively, the “Plaintiffs”) 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 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 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.

On November 12, 2021, STI ESG and a director defendant (Defendants) filed a Joint Answer Ad Cautelam. In the Joint Answer, the Defendants asserted the dismissal of the Complaint because the Plaintiffs did not raise any valid grounds to annul the foreclosure of mortgage. Moreover, the Plaintiffs have manifested their intention to redeem the subject Property, which further affirms the validity of the foreclosure proceedings.

The pre-trial conference for the case was originally scheduled on January 18, 2022. However, the same was cancelled in light of the Supreme Court's directives to physically close all courts in areas under Alert Level 3 due to the surge of COVID-19 cases. The National Capital Region (NCR) and the province of Rizal were under Alert Level 3 until January 31, 2021.

After the pre-trial conference, the case is set for the initial presentation of evidence by the Plaintiff on May 17, 2022. Pending the presentation of evidence, the Plaintiff has initiated the discussion for amicable settlement. STI ESG is waiting for the specific details of said offer of settlement.

j. *Criminal Case.* On January 30, 2020, iACADEMY filed a complaint against its former Cashier for qualified theft for the total amount of ₱1.7 million for the period of January 24, 2018 until July 2, 2019 from the cash collections of iACADEMY.

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

Despite receipt of summons, the former Cashier failed to appear at the preliminary investigation hearings.

After due proceedings, an Information for twenty-seven (27) counts of qualified theft was filed by the City Prosecutor of Makati City against the former Cashier before the Regional Trial Court of Makati City.

During arraignment on June 18, 2021, the former Cashier pleaded “not guilty” of the charges.

Due to the volume of evidence of the Prosecution, the pre-marking of evidence is scheduled on June 13, 2022.

In the interim, the parties have continued their discussion for amicable settlement of the case. Should there be no amicable settlement between the parties, the case will proceed where the complainant is required to present iACADEMY’s Finance Officer and a representative from the lessee as its witnesses.

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

<u>Commitments</u>

a. Financial Commitments

STI ESG. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company in favor of LandBank executed on September 16, 2020. As at March 31, 2022, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱4.3 million has been paid in January 2022. Out of the ₱17.8 million outstanding loan, ₱13.1 million is due within the next twelve months.

STI ESG has a ₱115.0 million domestic bills purchase lines from various local banks as at March 31, 2022, 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.

STI WNU. On November 25, 2014, the BOD of the Parent Company approved and authorized the execution, delivery and performance of the Surety Agreement with China Bank as security for the following obligations of STI WNU: (a) a credit line of ₱5.0 million; (b) a long-term loan in the principal amount of ₱300.0 million; and (c) bridge financing in the amount of ₱20.0 million.

As at March 31, 2022 and June 30, 2021, STI WNU’s outstanding long-term loan amounted to nil. The loan was fully settled on January 31, 2021. The ₱5.0 million credit line has never been availed and has not been renewed.

b. Capital Commitments

As at March 31, 2022, STI ESG's contractual commitments include obligations for the construction of the STI Training Academy Center and renovation works for STI Naga, STI Tanauan and STI Baguio with an aggregate project cost of ₱35.4 million of which ₱29.7 million and ₱13.4 million have been paid as at March 31, 2022 and June 30, 2021, respectively.

As at March 31, 2022 and 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 have been paid as at March 31, 2022 and June 30, 2021.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱39.4 million and ₱7.1 million as at March 31, 2022 and June 30, 2021, respectively. Of these, ₱13.6 million and ₱5.4 million have been paid as at March 31, 2022 and June 30, 2021, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.9 million as at March 31, 2022 and June 30, 2021. Of these, ₱988.7 million and ₱981.9 million have been paid as at March 31, 2022 and June 30, 2021, 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 60.0%, 25.0% and 15.0% 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 of March 31, 2017.

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

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

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

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

Considering the pandemic and its effects on the economy, the parties decided to hold the project in abeyance. In the meantime, STI Tanauan remains 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). The RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private Higher Education Institutions (HEIs). Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 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 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:

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, SHS Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW).

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

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50.0% payable upon signing of the agreement while the remaining 50.0% 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 5.0% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1.0% variable compensation for every 1,000 enrollees while RAFT shall receive 5.0% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1.0% 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 on the operation of schools and the economy as a whole, the parties agreed to hold the implementation of the foregoing paragraphs in abeyance.

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

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

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

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

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

Equity Instruments at FVOCI. The fair values of publicly-traded equity instruments designated at FVOCI, classified under Level 1, are determined by reference to market bid quotes as at financial reporting date. The fair values of unquoted shares under 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.

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

Management believes that the fair values of deposits, bonds payable and other noncurrent liabilities as at March 31, 2022 do not significantly differ from the fair values of these financial instruments as at June 30, 2021.

28. Notes to Unaudited Interim Condensed Consolidated Statements of Cash Flows

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

a. Noncash additions to ROU assets presented under "Property and equipment" amounting to ₱45.6 million and ₱30.7 million for the nine-month periods ended March 31, 2022 and 2021, respectively.

b. Unpaid progress billing for construction-in-progress amounting to nil and ₱17.5 million as at March 31, 2022 and 2021, respectively.

29. Changes in Liabilities Arising from Financing Activities

			Noncash Movements								
	July 1, 2021	**Cash flows**	**Income on rent concessions**	**Reclassified as current**	**Effect of lease modifications**	**Reclassified as noncurrent**	**New leases**	**Capitalized borrowing cost**	**Interest expense**	**Dividends Declared**	**March 31, 2022**
Current portion of interest-bearing loans and borrowings	**₱208,812,671**	**(₱444,332,786)**	**₱–**	**₱477,869,536**	**₱–**	**₱–**	**₱–**	**₱–**	**₱323,308**	**₱–**	**₱242,672,729**
Bonds payable	**2,973,082,875**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,530,690**	**–**	**2,978,613,565**
Interest-bearing loans and borrowings - net of current portion	**1,771,433,275**	**–**	**–**	**(477,869,536)**	**–**	**–**	**–**	**–**	**(230,292)**	**–**	**1,293,333,447**
Lease liabilities	**484,817,384**	**(61,313,921)**	**(16,775,051)**	**–**	**–**	**–**	**44,885,884**	**–**	**23,729,022**	**–**	**475,343,318**
Dividends payable	**25,934,641**	**(93,977,201)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96,142,712**	**28,100,152**
Interest payable	**33,505,531**	**(236,969,697)**	**–**	**–**	**–**	**–**	**–**	**–**	**210,064,155**	**–**	**6,599,989**
Total liabilities from financing activities	**₱5,497,586,377**	**(₱836,593,605)**	**(₱16,775,051)**	**₱–**	**₱–**	**₱–**	**₱44,885,884**	**₱–**	**₱239,416,883**	**₱96,142,712**	**₱5,024,663,200**

			Noncash Movements								
	July 1, 2021	Cash flows	Income on rent concessions	Reclassified as current	Effect of lease modifications (Notes 2 and 10)	Reclassified as noncurrent	New leases	Capitalized borrowing cost (Note 10)	Interest expense	Dividends Declared	March 31, 2021
Current portion of interest-bearing loans and borrowings	₱358,566,076	(₱235,067,214)	₱–	₱200,000,000	₱–	(₱120,000,000)	₱–	₱–	₱27,303	₱–	₱203,526,165
Bonds payable	2,966,097,772	–	–	–	–	–			5,197,993	–	2,971,295,765
Interest-bearing loans and borrowings - net of current portion	1,432,045,165	402,707,773	–	(200,000,000)	–	120,000,000	–	2,689,681	(1,709,850)	–	1,755,732,769
Lease liabilities	552,590,291	(78,286,840)	–	–	(22,618,680)	–	30,486,036	–	22,982,683	–	505,153,490
Dividends payable	25,930,201	(35,327,210)	–	–	–	–	–	–	–	35,331,626	25,934,617
Interest payable	35,221,629	(253,875,049)	–	–	–	–	–	–	227,139,851	–	8,486,431
Total liabilities from financing activities	₱5,370,451,134	(₱199,848,540)	₱–	₱–	(₱22,618,680)	₱–	₱30,486,036	₱2,689,681	₱253,637,980	₱35,331,626	₱5,470,129,237

30. **Other Matters**

a. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the 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 cities and municipalities in different levels of community quarantine and alert level restrictions from 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 on its financial position, performance and cash flows as at and for the nine-month period ended March 31, 2022. The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and selected subjects beginning February 2022, March 2022 and May 2022 for STI ESG, STI WNU and iACADEMY, respectively and for SHS students starting April 2022 and May 2022 for STI ESG and STI WNU, respectively. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

b. President Rodrigo R. 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.

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

   - Preferential income tax rate for proprietary educational institutions is reduced from 10.0% to 1.0% effective July 1, 2020 to June 30, 2023.
   - Corporate income tax rate is reduced from 30.0% to 20.0% for domestic corporations with taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations are subject to 25.0% regular corporate income tax (RCIT) effective July 1, 2020.
   - Minimum corporate income tax (MCIT) is reduced from 2.0% 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 (NIRC) 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 schools in the Group adopted the 1.0% income tax rate effective July 1, 2020 while the Parent Company and AHC adopted the 25.0%/1.0% and 20.0%/1.0% RCIT/MCIT rates, respectively.

   On December 10, 2021, President Rodrigo R. Duterte signed into law RA No. 11635 entitled, “An Act Amending Section 27(B) of the NIRC of 1997, as amended, and for other purposes”.

The law clarifies the entitlement of proprietary educational institutions to the preferential tax rate of 10.0% under the NIRC and the 1.0% income tax rate beginning July 1, 2020 until June 30, 2023, by virtue of the CREATE Act which was published on March 27, 2021 and took effect on April 11, 2021.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Financial Highlights and Key Performance Indicators

(in ₱ millions except margins, financial ratios and earnings per share)	March 31, 2022 (Unaudited)	June 30, 2021 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	14,888.0	14,761.5	126.5	1
Current assets	3,675.3	3,249.6	425.7	13
Cash and cash equivalents	1,503.7	1,470.5	33.2	2
Equity attributable to equity holders of the Parent Company	8,284.8	8,100.0	184.8	2
Total liabilities	6,522.9	6,580.3	(57.4)	(1)
Current liabilities	1,601.8	1,193.4	408.4	34
Financial ratios				
Debt-to-equity ratio (1)	0.69	0.79	(0.10)	(13)
Current ratio (2)	2.29	2.72	(0.43)	(16)
Asset–to-equity ratio (3)	1.78	1.80	(0.02)	(1)

	(Unaudited) Nine months ended March 31		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Income				
Revenues	1,918.2	1,518.8	399.4	26
Direct costs (4)	694.4	628.3	66.1	11
Gross profit	1,223.8	890.5	333.3	37
Operating expenses	815.8	794.6	21.2	3
Operating profit	408.0	95.9	312.1	325
Other expenses – net	(100.8)	(124.1)	23.3	(19)
Income (loss) before income tax	307.2	(28.2)	335.4	(1,189)
Net income (loss)	297.2	(31.4)	328.6	(1,046)
EBITDA (5)	829.5	575.0	254.5	44
Core income (loss) (6)	213.3	(59.9)	273.2	(456)
Net income (loss) attributable to equity holders of the Parent Company	295.9	(30.4)	326.3	(1,073)
Earnings (loss) per share (7)	0.030	(0.003)	0.033	(1,100)

	(Unaudited)			
	Nine months ended March 31		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	958.4	606.4	352.0	58
Net cash from (used in) investing activities	(112.2)	261.3	(373.5)	(143)
Net cash used in financing activities	(836.6)	(199.8)	(636.8)	319
Effect of foreign exchange rate changes on cash and cash equivalents	23.6	1.4	22.2	1,586

Financial Soundness Indicators

	(Unaudited)			
	As at/Nine months ended March 31		Increase (Decrease)	
	2022	2021	Amount	%
Liquidity Ratios				
Current ratio (2)	2.29	1.66	0.63	38
Quick ratio (8)	1.48	1.47	0.01	1
Cash ratio (9)	0.94	0.98	(0.04)	(4)
Solvency ratios				
Debt-to-equity ratio (1)	0.69	0.80	(0.11)	(14)
Asset-to-equity ratio (3)	1.78	1.88	(0.10)	(5)
Debt service cover ratio (10)	1.85	1.13	0.72	64
Interest coverage ratio (11)	2.28	0.89	1.39	156
Profitability ratios				
EBITDA margin (12)	43%	38%	5	13
Gross profit margin (13)	64%	59%	5	8
Operating profit margin (14)	21%	6%	15	250
Net profit (loss) margin (15)	15%	(2%)	17	(850)
Return on equity (annualized) (16)	5%	(1%)	6	(600)
Return on assets (annualized) (17)	3%	0%	3	

(1) Debt-to-equity ratio is measured as total liabilities, net of unearned tuition and other school fees, divided by total equity.

(2) Current ratio is measured as current assets divided by current liabilities.

(3) Asset-to-equity ratio is measured as total assets divided by total equity.

(4) Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.

(5) EBITDA is net income (loss) excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net losses (earnings) of associates and joint ventures, capital gains tax on sale of noncurrent asset held for sale, and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale, gain on foreign exchange differences, derecognition of contingent consideration, income on rent concessions, gain on settlement of receivable from STI Tanay 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.

(6) Core income (loss) is computed as consolidated income (loss) after income tax derived from the Group's main business – education and other recurring income.

(7) Earnings (loss) per share is measured as net income (loss) attributable to equity holders of the Parent Company divided by the weighted average number of outstanding common shares.

(8) Quick ratio is measured as current assets less inventories, prepayments and noncurrent asset held for sale divided by current liabilities.

(9) Cash ratio is measured as cash and cash equivalents divided by current liabilities.

(10) Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.

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

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

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

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

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

(16 Return on equity is measured as net income (loss), annualized, attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company.

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

STI Education Systems Holdings, Inc.
Aging of receivables
As of March 31, 2022

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**864,255,332**	**496,585,606**	**94,329,730**	**12,582,885**	**260,757,111**
	864,255,332	**496,585,606**	**94,329,730**	**12,582,885**	**260,757,111**

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

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

OVERVIEW

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

- STI ESG was founded on August 21, 1983 to address the Information Technology ("IT") education needs of the Philippines. It evolved from its wholly-owned training centers to granting franchises to several locations in Metro Manila. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges. It started to roll out the four-year college programs in 1996. From offering various degrees related to Computer Science, STI ESG showed its strength beyond IT by expanding the existing programs to bachelor's degrees in the fields of Business Administration, Computer Engineering, Hospitality Management, Tourism Management, Accountancy, Communications and Multimedia Arts, among others. STI ESG is also offering Senior High School ("SHS"). Starting School Year ("SY") 2020-2021, STI ESG was given government permits to offer Bachelor of Science in Retail Technology and Consumer Science Program ("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 is 98.7% owned by STI Holdings.

  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 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 College San Fernando City, Inc. ("STI La Union"), a franchised school, informed CHED in June 2021, and the Department of Education ("DepEd") and Technical Education and Skills Development Authority ("TESDA") in July 2021, of its decision not to accept enrollees for SY 2021-2022.

STI ESG determined that continuing the operations of these schools was no longer viable due to low enrolment turnout and/or the high cost of rental of facilities. As at March 31, 2022, STI ESG has a network of 63 active schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 35 schools while franchisees operate 28 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 on STI ESG.

STI ESG embarked on expansion and capital improvement projects as it encouraged schools to move from rented spaces into school-owned stand-alone campuses. A number of franchised schools likewise started their own facilities expansion programs. To date, STI ESG has 20 wholly-owned campuses with newly constructed/renovated buildings while 11 franchised schools constructed/renovated their buildings and upgraded their facilities.

STI ESG's total student capacity, net of the aforementioned school closures, aggregates to 147,422 students, with 100,812 pertaining to owned schools and 46,610 for franchised schools.

- STI WNU was founded on February 14, 1948. The campus sits on a 3.1-hectare property in the heart of Bacolod City. STI WNU was granted its university status by CHED on February 11, 2008. STI Holdings acquired 99.5% ownership of the university on October 1, 2013.

  The university offers primary, junior and senior high school, tertiary and post-graduate programs. Tertiary programs include Engineering, Education, Criminology, Business programs such as Accountancy, Management Accounting and Business Administration, Hospitality and Tourism Management, Information System and Technology, Computer Science and Maritime Training Courses required by the Maritime Industry Authority ("MARINA") for officers and crew on board Philippine and/or foreign registered ships operating in Philippine and/or international waters. STI WNU also provides technical-vocational education training services under TESDA and operates a training center as well as an assessment center in relation to the said services. Starting SY 2020-2021, STI WNU was given government permits to offer the BSRTCS Program and a 2-year ART Program. Post-graduate programs include Master's degrees in Business Administration, Public Administration, Nursing and Education, and Doctorate degrees in Public Administration and Educational Management.

  STI WNU's facilities and classrooms can accommodate 12,000 primary, secondary, tertiary and post-graduate students. The university also has ample space for its Maritime Training Center.

- iACADEMY, established in 2002, is a premier school offering specialized programs in SHS and college that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science, and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology.

iACADEMY is a wholly-owned subsidiary of STI Holdings. iACADEMY's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City and has a total capacity of 3,000 students.

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

On June 11, 2021, The Global Business Review Magazine Awards declared iACADEMY as the Best School for Music Production, Design, and Technology in the Philippines.

iACADEMY was also recognized as the Best New School for Music Production and Technology, Most Innovative Design School and Most Innovative Education Provider in the Philippines for 2021 by International Business Magazine.

iACADEMY has received international commendations for its scholarly initiatives and strong partnerships with industry leaders such as Dolby and Atmos for Music Production and Sound Design Program, CG-Arts Japan for Animation, and the Association of Chartered Certified Accountants, to name a few. The school was also lauded for its Co-Create Program, a collaborative project with leading institutions and experts that gives opportunities for students to offer creative outputs to advocacies, products, and service-related projects. Its partners include the Department of Tourism, Unilab, Canva, Adarna House, among others.

On September 1, 2021, iACADEMY opened its doors by running PRIME Workshops for applications for enrollment of SHS and college students for SY 2022-2023. These weekly workshops are currently conducted by iACADEMY professors and industry leaders to ensure that students and parents are well-informed and educated about the recent developments in the industry and how the school focuses its efforts on acquiring certification opportunities, international partnerships, and support from industry partners.

On September 15, 2021, iACADEMY was recognized as the Most Progressive Education Provider – Philippines 2021 by the World Economic Magazine Awards 2021.

On March 9, 2022, iACADEMY was awarded the Philippines' Best Design School, Best School for Music Production, Design, and Technology, Best Education Provider, and Most Innovative Education Provider for the year 2022 by the online publication Global Business Review Magazine.

Further, in order to adapt to the changes and needs of students with unique learning styles and preferences, iACADEMY launched in August 2021, its Home Schooling Program for SHS called DRIVE or Design for Remote, Individualized, Versatile Education.

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

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

STUDENT POPULATION

As the world in general, and the Philippines in particular, adjust to the "new normal" way of life, enrollment in the schools under STI Holdings increased to more than 82,000 students for SY 2021-2022. This represents an 18% or 12,406 increase from the SY 2020-2021 enrollment, with the number of students in the programs regulated by CHED showing a robust 40% increase from 40,176 students last SY to 56,342 this SY, which is notably higher than pre-pandemic levels.

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

	SY 2021-2022	**SY 2020-2021**	**Increase**	
			Enrollees	Percentage
STI ESG				
Owned schools	47,230	39,890	7,340	18%
Franchised schools	25,520	22,600	2,920	13%
	72,750	62,490	10,260	16%
iACADEMY	2,299	2,149	150	7%
STI WNU	7,580	5,584	1,996	36%
Total Enrollees	**82,629**	**70,223**	**12,406**	**18%**

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

	SY 2021-2022			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	49,005	1,040	22,705	72,750
iACADEMY	1,713	-	586	2,299
STI WNU	5,624	-	1,956	7,580
Total	**56,342**	**1,040**	**25,247**	**82,629**
Proportion of CHED:TESDA:DepEd	**68%**	**1%**	**31%**	**100%**

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

Proportion of CHED:TESDA:DepEd	**57%**	**2%**	**41%**	**100%**

* *STI ESG DepEd count includes 22,497 SHS students and 208 students who are enrolled in basic education in SY2021-2022 and 25,801 SHS students and 241 students who are enrolled in basic education in SY2020-2021. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 1,367 SHS students and 589 students enrolled in basic education in SY 2021-2022 and 1,470 SHS students and 733 students enrolled in basic education in SY 2020-2021.*

To contain the outbreak of the Novel Coronavirus Disease 2019 ("COVID-19"), the Office of the President of the Philippines issued a memorandum on March 13, 2020 to impose, adopt and implement the guidelines on the stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, imposition of community quarantine, among others, in the National Capital Region ("NCR") and other parts of the country effective March 15, 2020. These measures have caused disruptions to businesses and economic activities, and the impact continues to evolve.

STI ESG and STI WNU continue to implement the ONline and ONsite Education at STI ("ONE STI") Learning Model that was introduced 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. For SY 2021-2022, classes of SHS and tertiary students of both STI ESG and STI WNU started on September 13, 2021. Meanwhile, classes started on October 2, 2021 for STI WNU's School of Graduate Studies ("SGS").

iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning ("GOAL") in SY 2020-2021. GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students, including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians. In this setup, all activities or modules are delivered 100% online. Classes for SHS and tertiary students started on August 4, 2021 and August 31, 2021, respectively.

The Group utilizes the electronic Learning Management System ("eLMS"), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to students. It features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system that students can use to collect works to support learning and/or achievements. 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 been implementing 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 training programs to ensure that they are proficient in the subject matter and able to deliver the required day-to-day lessons. Training programs were conducted online to equip the faculty members with technical skills and further cultivate the mindset necessary in an online learning environment.

The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and selected subjects beginning February 2022, March 2022 and May 2022 for STI ESG, STI WNU and iACADEMY, respectively, and for SHS students starting April and May 2022 for STI ESG and STI WNU, respectively. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. The Group is continuously ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), CHED, DepEd, local government units ("LGUs"), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results for the nine–month periods ended March 31, 2022 and 2021 and financial condition as at March 31, 2022 and June 30, 2021 of STI Education Systems Holdings, Inc. and its subsidiaries. The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended March 31, 2022. All necessary adjustments have been made to present fairly the financial position, results of operations, and cash flows of the Group as at and for the periods ended March 31, 2022 and 2021.

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in September and ends in June of the following year for STI ESG and STI WNU, while the academic year for iACADEMY begins in August and ends in May and July of the following year for SHS and tertiary, respectively. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, revenue 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 for proper appreciation of the results of operations of the Group.

I. RESULTS OF OPERATIONS

a. Three-month period ended March 31, 2022 vs. three-month period ended March 31, 2021

For the three-month period ended March 31, 2022, the Group generated gross revenues of ₱793.8 million, 35% or ₱203.9 million higher compared to the same period last year of ₱589.9 million. Gross profit increased by ₱182.0 million or 52% year-on-year.

The Group recorded an operating income of ₱271.6 million for the three-month period ended March 31, 2022 as against an operating income of ₱114.5 million for the same period last year due to higher revenues. The Group recognized net income amounting to ₱241.2 million this quarter as against ₱82.6 million for the same period last year.

Earnings before interest, taxes, depreciation and amortization or EBITDA amounted to ₱410.4 million for the three-month period ended March 31, 2022 compared to same period last year's EBITDA of ₱269.4 million. EBITDA is computed as net income (loss) excluding provision for income tax, capital gains tax related to the sale of noncurrent asset held for sale, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale, gain (loss) on foreign exchange differences, derecognition of contingent consideration, income on rent concessions and gain on settlement of receivable from STI College Tanay, Inc. ("STI Tanay"). Depreciation and interest expenses, for purposes of this computation, exclude those related to Right-of-Use ("ROU") assets and lease liabilities, respectively. EBITDA margin improved from 46% for the three-month period ended March 31, 2021 to 52% for the same period this year largely attributed to the increase in enrollment this school year.

b. Nine-month period ended March 31, 2022 vs. nine-month period ended March 31, 2021

For the nine-month period ended March 31, 2022, the Group generated gross revenues of ₱1,918.2 million compared to ₱1,518.9 million revenues for the same period last year due to the increase in the number of enrollees and improvement in the enrollment mix of the Group for SY 2021-2022. Gross profit likewise increased from ₱890.6 million last year to ₱1,223.8 million this year.

The Group recorded an operating income of ₱408.0 million for the nine-month period ended March 31, 2022 as against an operating income of ₱96.0 million for the same period last year. Net income amounted to ₱297.2 million for the nine-month period ended March 31, 2022, a turnaround from the net loss of ₱31.4 million recorded for the same period last year.

EBITDA amounted to ₱829.5 million for the nine-month period ended March 31, 2022, higher by ₱254.5 million than the ₱575.0 million recorded during the same period last year. EBITDA margin for the nine-month period ended March 31, 2022 is at 43% compared to 38% for the same period last year.

II. FINANCIAL CONDITION

The Group's total assets as at March 31, 2022 amounted to ₱14,888.0 million, compared to the ₱14,761.5 million balance as at June 30, 2021. This was driven by the ₱378.0 million increase in receivables, from ₱486.3 million as at June 30, 2021 to ₱864.3 million as at March 31, 2022, partially offset by the ₱265.8 million decrease in property and equipment, net of acquisitions or additions, substantially due to the depreciation expense recognized for the nine-month period ended March 31, 2022. Goodwill, intangible and other noncurrent assets decreased by ₱110.9 million due to the application of advances to suppliers on completed projects and the derecognition of the receivables from STI Tanay arising from the foreclosure of the real estate securing such receivables.

Cash and cash equivalents increased by ₱33.2 million from ₱1,470.5 million to ₱1,503.7 million as at June 30, 2021 and March 31, 2022, respectively, arising from the collection of tuition and other school fees from students and collection from DepEd of the SHS vouchers, offset by the principal payments made by STI ESG and iACADEMY on their Term Loans with China Banking Corporation ("China Bank"), interest payments on bond issue and interest-bearing loans and borrowings.

Total receivables are up by ₱378.0 million from ₱486.3 million as at June 30, 2021 to ₱864.3 million as at March 31, 2022. The balance as at March 31, 2022 is composed mostly of amounts expected to be collected from students as payment for tuition and other school fees and from DepEd for the SHS vouchers applicable to the related school term(s). Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Prepaid expenses and other current assets increased by ₱18.8 million or 20% from ₱93.4 million as at June 30, 2021 to ₱112.2 million as at March 31, 2022 substantially due to the increase in prepaid taxes, prepaid internet cost, and prepayment made for COVID-19 vaccines partially offset by the decrease in prepaid insurance coverage of the Group.

Property and equipment decreased by ₱265.8 million due to depreciation and amortization expense amounting to ₱393.5 million, exclusive of depreciation attributed to ROU assets, which was recognized during the nine-month period ended March 31, 2022.

Investment properties increased by ₱92.2 million from ₱846.1 million as at June 30, 2021 to ₱938.3 million as at March 31, 2022 due to the recognition by STI ESG of the foreclosed value of the real estate mortgaged as security on the receivables from STI Tanay. These properties are situated in Pasig City and Tanay, Rizal. STI ESG was declared as the highest bidder in extrajudicial foreclosure proceedings held on March 16, 2021 and March 15, 2022 (see discussions in the succeeding paragraphs).

Investments in and advances to associates and joint ventures decreased by ₱20.7 million due to the recognition by STI ESG of its equity share in the net losses of its associates.

Equity instruments designated at FVOCI increased by ₱11.0 million from ₱69.1 million as at June 30, 2021 to ₱80.1 million as at March 31, 2022 attributed to subscriptions by STI ESG on quoted equity shares of RL Commercial REIT, Inc. ("RCR") and fair value adjustments resulting from the increase in its market value as at March 31, 2022.

Deferred tax assets decreased by ₱5.0 million from ₱34.8 million to ₱29.8 million as at June 30, 2021 and March 31, 2022, respectively, due to the remeasurement of the Group's deferred tax assets following the implementation of the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") law which prescribes lower preferential income tax rate for proprietary educational institutions from 10% to 1% effective on July 1, 2020 up to June 30, 2023.

Goodwill, intangible and other noncurrent assets decreased by ₱110.9 million from ₱481.8 million as at June 30, 2021 to ₱370.9 million as at March 31, 2022. Noncurrent advances to suppliers decreased by ₱21.9 million, representing the amount applied to the costs of completed projects, which were reported as part of "Property and Equipment" as at March 31, 2022. STI ESG's deposits for future stock subscriptions amounting to ₱12.0 million were applied as payment for the consideration following the execution of deeds of absolute sale between the minority shareholders of De Los Santos-STI College, Inc. ("De Los Santos-STI College") and STI ESG for the acquisition by the latter of the shares representing 48% of the issued and outstanding capital stock of De Los Santos -STI College. Receivables from STI Tanay, related to the loans assigned by DBP to STI ESG, amounted to nil and ₱75.5 million as at March 31, 2022 and June 30, 2021, respectively. STI ESG derecognized the receivables from STI Tanay after STI ESG was declared as the winning bidder during the extrajudicial foreclosure sale of the land, buildings and improvements, subject of real estate mortgages which served as collateral to the said loans (see succeeding discussions).

Total current liabilities increased by ₱408.4 million to ₱1,601.8 million as at March 31, 2022 from ₱1,193.4 million as at June 30, 2021, mainly due to the ₱683.3 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the related school term(s). Accounts payable and other current liabilities decreased by ₱305.0 million representing payments made to contractors and suppliers and payments for accrued expenses.

Total noncurrent liabilities decreased by ₱465.8 million to ₱4,921.1 million as at March 31, 2022 from ₱5,386.9 million as at June 30, 2021, largely due to the prepayments made by STI ESG and iACADEMY in September 2021 totaling to ₱360.0 million.

Total equity increased by ₱183.9 million from ₱8,181.2 million as at June 30, 2021 to ₱8,365.1 million as at March 31, 2022. The Group recognized net income after income tax attributable to the equity-holders of the parent company amounting to ₱295.9 million for the nine-month period ended March 31, 2022 which was partially offset by the cash dividends declared by the Group in November and December 2021 and the adjustment in other equity reserve resulting from STI ESG’s acquisition of shares in De Los Santos-STI College from minority shareholders in August 2021.

III. TOP 5 KEY PERFORMANCE INDICATORS

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

		As at/Nine months ended March 31		
		2022	**2021**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	43%	38%	EBITDA margin improved in 2022 as compared to the same period in 2021 mainly due to the increase in revenues arising from the higher number of enrollees and improved enrollment mix.
Gross profit margin	Gross profit divided by total revenues	64%	59%	Gross profit margin also improved as revenues increased due to the reasons cited above.
Return on equity	Net income (loss) attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	5%	(1%)	Return on equity improved in 2022 as compared to the same period in 2021 mainly due to the increase in revenues arising from the higher number of enrollees and improved enrollment mix.
Debt service cover ratio ("DSCR")	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	1.85	1.13	The significant improvement in the DSCR resulted from the partial prepayment of the Term Loan of STI ESG in the principal amount of ₱240.0 million, which was applied to installments due in March and September 2022. The minimum DSCR set by management, the lender bank and the STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months (see Note below).
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.69	0.80	Debt-to-equity ratio decreased due to the partial prepayments made by STI ESG and iACADEMY on their Term Loan Facilities and the full payment by STI WNU of its loan from China Bank in January 2021.

Note:
Recognizing the economic effects of the COVID-19 pandemic, China Bank granted the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements for the periods ended September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 for STI ESG and the waiver of the DSCR testing for STI WNU for the periods ended September 30, 2020 and December 31, 2020. STI ESG also

obtained the approval of majority of the Record Bondholders for the waiver of the DSCR requirement up to June 30, 2023. Meanwhile, STI WNU fully paid its loan from China Bank in January 2021. As at March 31, 2022, STI ESG has complied with the above covenants.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱33.2 million from ₱1,470.5 million to ₱1,503.7 million as at June 30, 2021 and March 31, 2022, respectively, arising from the collection of tuition and other school fees from students and collection from DepEd of the SHS vouchers, offset by the principal payments made by STI ESG and iACADEMY on their Term Loans with China Bank and interest payments on the bond issue and interest-bearing loans and borrowings.

Total receivables are up by ₱378.0 million from ₱486.3 million as at June 30, 2021 to ₱864.3 million as at March 31, 2022. The balance as at March 31, 2022 is composed mostly of amounts expected to be collected from students as payment for tuition and other school fees and from DepEd for the SHS vouchers applicable to the related school term(s). The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient 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. Under the Voucher Program, DepEd directly pays the schools where these students enrolled. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱56.3 million as at March 31, 2022, ₱31.7 million higher than the June 30, 2021 balance of ₱24.6 million. Receivables from students, pertaining to tuition and other school fees, increased by ₱432.9 million from ₱412.7 million as at June 30, 2021 to ₱845.6 million as at March 31, 2022. Receivables from students are normally collected on or before the date of major examinations, while receivables from DepEd for the SHS vouchers are expected to be collected in full within the school year. The receivables balance as at June 30, 2021 includes accounts receivable from CHED amounting to ₱23.6 million which was reduced to ₱4.2 million as at March 31, 2022.

Inventories decreased by ₱9.8 million from ₱178.8 million as at June 30, 2021 to ₱169.0 million as at March 31, 2022 representing the cost of educational materials and supplies sold, net of purchases.

Prepaid expenses and other current assets increased by ₱18.8 million or 20% from ₱93.4 million as at June 30, 2021 to ₱112.2 million as at March 31, 2022 substantially due to the increase in prepaid taxes, prepaid internet cost, and prepayment made for COVID-19 vaccines partially offset by the decrease in prepaid insurance coverage of the Group. Prepaid taxes posted an increase of ₱11.9 million from ₱44.3 million to ₱56.2 million as at June 30, 2021 and March 31, 2022, respectively. The excess creditable withholding taxes over tax due will be applied to income tax due in succeeding periods. In September 2021, STI ESG purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program. STI ESG and STI WNU recognize 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 34-gigabyte and up to 20-gigabyte 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 with no extra charge for Smart subscribers. Students who opted to use Globe SIM cards, however, are subject to a minimal fee due to the higher cost of a Globe data plan as compared to that of Smart. The internet connectivity cost is covered by the existing tuition, miscellaneous and other school fees. Prepaid internet costs related to the connectivity assistance provided to the students amounted to ₱5.6 million and ₱2.1 million as at March 31, 2022 and June 30, 2021, respectively. Software maintenance cost increased by ₱1.2 million from ₱1.6 million as at June 30, 2021 to ₱2.8 million as at March 31, 2022 due to the renewal of annual support and maintenance charges for the use of accounting and enrollment systems.

Property and equipment, net of accumulated depreciation, amounted to ₱9,775.5million as at March 31, 2022 compared to ₱10,041.3 million as at June 30, 2021. The decrease, net of the additions, represents the depreciation and amortization expenses recognized during the nine-month period ended March 31, 2022. The property and equipment balance as at March 31, 2022 includes costs related to the renovation of STI WNU's Engineering Building amounting to ₱9.8 million, estimated to be completed in June 2022. This account also includes the costs incurred for the construction of an isolation room in preparation for the implementation of limited face-to-face classes for iACADEMY. The project cost is at ₱1.0 million and is expected to be completed in the third week of May 2022. Meanwhile, the balance as at June 30, 2021 pertains substantially to the construction costs of STI Academic Center Legazpi, a four-storey school building built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The estimated capacity of the new building is 2,500 SHS and tertiary students. The construction works for STI Legazpi were completed in August 2021 and the related construction costs were reclassified to Building as at the same date.

Investment properties, net of accumulated depreciation, increased by ₱92.2 million from ₱846.1 million as at June 30, 2021 to ₱938.3 million as at March 31, 2022. In 2019, STI ESG and DBP executed a Deed of Assignment wherein DBP assigned, transferred, and conveyed, without recourse, all its collectibles from STI Tanay, a franchisee, to STI ESG. 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 thereon, and registered in the name of STI Tanay, and 2) a third-party mortgage over land and building including improvements therein, located in Pasig City. STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay. The extrajudicial foreclosure sale for the property located in Tanay, Rizal was conducted on March 15, 2022 by the Office of the Clerk of Court of Rizal. At the conclusion of the extrajudicial foreclosure sale, STI ESG was declared as the winning bidder for the said Tanay property. The Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the Certificate of Sale on April 11, 2022, which certified that the real estate covered by a mortgage, where STI Tanay is situated, was sold at a public auction to STI ESG, as the highest bidder, on March 15, 2022. STI ESG submitted the requirements for the annotation of the Certificate of Sale with the Registry of Deeds of Rizal, Morong Branch on May 5, 2022. The one (1) year redemption period commences from the date the Certificate of Sale is annotated on the title. STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱27.5 million and ₱60.0 million, equivalent to the latest appraised values of the land and building, respectively. The extrajudicial foreclosure resulted in a gain on settlement of receivable amounting to ₱4.2 million for the nine-month period ended March 31, 2022.

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 Clerk of Court and Ex-Officio Sheriff of Pasig City issued the Certificate of Sale which certified that the real estate covered by a mortgage on the property located in Pasig City was sold at a public auction on March 16, 2021 to STI ESG as the highest bidder. The Certificate of Sale was annotated on the title on August 5, 2021. The one (1) year redemption period commenced to run from the date the Certificate of Sale was annotated on the title. STI ESG recognized the land and building located in Pasig City, with an aggregate amount of ₱33.9 million, as part of its "Investment properties" as at March 31, 2022.

Investments in and advances to associates and joint ventures decreased by ₱20.7 million due to the recognition by STI ESG of its equity share in the net losses of its associates amounting to ₱21.0 million.

Equity instruments designated at FVOCI increased by ₱11.0 million from ₱69.1 million to ₱80.1 million as at June 30, 2021 and March 31, 2022, respectively. In September 2021, STI ESG subscribed to quoted equity shares of RCR, a real estate investment trust ("REIT") company listed in the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. As at March 31, 2022, the market value of quoted equity shares of RCR has increased by ₱1.4 million. This increase in the value of RCR shares was partially offset by the decrease in the market value of other equity shares held by STI ESG.

Goodwill, intangible and other noncurrent assets decreased by ₱110.9 million from ₱481.8 million as at June 30, 2021 to ₱370.9 million as at March 31, 2022. Noncurrent advances to suppliers decreased by ₱21.9 million, representing the amount reclassified to "Property and Equipment" as at March 31, 2022 pertinent to the cost of construction works based on the percentage of completion of the projects and due to complete delivery and installation of equipment as at March 31, 2022. 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 minority shareholders of De Los Santos-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 De Los Santos-STI College, for a total consideration of ₱16.0 million. Consequently, STI ESG applied its deposits as payment for the consideration relative to the acquisition of the non-controlling interest in De Los Santos-STI College. Receivable from STI Tanay, related to the loans assigned by DBP to STI ESG, amounted to nil and ₱75.5 million as at March 31, 2022 and June 30, 2021, respectively. STI ESG derecognized the receivable from STI Tanay after STI ESG was declared as the winning bidder during the extrajudicial foreclosure sale of the land, buildings and improvements, subject of real estate mortgages which served as collateral to the said loans (see foregoing discussion).

Accounts payable and other current liabilities decreased by ₱305.0 million or 38% from ₱807.0 million to ₱502.0 million as at June 30, 2021 and March 31, 2022, respectively. Accounts payable decreased by ₱206.9 million due to payments to the contractors and suppliers of recently completed construction projects. Accruals for salaries, wages and benefits decreased by ₱12.4 million due to payment of accrued 13th month pay. Interest payable as at March 31, 2022 decreased by ₱26.9 million as interests accruing as at June 30, 2021 on the Group's Corporate Notes Facility and Term Loan Facility were settled as at March 31, 2022. STI Holdings' nontrade payable decreased by ₱50.0 million. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. On September 6, 2021, the Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement for the payment of ₱25.0 million as final and full settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement.

Unearned tuition and other school fees increased substantially by ₱683.2 million from ₱101.8 million as at June 30, 2021 to ₱785.0 million as at March 31, 2022. The unearned revenue will be recognized as income over the remaining months of the related school term(s).

Current portion of interest-bearing loans and borrowings increased by ₱33.9 million from ₱208.8 million as at June 30, 2021 to ₱242.7 million as at March 31, 2022. The balance as at March 31, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Bank amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the Land Bank of the Philippines ("LandBank") ACADEME Program amounting to ₱13.1 million. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. On the other hand, the balance as at June 30, 2021 includes the current portion of the Term Loan of STI ESG with China Bank amounting to ₱120.0 million which was due in March 2022 and which has been prepaid as part of the ₱240.0 million partial loan prepayment made by STI ESG in September 2021. It also includes the current portion of iACADEMY's Term Loan with China Bank amounting to ₱79.3 million. In January 2022, STI ESG paid ₱4.3 million of its first drawdown of ₱10.0 million from the Landbank Academe program. The balances of the first and second drawdowns from the Landbank ACADEME program amounting to ₱5.7 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 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor. On September 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow a principal prepayment in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. 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. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment has been applied in the inverse order of maturity according to the repayment schedule.

Current portion of lease liabilities decreased by ₱4.0 million, largely representing payments made during the nine-month period ended March 31, 2022. Noncurrent portion of lease liabilities decreased by ₱5.4 million from ₱409.1 million as at June 30, 2021 to ₱403.7 million as at March 31, 2022 due to the reclassification of lease liabilities due within the next twelve months to current portion. This was partially offset by the noncurrent portion of lease liabilities related to new and renewed lease agreements and the related interests. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application of PFRS 16 or at the inception of the lease agreements, whichever comes later. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated financial statements of the Group following the adoption of PFRS 16.

Income tax payable amounted to ₱386.2 thousand and ₱89.5 thousand, representing income taxes due on the taxable income of STI WNU and STI ESG's subsidiaries as at March 31, 2022 and June 30, 2021, respectively. Income taxes due on the taxable income of the Parent Company and iACADEMY were covered by creditable withholding taxes.

Non-current portion of interest-bearing loans and borrowings decreased by ₱478.1 million from ₱1,771.4 million to ₱1,293.3 million as at June 30, 2021 and March 31, 2022, respectively, due to the prepayments made by STI ESG and iACADEMY totaling to ₱360.0 million as well as the reclassification of the amount of ₱242.7 million to current portion of interest-bearing loans. Interest rates for STI ESG's Term Loan and Corporate Notes Facility were repriced at a rate of 5.7895% per annum effective September 20, 2021. On September 28, 2021, the interest rate on iACADEMY's loan balance of ₱360.0 million was repriced at 3.2068% per annum. STI WNU fully paid its loan under China Bank's Corporate Notes Facility in January 2021.

Pension liabilities increased by ₱10.2 million from ₱105.4 million to ₱115.6 million as at June 30, 2021 and March 31, 2022, respectively, representing pension expense for the nine-month period ended March 31, 2022 and decrease in the market value of the investments under the pension plan assets of the Group for the nine-month period ended March 31, 2022.

Other noncurrent liabilities increased by ₱1.8 million from ₱13.0 million to ₱14.8 million as at June 30, 2021 and March 31, 2022, respectively, due to noncurrent advance rent and security deposits received by STI ESG during the nine-month period ended March 31, 2022, in accordance with new lease agreements on its investment properties.

Cumulative actuarial gain decreased by ₱2.2 million from ₱19.3 million to ₱17.1 million as at June 30, 2021 and March 31, 2022, respectively, representing movement in the market value of the investments under the pension plan assets of the Group for the nine-month period ended March 31, 2022.

Other equity reserve changed by ₱15.9 million from ₱1,670.5 million as at June 30, 2021 to ₱1,686.4 million as at March 31, 2022 related to STI ESG's acquisition of De Los Santos-STI College shares from minority shareholders. In August 2021, the shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. The transaction resulted in the recognition of De Los Santos-STI College as a wholly-owned subsidiary of STI ESG effective August 4, 2021. Consequently, the equity attributable to non-controlling interest in De Los Santos-STI College was derecognized and reallocated to STI ESG as other equity reserve within the equity section of the March 31, 2022 unaudited interim condensed consolidated financial statements.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.0 million representing fair value adjustments resulting from the net increase in the market value of the quoted equity shares held by STI ESG.

Retained earnings increased by ₱201.9 million due to the net income attributable to equity holders of the Parent Company recognized by the Group for the nine-month period ended March 31, 2022 net of cash dividends declared by the Parent Company on December 3, 2021 amounting to ₱99.0 million.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱1,918.2 million during the nine-month period ended March 31, 2022, an increase of ₱399.3 million compared to the same period last year.

Tuition and other school fees amounted to ₱1,721.7 million for the nine-month period ended March 31, 2022, up by ₱371.8 million or 28% from same period last year attributed to the 18% robust growth or 12,406 increase in the student population for SY 2021-2022 at 82,629 compared to 70,223 enrollees for SY 2020-2021. 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. STI ESG's wholly-owned and franchised schools registered an enrollment of 72,750 students for SY 2021-2022, 10,260 or 16% more than the enrollment in SY 2020-2021. Percentage-wise, STI WNU registered the highest increase at 36% for this SY compared to last SY. Further, the increase in tuition and other school fees is also attributable to the improvement in the Group's enrollment mix, that is, with enrollees in programs regulated by CHED comprising 68% of the total student population in SY 2021-2022 compared to 57% for SY 2020-2021. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 75% or 9,463 from 12,679 to 22,142 for SY 2020-2021 and SY 2021-2022, respectively.

Revenues from educational services and royalty fees increased by 16% and 17%, respectively, attributed to the 13% increase in the student population of franchised schools for SY 2021-2022. 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 increased by ₱1.3 million year-on-year. The sale of uniforms increased by ₱3.5 million with the implementation of limited face-to-face classes for identified high-stake tertiary courses. This was partially offset by the decline in sales of textbooks and other education related materials by ₱2.2 million due to the lower number of SHS students. The cost of educational materials and supplies sold increased likewise, concomitant with the increase in the sale of educational materials and supplies.

Other revenues increased by ₱10.9 million to ₱63.6 million for the nine-month period ended March 31, 2022 compared to ₱52.7 million for the same period last year associated with the higher number of students.

Cost of educational services increased by 11% or ₱65.2 million from ₱608.5 million for the nine-month period ended March 31 last year to ₱673.7 million for the same period this year. The cost of instructors' salaries and benefits increased by ₱59.6 million due to the increased number of faculty members, concomitant with the increased number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed the Licensure Examination for Teachers ("LET") and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. Software maintenance costs increased by ₱7.3 million from ₱14.4 million to ₱21.7 million for the nine-month periods ended March 31, 2021 and 2022, respectively. iACADEMY upgraded its subscription to Adobe Creative Cloud-All Apps concomitant with the increase in the number of its enrollees for SY 2021-2022. Adobe Creative Cloud is a collection of more than 20 desktop and mobile applications and services for photography, design, video, web, User Experience ("UX") design and more, used by the faculty members and administrative staff as well as the students. Further, STI WNU subscribed to GTI Software Developer's School Automate system. It is an online school management software used to assign teaching loads, schedule classes, maintain students' accounts and academic records, and manage employees' records from recruitment to separation. Depreciation expense decreased by ₱8.8 million, from ₱285.9 million to ₱277.1 million, for the nine-month periods ended March 31, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of March 31, 2021 held by closed/suspended schools. The Group continued to increase the frequency of cleaning, sanitizing and disinfecting high-touchpoint surfaces, thus, school materials and supplies increased by ₱0.4 million from ₱1.8 million to ₱2.2 million for the nine-month periods ended March 31, 2021 and 2022, respectively. Other direct expenses increased by ₱8.5 million substantially due to subscriptions in eLMS and CloudSwyft solutions. The increase in eLMS subscriptions is attributed to the higher enrollment in SY 2021-2022. CloudSwyft provides virtual laboratory solutions for the education sector where each student can access multiple applications such as AutoCAD, Microsoft 365, and Adobe Systems, among others. This virtual laboratory technology provides off-the-shelf and customizable virtual laboratory templates that are automated, highly accessible, and available on-demand to foster hands-on digital learning for thousands of STI students nationwide.

General and administrative expenses increased by ₱21.2 million or 3% from ₱794.6 million to ₱815.8 million for the nine-month periods ended March 31, 2021 and 2022, respectively. The Group recognized a provision for estimated credit losses ("ECL") amounting to ₱78.4 million for the nine-month period ended March 31, 2022, largely representing ECLs on outstanding receivables from students for tuition and other school fees as at March 31, 2022. This is higher by ₱22.4 million compared to the ₱56.0 million recorded for the nine-month period ended March 31, 2021. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students for the receivables pertaining to SY 2020-2021. Light and water expenses increased by ₱10.9 million from ₱38.6 million to ₱49.5 million for the nine-month periods ended March 31, 2021 and 2022, respectively. The Group deployed only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination and likewise embraced the work-from-home arrangements to the furthest extent possible during the Enhanced Community Quarantine ("ECQ") and Modified Enhanced Community Quarantine ("MECQ") periods. However, all members of the administrative support staff are now reporting to their offices, thus the increase in utilities cost. This also resulted in a ₱4.7 million increase in clerical, security and janitorial costs. Provision for impairment of investments in and advances to associates and joint ventures decreased by ₱10.3 million. This amount represents advances to STI Accent, which were recognized during the nine-month period ended March 31, 2021. Depreciation expense decreased by ₱5.3 million largely due to full depreciation of office furniture and equipment as of March 31, 2021 held by closed/suspended schools. Taxes and licenses decreased by ₱3.1 million from ₱27.6 million to ₱24.5 million for the nine-month periods ended March 31, 2021 and 2022, respectively, due to lower business taxes for the calendar year 2021 and documentary stamp tax incurred on STI ESG's loan drawn in 2020. For SY 2021-2022, the Group toned down its TV and radio advertisements and connected with students and potential customers largely through social media ads, as these reach people more quickly and easily. Thus, the Group recognized advertising and promotions expenses amounting to ₱27.8 million for the nine-month period ended March 31, 2022, lower by ₱2.1 million compared to ₱29.9 million for the same period last year.

The Group's operating income for the nine-month period ended March 31, 2022 amounted to ₱408.0 million, an improvement of ₱312.0 million or 325% from the operating income of ₱96.0 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with more students enrolled in CHED programs.

Interest expense decreased by ₱14.2 million from ₱253.6 million for the nine-month period ended March 31, 2021 to ₱239.4 million for the same period this year, mainly due to the repricing of the interest rate on iACADEMY's Term Loan with China Bank from 3.3727% per annum on September 28, 2020 to 3.2068% per annum on September 28, 2021. In September 2021, both STI ESG and iACADEMY made partial prepayments of ₱240.0 million and ₱120.0 million, respectively, on their Term Loan Facilities with China Bank. Further, STI WNU fully paid its loan under China Bank's Corporate Notes Facility in January 2021.

Rental income decreased by ₱45.5 million year-on-year due to pre-termination and nonrenewal of lease agreements in some of the investment properties of STI ESG and iACADEMY.

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the nine-month period ended March 31, 2022. The Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement on September 6, 2021 for the full and final settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The amount of ₱50.0 million had been set up as contingent consideration in prior years. With the full and final settlement in the amount of ₱25.0 million, the balance of ₱25.0 million has been derecognized.

The Group recognized unrealized gain on foreign exchange rate differences amounting to ₱23.6 million and ₱1.4 million for the nine-month periods ended March 31, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱1.1 million and ₱2.3 million for the nine-month periods ended March 31, 2022 and 2021, respectively. These are attributed to STI ESG's and iACADEMY's dollar-denominated cash and cash equivalents.

Interest income increased by ₱33.1 million from last year's ₱3.6 million to ₱36.7 million for the nine-month period ended March 31 this year, substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay aggregating to ₱33.0 million. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the properties, mortgaged as collateral to STI Tanay's loans, situated in Pasig City and Tanay, Rizal on March 16, 2021 and March 15, 2022, respectively. This account also includes interest income on STI ESG's investments in short-term placements.

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

STI ESG recognized a gain on the settlement of the receivable from STI Tanay amounting to ₱4.2 million for the nine-month period ended March 31, 2022 upon the extrajudicial foreclosure sale of the properties mortgaged as collateral and the declaration of STI ESG as the highest bidder (see foregoing discussion).

The Group recognized gain on sale of equipment amounting to ₱1.5 million for the nine-month period ended March 31, 2022 largely attributed to the disposal of STI ESG's transportation equipment.

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 income aggregating to ₱16.1 million for the nine-month period ended March 31, 2022 compared to ₱16.7 million for the nine-month period ended March 31, 2021.

STI ESG recognized dividend income from RCR and De Los Santos Medical Center, Inc. ("DLSMC") amounting to ₱0.2 million and ₱0.8 million, respectively, for the nine-month period ended March 31, 2022. The dividends were received in November 2021 and January 2022, respectively.

Equity in net losses of associates amounted to ₱20.7 million and ₱5.7 million, representing STI ESG's share in the net losses of its associates for the nine-month periods ended March 31, 2022 and 2021, respectively.

Provision for income tax amounting to ₱10.1 million was recognized by the Group for the nine-month period ended March 31, 2022 compared to ₱3.2 million for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10% to 1% following the enactment of the CREATE Act in April 2021. The reduced income tax rate has a retroactive effect beginning July 1, 2020 and will be effective up to June 30, 2023.

Net income of ₱297.2 million was recorded for the first nine months of this year, compared to ₱31.3 million net loss for the same period last year, an improvement of ₱328.5 million or 1,048%.

The Group recognized a remeasurement loss on pension liability net of income tax impact, amounting to ₱2.2 million for the nine-month period ended March 31, 2022, while a remeasurement net gain of ₱12.8 million was recorded for the nine-month period ended March 31, 2021, due to the adjustments in the market value of equity shares substantially forming part of STI ESG's pension assets.

The Group generated total comprehensive income of ₱296.0 million for the nine-month period ended March 31, 2022, compared to ₱17.5 million total comprehensive loss for the same period last year, an improvement of 1,790% or ₱313.5 million due to the 18% increase in enrollment and the improvement in the enrollment mix with more students enrolled in CHED programs for SY 2021-2022 compared to that of SY 2020-2021.

EBITDA is up by ₱254.5 million from ₱575.0 million to ₱829.5 million for the nine-month periods ended March 31, 2021 and 2022, respectively. EBITDA margin for the nine-month period ended March 31, 2022 is at 43% compared to 38% 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 ₱213.3 million for the nine-month period ended March 31, 2022 compared to the negative ₱59.9 million core income for the same period last year.

VI. FINANCIAL RISK DISCLOSURE

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

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

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide flexibility of withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

In relation to the Group's interest-bearing loans and borrowings, the DSCR, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and 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 March 31, 2022 and 2021, the Group's debt service cover ratios are 1.85:1.00 and 1.13:1.00, respectively. As at June 30, 2021, the Group's debt service cover ratio is 1.50:1.00.

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

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

It is the Group's policy to require students to pay all their tuition and other incidental fees before they can get their report cards and other credentials. In addition, receivable balances are monitored on an ongoing basis such that 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. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

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

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

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

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

As at March 31, 2022 and 2021, the Group's debt-to-equity ratios are 0.69:1.00 and 0.80:1.00, respectively. As at June 30, 2021, the Group's debt-to-equity ratio is 0.79:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

b. Except as provided in Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

e. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

f. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed-rate bonds of STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG, STI WNU and iACADEMY are fully compliant with all the covenants in the loan agreements. Please see Notes 16 and 17 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

g. There are no significant elements of income or loss that did not arise from the Group's continuing operations.

h. The Group's business is linked to the academic cycle. For SY 2020-2021 and SY 2021-2022, STI ESG and STI WNU started classes in September, with classes in all schools ending by June of the following year. iACADEMY starts its school calendar every August for all levels and ends in May and July for SHS and tertiary level, respectively. 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, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business days if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 17 of the Unaudited Interim Condensed Consolidated Financial Statements).

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

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

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

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

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

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

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

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

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

k. On December 17, 2018, CHED, Unified Student Financial Assistance System for Tertiary Education Board ("UniFAST") and STI ESG signed a memorandum of agreement ("MOA") to avail of the Tertiary Education Subsidy ("TES") and Student Loan Program ("SLP") for STI ESG's students under the Universal Access to Quality Tertiary Education Act ("UAQTEA") and its Implementing Rules and Regulations ("IRR"). On the same date, STI WNU and iACADEMY executed separate memorandums of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. Republic Act ("RA") No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations of the UniFAST, enrolled in State Universities and Colleges ("SUCs") or CHED-recognized Local Universities and Colleges ("LUCs") is ₱40.0 thousand. Students enrolled in select private Higher Education Institutions ("HEIs") who are qualified to receive the TES are entitled to ₱60.0 thousand as subsidy for tuition and other related school fees. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. This 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 October 21, 2019, STI ESG, acting on its own and in behalf of NAMEI Polytechnic Institute, Inc. (collectively referred to as "STI") and Raft Shore People, Inc. ("RAFT"), entered into a Cooperation Agreement (the "Agreement") to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. In summary, the parties agree as follows:

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

   2. To jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the

curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW").

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

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

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 foregoing paragraph in abeyance.

m. President Rodrigo R. Duterte signed into law on March 26, 2021 the CREATE Act which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability.

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

- Preferential income tax rate for proprietary educational institutions is reduced from 10% to 1% effective on July 1, 2020 up to June 30, 2023.
- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations are subject to 25% regular corporate income tax ("RCIT") effective July 1, 2020.
- Minimum corporate income tax ("MCIT") is reduced from 2% to 1% effective on July 1, 2020 up 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 schools in the Group adopted the 1% income tax rate effective July 1, 2020 while the Parent Company and AHC adopted the 25%/1% and 20%/1% RCIT/MCIT rates, respectively.

On December 10, 2021, President Rodrigo R. Duterte signed into law RA No. 11635 entitled, "An Act Amending Section 27(B) of the National Internal Revenue Code ("NIRC") of 1997, as amended, and for other purposes". The law clarifies the entitlement of proprietary educational institutions to the preferential income tax rate of 10% under the NIRC and the 1% tax rate beginning July 1, 2020 until June 30, 2023 by virtue of the CREATE Act which was published on March 27, 2021 and took effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.