COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS, INC.

(Company's Full Name)

7TH FLOOR, STI HOLDINGS CENTER
6764 AYALA AVENUE
MAKATI CITY

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

ARSENIO C. CABRERA, JR.

Contact Person

(632) 8844 9553

Company Telephone Number

06 30

Month *Day*

Fiscal Year

Definitive Information Statement

FORM TYPE

Third Friday of November

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") will be held and conducted virtually via remote communication through Microsoft Teams on **Monday, 19 December 2022, at 3:00 p.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 3 December 2021
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2022
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 3 December 2021 Annual Stockholders' Meeting up to 19 December 2022
7. Appointment of External Auditor
8. Other Matters
9. Adjournment

The record date for stockholders entitled to notice and vote at the Annual Stockholders' Meeting is set on 18 November 2022 ("Stockholders of Record").

To ensure the welfare and safety of our stockholders, the 2022 Annual Stockholders' Meeting of STI Holdings will be conducted virtually. Stockholders of Record may attend/participate via proxy, remote communication or vote in absentia. For the detailed registration and voting procedures, please visit http://www.stiholdings.com/2022ASM and refer to the "**Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy**".

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to corsec@stiholdings.com.ph on or before 1 December 2022. Validated stockholders will be provided access to the live streaming of the meeting through Microsoft Teams and can cast their votes in absentia on or before 12 December 2022 through the Company's secure online voting facility. All votes cast shall be subject to validation.

The Company is not soliciting for proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to corsec@stiholdings.com.ph, not later than **12 December 2022.**

Stockholders of record may send their queries and comments to the Management Report and other items in the Agenda to corsec@stiholdings.com.ph on or before 12 December 2022.

The Definitive Information Statement containing the attendance/voting (via remote communication) and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, and other information related to the Annual Stockholders' Meeting can be accessed at http://www.stiholdings.com/disclosures.php and the PSE Edge portal.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

STI EDUCATION SYSTEMS HOLDINGS

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

AGENDA OF 2022 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 3 December 2021
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2022
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 3 December 2021 Annual Stockholders' Meeting up to 19 December 2022
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

EXPLANATION AND RATIONALE OF EACH ITEM IN THE AGENDA

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Eusebio H. Tanco, will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify the date when notice of the Annual Stockholders' Meeting ("ASM") was published in the business section of two (2) newspapers of general circulation in print and on-line print for two (2) consecutive days.

   A copy of the ASM Notice was also posted at the Company's website and disclosed to the PSE Edge.

   The Corporate Secretary will further certify the presence of a quorum. The stockholders representing a majority of the outstanding voting capital stock of the Company, present in person or by proxy, shall constitute a quorum for the transaction of the business.

   All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM. Each one (1) outstanding share of stock entitles the registered stockholders to one (1) vote.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 3 December 2021

   The minutes are available at the Company website:
   http://www.stiholdings.com/disclosures.php

   A motion for the approval of the following resolution will be presented:

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 3 December 2021 as appearing in the Minutes Book of the Corporation be approved."*

   The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

4. The Management Report

   The President, Mr. Monico V. Jacob, shall render the Management Report, which provides the highlights of the performance of the Company for FY 2021-2022 and the outlook of the Company for FY 2022-2023 and beyond.

The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Company for FY 2021-2022. The report will also include significant events affecting the Company's performance for FY 2021-2022.

The Annual Report is also posted on the Company's website: http://www.stiholdings.com/disclosures.php and PSE Edge portal. A resolution noting the Management Report will be presented to the stockholders for adoption.

Below is the proposed resolution:

> *"RESOLVED, that that the Management Report for FY 2021-2022 be noted and approved."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2022

   The approval of Parent and Consolidated Audited Financial Statements (FS) of the Company as at and for the fiscal year ended 30 June 2022 prepared by SyCip Gorres Velayo & Co., contained in the Annual Report will be presented to the stockholders. The FS will also be embodied in the Definitive Information Statement. The Audit and Risk Committee has recommended, and the Board has approved, the FS.

   A resolution approving the FS will be presented to the stockholders, who will be given opportunity to ask questions on the Annual Report and the FS.

   Below is the proposed resolution:

   > *"RESOLVED, that the Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2022 as discussed in the Annual Report be noted and approved."*

   The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 3 December 2021 Annual Stockholders' Meeting up to 19 December 2022. A list of the corporate acts to be ratified are enumerated in Item 16, page 23 of the Definitive Information Statement.

A motion for the approval of the following resolution will be presented:

> *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 3 December 2021 Annual Stockholders' Meeting up to 19 December 2022 be approved, confirmed and ratified."*

The affirmative vote of stockholders constituting at least a majority of the outstanding voting capital stock of the Company present at the ASM is necessary to approve the resolution.

7. Election of directors, including independent directors

In accordance with Section 2, Article IV of the Company's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 8 November 2022. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Definitive Information Statement.

The election of the directors shall be by plurality of votes. Every stockholder may vote the number of shares owned by him for as many persons as there are directors to be elected or cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or distribute such votes on the same principle among as many candidates as he shall see fit. The eleven (11) directors receiving the highest number of votes will be declared elected as directors of the Company.

In evaluating the nominations to the Board, the Corporate Governance Committee was guided by its established nomination principles and procedures set forth hereafter.

8. Appointment of external auditor

A resolution for the approval of the appointment of the Company's external auditor will be presented to the stockholders. The Audit and Risk Committee has recommended, and the Board has approved the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company.

The profile of the proposed external auditors will be provided in the Definitive Information Statement.

Below is the proposed resolution:

> *"RESOLVED, that the auditing firm of SyCip Gorres Velayo & Co. be, as it is hereby appointed as external auditor of the Corporation for the FY 2022-2023."*

The affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the stock of the Company present at the ASM is necessary to approve the resolution.

9. Consideration of such other business as may properly come before the meeting

   Any relevant questions or comments received by the Office of the Corporate Secretary via email within the prescribed period given to registered stockholders shall be properly acknowledged, noted and addressed, accordingly.

10. Adjournment

    Upon confirmation by the Corporate Secretary that there are no other matters to be considered, and on motion by a stockholder duly seconded, the Chairman will declare the meeting adjourned. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to corsec@stiholdings.com.ph or info@stiholdings.com.ph.

EDUCATION SYSTEMS HOLDINGS, INC.
2022 ANNUAL STOCKHOLDERS' MEETING
Monday, 19 December 2022 at 3:00 p.m.
Via remote communication through Microsoft Teams

Guidelines for Participating via Remote Communication through Microsoft Teams and Voting in Absentia and through Proxy

A. Attendance by Remote Communication through Microsoft Teams and Voting in Absentia

1. Stockholders intending to participate by remote communication through Microsoft Teams and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to corsec@stiholdings.com.ph on or before **1 December 2022**, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

   1.1.1 Complete Registered Name
   1.1.2 Complete Registered Residential/Mailing Address
   1.1.3 Active e-Mail Address
   1.1.4 Active Mobile No.
   1.1.5 Active Landline No.

   1.2 Attach the following documents (e-copy/scanned copy):

   1.2.1 Valid government-issued ID with photo and signature (scanned front and back)

   1.2.2 Proof of Ownership, such as, but not limited to, the following:

   a) Stockholder's certificate (for certificated shares); or
   b) Broker's certification (for scripless or uncertificated shares); or
   c) Secretary's certificate for authorized representative (for corporate)

   1.2.3 Other supporting document, as applicable

2. The Office of the Corporate Secretary shall forward the email containing the LOI and its attachments to the Company's stock transfer agent, Professional Stock Transfer, Inc.. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the LOI. The Company's stock transfer agent reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links for virtual meeting and voting in absentia. For security purposes, the confirmation correspondence which includes access

credentials, links and instructions for participation through remote communication and voting in absentia shall only be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided.

3.1 A verified stockholder shall have to access the corresponding link in order to be able to join the virtual meeting on the ASM day.

3.2 A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on **12 December 2022**. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at http://www.stiholdings.com/2022ASM and submitted on or before **12 December 2022** via email to corsec@stiholdings.com.ph, complete with the following requirements for validation purposes:

   1.1 For the stockholder, attach the following documents (e-copy):

      1.1.1 Valid government-issued ID (with photo)
      1.1.2 Proof of Ownership, such as, but not limited to, the following:
         a) Stockholder's certificate (for certificated shares); or
         b) Broker's certification (for scripless or uncertificated shares); or
         c) Secretary's certificate for authorized representative (for corporate)
      1.1.3 Other supporting document, as applicable

   1.2 For the Proxy, attach the following document (e-copy):

      1.2.1 Valid government-issued ID (with photo)

   1.3 A stockholder may designate the Chairman of the Meeting as Proxy. Likewise, if no name is indicated, the Chairman of the Meeting will act as the Proxy.

2. The Office of the Corporate Secretary shall forward the email containing the duly-accomplished proxy instrument and its attachments to the Company's stock transfer agent, Professional Stock Transfer, Inc. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the duly accomplished proxy instrument. The Company's stock transfer agent reserves the right to request for additional information and

documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links for virtual meeting registration. For security purposes, the confirmation correspondence which includes links and instructions for participation through remote communication shall only be sent to the stockholder's email address, and if necessary, notification shall be sent to the stockholder's mobile number provided. It is the duty of the stockholder to securely provide the information on access credentials and instructions to the Proxy.

C. Participation and Determination of Quorum and Votes

1. Only those shareholders who have notified the Company of their intention to participate in the Meeting by remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum.

2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to corsec@stiholdings.com.ph not later than **12 December 2022** to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

3. The Office of the Corporate Secretary shall take down minutes of the meeting accordingly and shall note all comments and other relevant matters discussed covering the agenda of the meeting. The meeting proceedings shall be recorded in audio and video format to be safekept by the Office of the Corporate Secretary and shall be made available in a secured manner to stockholders upon request by sending an email to corsec@stiholdings.com.ph.

4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those cast in absentia and by proxy, with assistance from the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

For ASM-related matters, please go to http://www.stiholdings.com/2022ASM. For ASM-related queries, please send an email to corsec@stiholdings.com.ph. For account updating/validation concerns, please get in touch with the Company's Stock Transfer Agent, Professional Stock Transfer, Inc. (Attention: Ms. Jeneline C. Serafica), via email to info@professionalstocktransfer.com].

Date :

From :

To : The Office of the Corporate Secretary
(corsec@stiholdings.com.ph)

Subject: Letter of Intent (LOI) to Participate in STI EDUCATION SYSTEM HOLDINGS, INC. ("STI HOLDINGS") 2022 Annual Stockholders' Meeting ("ASM")

This is to express my intent to participate in STI HOLDINGS' 2022 ASM to be held virtually on Monday, 19 December 2022 at 3:00 p.m.

Please see my contact information below:

(1) Complete Registered Name : ______________________________
(2) Complete Registered Residential/Mailing Address: ______________________________
____
(3) Active E-mail Address : ______________________________
(4) Active Mobile No. : ______________________________
(5) Active Landline No. : ______________________________

Attached are the necessary documents (e-copy/scanned copy)[1] for validation purposes[2]:

(a) Valid government-issued ID[3] with photo and signature (scanned front and back)

(b) Proof of Ownership (please put a check on the space provided):

_____ Stockholder's certificate (for certificated shares);
_____ Authorization letter signed by other stockholder(s) indicating the person among them authorized to cast the votes (for joint accounts)
_____ Broker's certification (for scripless or uncertificated shares); or
_____ Secretary's certificate for authorized representative (for corporate)

(c) Other supporting documents (please specify): ____________________

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[1] Please limit file size up to 2MB.
[2] The Office of the Corporate Secretary shall forward this email LOI with its attachments to STI Holdings' stock transfer agent, Professional Stock Transfer, Inc.. The validation process shall be completed by the Corporation no later than two (2) days from its receipt of the LOI. The stock transfer agent reserves the right to request for additional information and documents, as it deems necessary. Electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation. A confirmation/reply email shall be sent to the stockholder, once successfully verified/validated.
[3] Acceptable valid IDs are the following: Driver's License, Passport, Unified Multi-Purpose ID (UMID), GSIS ID, company ID, PRC ID, IBP ID, iDOLE Card, OWWA ID, COMELEC Voter's ID, Senior Citizen's ID, or Alien Certificate of Registration/Immigrant Certificate of Registration.

Looking forward to your favorable response.

Thank you.

____
(Signature over Printed Name)

PROXY

The undersigned stockholder of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via remote communication through Microsoft Teams on **Monday, 19 December 2022 at 3:00 p.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 3 December 2021			
2.	Approval of the Management Report for FY 2021-2022			
3.	Approval of Parent Company and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2022			
4.	Ratification of all acts of Management and the Board of Directors from 3 December 2021 to 19 December 2022			
5.	Election of Directors			
	Eusebio H. Tanco			
	Monico V. Jacob			
	Maria Vanessa Rose L. Tanco			
	Joseph Augustin L. Tanco			
	Martin K. Tanco			
	Paolo Martin O. Bautista			
	Jesli A. Lapus			
	Robert G. Vergara (Independent Director)			
	Ma. Leonora Vasquez-De Jesus (Independent Director)			
	Raymond Anthony N. Alimurung (Independent Director)			
	Justice Antonio T. Carpio (Ret.) (Independent Director)			
6.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2022-2023			

At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

_______________________________ _______________________________

Date *Printed Name of Stockholder*

____

Signature of Stockholder/
Authorized Signatory

This proxy should be received by the Corporate Secretary **on or before 9 December 2022**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Systems Holdings, Inc.**

3. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **1746**

5. BIR Tax Identification Code **000-126-853**

6. **7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City** **1226**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8844-9553**

8. **19 December 2022, 3:00 p.m. via Remote Communication through Microsoft Teams**
   The presiding officer will preside over the meeting through remote communication at STI Holdings Center, 6764 Ayala Avenue, Makati City.
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **24 November 2022**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    Yes **X** No ________

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
    Philippine Stock Exchange/Common Shares

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders

Date of Meeting	:	19 December 2022
Time of Meeting	:	3:00 p.m.
Place of Meeting	:	To be conducted via Remote Communication through Microsoft Teams The presiding officer will preside over the meeting through remote communication at 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City.
Registrant's Mailing Address	:	7/F STI Holdings Center 6764 Ayala Avenue, Makati City
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	24 November 2022

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action that will entitle a stockholder to exercise a Right of Appraisal as provided in Title X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code").

However, any Stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances, as provided by the Revised Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 80);

(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section. 80)

(3) In case of merger or consolidation (Section 80); and

(4) In case of investments of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

The appraisal right may be exercised by a dissenting stockholder who shall have voted against the proposed corporate action in the manner provided below:

(1) The dissenting stockholder shall make a written demand on the corporation for payment of the fair value of his shares within 30 days after the date on which the vote was taken. The failure of the stockholder to make the demand within the 30-day period shall be deemed a waiver of his appraisal right;

(2) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the corresponding certificate(s) of stock within 10 days after demanding payment for his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

(3) Upon payment of the agreed or awarded price, the stockholder shall transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(1) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(2) No director of the Company has informed it in writing that he/she intends to oppose any action to be taken by the Company at the meeting.

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

(1) Market Information

The Company's common stock is traded on the PSE under the stock symbol "STI". As of the date of this Information Statement, the Company has 9,904,806,924 shares outstanding.

As of 30 June 2022, the high share price of the Company was ₱0.35 and the low share price was ₱0.34. As of 30 September 2022, the high share price of the Company was ₱0.33 and the low share price was ₱0.33. As of 28 October 2022, the high share price of the Company was ₱0.33 and the low share price was ₱0.32.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second, third and fourth quarters of 2022:

	High	**Low**
2022		
Fourth Quarter (as of 2 November 2022)	0.33	0.33
Third Quarter	0.33	0.33
Second Quarter	0.35	0.34
First Quarter	0.37	0.36
2021		
Fourth Quarter	0.35	0.34
Third Quarter	0.37	0.36
Second Quarter	0.40	0.39
First Quarter	0.39	0.38
2020		
Fourth Quarter	0.47	0.46
Third Quarter	0.32	0.31
Second Quarter	0.40	0.28
First Quarter	0.65	0.36

The Company's public float as of 30 June 2022 is 3,115,190,548 shares equivalent to 31.45% of the total issued and outstanding shares of the Company. As of 30 September 2022, the Company's public float is 3,091,270,548 shares equivalent to 31.21% of the total issued and outstanding shares of the Company. As of 31 October 2022, the Company's public float is 3,085,960,548 shares equivalent to 31.16% of its total and issued and outstanding shares.

(2) Holders

As of 31 October 2022, there were 1,262 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 October 2022.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,672,634,589	37.07%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%
TANCO, EUSEBIO H.	1,253,666,793	12.66%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
EUJO PHILIPPINES, INC.	763,873,130	7.71%
PCD NOMINEE CORP (NON-FILIPINO)	756,504,013	7.64%
TANTIVY HOLDINGS, INC. (FORMERLY: INSURANCE BUILDERS, INC.)	626,776,992	6.33%
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.02%
TANCO, ROSIE L.	13,000,000	0.13%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR , LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
VALDERRAMA , LELEN ITF YASMIN AYN VALDERRAMA	300,000	0.00%
LELEN VALDERRAMA ITF YADIN AYN VALDERRAMA	300,000	0.00%
VALDERRAMA, LELEN A.	300,000	0.00%
LELEN VALDERRAMA ITF GERRENT ARN VALDERRAMA	300,000	0.00%
TACUB, PACIFICO B.	200,000	0.00%

(3) Cash Dividends

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

On November 20, 2020, cash dividends amounting to Php 0.0037 per share or the aggregate amount of Php36,647,785.62 were declared by the Board of Directors in favor of all stockholders on record as at December 29, 2020, payable on January 26, 2021.

On December 6, 2019, cash dividends amounting to ₽0.02 per share or the aggregate amount of ₽198.1 million were declared by the Board of Directors in favor of all stockholders on record as at December 20, 2019, payable on January 15, 2020.

There are no restrictions that limit the payment of dividends on common shares.

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 31 October 2022

Title of Each Class	Number of Shares Outstanding	Number of Votes
Common Stock	9,904,806,924	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 18 November 2022 will be entitled to vote at the Annual Meeting.

(3) Election of directors and voting rights (Cumulative Voting)

In the election of the directors, each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(4) Security Ownership of Certain Record/Beneficial Owners and Management

(a) Security Ownership of Certain Record/Beneficial Owners as of 31 October2022

As of 31 October 2022, the following stockholders are the only owners of more than 5% of the Company’s voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

(b) Security Ownership of Management as of 31 October 2022

The following table sets forth as of 31 October 2022, the beneficial ownership of each director and executive officer of the Company:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Eusebio H. Tanco (Director and Chairman of the Board)	1,253,666,793 395,816,651 ----------------- 1,649,483,444 ==========	Direct Indirect – thru PCD Total	Filipino	12.66% 3.99% ----------- 16.65% =======
Common	Monico V. Jacob (Director, President and CEO)	1 33,784,056 -------------- 33,784,057 ========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.34% ----------- 0.34% =======
Common	Yolanda M. Bautista (Treasurer & Chief Finance Officer)	1 5,000,000 -------------- 5,000,001 ========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.05% ----------- 0.05% =======
Common	Arsenio C. Cabrera, Jr. (Corporate Secretary)	6,500,000	Indirect – thru PCD	Filipino	0.06%
Common	Joseph Augustin L. Tanco (Director and VP for Investor Relations)	1 2,000,000 ---------------- 2,000,001 =========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.02% ------------ 0.02% ======
Common	Paolo Martin Bautista (Director and Chief Investment Officer and Head of Corporate Strategy)	3,250,000	Indirect – thru PCD	Filipino	0.03%
Common	Ma. Vanessa Rose L. Tanco (Director)	1 25,398,000 ------------- 25,398,001 ======	Direct Indirect – thru PCD	Filipino	0.00% 0.26% ------------ 0.26%
Common	Martin K. Tanco (Director)	97,041,907	Indirect – thru PCD	Filipino	0.98%
Common	Jesli A. Lapus (Non Executive Director)	6,000,000	Indirect – thru PCD	Filipino	0.06%
Common	Robert G. Vergara (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Ma. Leonora V. De Jesus (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Raymond Anthony N. Alimurung (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Directors and Officers as a Group	1,919,502,318	Direct and Indirect	Filipino	19.38%

(c) Voting Trust Holders of 5% Or More

As of 31 October 2022, no person holds at least 5% or more of a class under a voting trust or similar agreement.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Filipino	3,672,634,589[1]	37.0 %
Common	Prudent Resources, Inc. 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the Chairman and President of Prudent Resources, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	1,614,264,964 6,820,085 ------------------ 1,621,085,049 ==========	16.30% .06% ----------- 16.36% ======
Common	Mr. Eusebio H. Tanco (Chairman of the Board) (Direct and Indirect shares through PCD Nominee Corporation) 543 Fordham Street, Wack-Wack Village, Mandaluyong City	Mr. Eusebio H. Tanco	Filipino (Direct) (Indirect- thru PCD Filipino) Total	1,253,666,793 395,516,651 ------------------- 1,649,483,444 ===========	12.66% 3.99% ----------- 16.65% ======
Common	Eujo Philippines, Inc. (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Eujo Philippines, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	763,873,130 42,284,000 ------------------ 806,157,130 ==========	7.71% 0.43% ---------- 8.14% ======
Common	Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	794,343,934 1,575,000 ---------------- 795,918,934 =========	8.02% .02% --------- 8.04% =====
Common	PCD Nominee 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Non-Filipino	756,504,013	7.64%

[2] Eusebio H. Tanco is the beneficial owner of 395,516,651 shares. Prudent Resources, Inc. is the beneficial owner of 6,820,085 shares. Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.) is the beneficial owner of 1,575,000 shares. Eujo Philippines, Inc. is the beneficial owner of 42,284,000 shares. STI Education Services Group, Inc. is the beneficial owner of 102,524,000 shares. Tantivy Holdings, Inc. (Formerly: Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares

<table>
<tr><th>Title of Class</th><th>Name, Address of Record Owner and Relationship with Issuer</th><th>Name of Beneficial Owner and Relationship with Record owner</th><th>Citizenship</th><th>No. of Shares Held</th><th>Percent</th></tr>
<tr><td>Common</td><td>Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) (Direct and Indirect shares through PCD Nominee Corporation)
7/F STI Holdings Center, 6764 Ayala Avenue, Makati City</td><td>Mr. Eusebio H. Tanco, the President of Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is authorized to vote its shares in the Company.</td><td>Filipino
(Direct)

(Indirect- thru PCD Filipino)

Total</td><td>626,776,992

3,000,000

629,776,992
===========</td><td>6.33%

0.03%

6.36%
======</td></tr>
<tr><td>Common</td><td>STI Education Services Group, Inc.
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, 1900 Rizal</td><td>Mr. Monico V. Jacob, the President of STI, is authorized to vote the shares of STI ESG in the Company</td><td>Filipino
(Direct)

(Indirect- thru PCD Filipino)

Total</td><td>397,908,895

102,524,000

500,432,895
===========</td><td>4.02%

1.03%

5.05%
======</td></tr>
</table>

Note: PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository, Inc. (PCD), and is the registered owner of the shares in the records of the Parent Company's transfer agent. The participants of the PCD (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PCD and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Parent Company's lodged shares to facilitate the book-entry trading and settlement of the Parent Company's shares. Except as disclosed above, no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Parent Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Parent Company's voting securities.

(d) Changes in Control

There has been no change of control in the Company since 1 April 2014.

Item 5. Directors and Executive Officers

(1) Certain Relationships and Related Transactions

(a) Directors and Executive Officers

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

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

The following are the incumbent members of the Board of Directors:

(1) Eusebio H. Tanco
(2) Monico V. Jacob
(3) Joseph Augustin L. Tanco
(4) Ma. Vanessa Rose L. Tanco

(5) Martin K. Tanco
(6) Paolo Martin O. Bautista
(7) Jesli A. Lapus
(8) Robert G. Vergara
(9) Ma. Leonora Vasquez-De Jesus
(10) Raymond Anthony N. Alimurung

All of the foregoing incumbent directors have been nominated to the Board for the ensuing year. Messrs. Robert G. Vergara and Raymond Anthony N. Alimurung and Ms. Ma. Leonora Vasquez-De Jesus have been nominated as independent directors by Eximious Holdings, Inc. (formerly Capital Managers & Advisors, Inc.) ("EHI"), a stockholder of the Company. Justice Antonio T. Carpio (Ret.) has likewise been nominated by EHI as an independent director. EHI has no business or professional relationship with the aforementioned persons nominated as independent directors.

The Certifications of Messrs. Vergara and Alimurung, Justice Carpio (Ret.) and Ms. Vasquez-De Jesus as independent directors are attached hereto as Annexes "A" to "D".

Pursuant to the Certifications of Independent Director submitted by Messrs. Vergara and Alimurung, Justice Carpio (Ret.) and Ms. Vasquez-De Jesus, they each possess all of the qualifications and none of the disqualifications to serve as the Company's independent directors for the ensuing year.

In accordance with Section 11, Article II of the Company's By-Laws and the 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting in accordance with the following procedure:

(1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary.

(2) The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates.

(3) After the nomination, the Corporate Governance Committee shall prepare a Final List of Candidates to be submitted to the Board of Directors, which shall contain all the information regarding the background and experience of the nominees required to be ascertained and made known under the Securities Regulation Code and relevant rules and regulations.

(4) Said Final List of Candidates shall be disclosed in the reports required by law, rules and regulations to be submitted to the Securities Exchange Commission, Philippine Stock Exchange and all stockholders.

(5) Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained after the Final List of Candidates shall have been prepared.

The Chairman of the Corporate Governance Committee is Mr. Robert G. Vergara. Governance Committee. The members of the Corporate Governance Committee are Ms. Ma. Leonora Vasquez-De Jesus and Mr. Raymond Anthony N. Alimurung.

The following are the Final List of Candidates for directors as determined by the Company's Corporate Governance Committee:

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Eusebio H. Tanco	Eximious Holdings, Inc. ("EHI")	Chairman	Filipino
Monico V. Jacob	EHI	President	Filipino
Joseph Augustin L. Tanco	EHI	Director	Filipino
Ma. Vanessa Rose L. Tanco	EHI	N/A	Filipino
Martin K. Tanco	EHI	N/A	Filipino
Paolo Martin O. Bautista	EHI	N/A	Filipino
Jesli A. Lapus	EHI	N/A	Filipino
Robert G. Vergara	EHI	N/A	Filipino
Ma. Leonora Vasquez-De Jesus	EHI	N/A	Filipino
Raymond Anthony N. Alimurung	EHI	N/A	Filipino
Justice Antonio T. Carpio (Ret.)	EHI	N/A	Filipino

The directors and officers of the Company are not connected with any government agency or instrumentality. A Certification to this effect is attached hereto as Annex "E".

Summary of Term of Office of Directors:

(1) Eusebio H. Tanco – director since 17 March 2010 up to the present
(2) Monico V. Jacob – director since 17 March 2010 up to the present
(3) Joseph Augustin L. Tanco – director since 27 October 2010 up to the present
(4) Ma. Vanessa Rose L. Tanco – director since 27 October 2010 up to the present
(5) Martin K. Tanco – director since 19 December 2012 up to the present
(6) Paolo Martin O. Bautista – director since 19 December 2012 up to the present
(7) Jesli A. Lapus –Independent director from 4 October 2013 up to 16 December 2022; will be first elected as a non-executive director on 19 December 2022
(8) Robert G. Vergara – independent director since 27 July 2017 up to the present
(9) Ma. Leonora Vasquez-De Jesus – independent director since 20 September 2019 up to the present
(10) Raymond Anthony N. Alimurung - independent director since 20 September 2019 up to the present
(11) Justice Antonio T. Carpio (Ret.)- will first be elected as independent director on 19 December 2022

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

Eusebio H. Tanco, 73, Filipino, Chairman of the Board, Executive Director

Mr. Tanco has been Chairman of STI Holdings since March 17, 2010. He is also the Chairman of the Executive Committee of STI Holdings.

Mr. Tanco is Chairman of the Board and President of Prudent Resources, Inc., First Optima Realty Corp, Amina, Inc., and Prime Power Holdings Corporation. He is the Chairman of the Executive Committee and Director of STI ESG and the Chairman of Mactan Electric Company, Philippines First Insurance Co. Inc., Venture Securities Inc., GROW Vite, Inc., Delos Santos-STI College, STI West Negros University, iACADEMY, and Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.) He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is President of Total Consolidated Asset Management, Inc., Eujo Phils, Inc., Cement Center Inc., First Optima Realty Corp, Biolim Holdings and Management Corp (formerly Rescom Developers Inc.), Tantivy Holdings, Inc. (formerly, Insurance Builders, Inc.), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc.), Marbay Homes Inc., Global Resource for Outsourced Workers, Inc., Amina, Inc., International Hardwood & Veneer Corp, and CEO of Classic Finance Inc.

Mr. Tanco is also a director in PhilPlans First, Inc., Maestro Holdings, Inc. (formerly STI Investments, Inc.), Philippine Life Financial Assurance Corp., STI West Negros University, Manila Bay Spinning Mills, Inc., United Coconut Chemicals, Inc., MB Paseo, Philippine Health Educators, Inc., PhilhealthCare, Inc., Philippine Racing Club, Inc. and Leisure and Resorts World Corporation.

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

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

Monico V. Jacob, 77, Filipino, President and CEO, Executive Director

Mr. Jacob has been the President and CEO of STI Holdings since March 17, 2010. He is likewise a member of the Executive Committee of STI Holdings.

Mr. Jacob is the Vice-Chairman and CEO of STI Education Services Group, Inc., and Chairman of STI West Negros University. He is also the President of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Maestro Holdings, Inc. (formerly STI Investments, Inc.) and Tantivy Holdings, Inc. (formerly, Insurance Builders, Inc.)

Mr. Jacob is the Chairman of Philippine Life Financial Assurance Corporation, Philhealthcare, Inc., Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc., and Rosehills Memorial Phils., Inc. He is also the President of PhilPlans First, Inc.

Mr. Jacob is a non-Executive Director in Asian Terminals, Inc., and an Independent Director in Rockwell Land Corp., and Lopez Holdings Corp., Phoenix Petroleum Phils., Inc. all publicly-listed companies. He also serves as a member of the board of directors of Information and Communications Technology (iACADEMY), Inc.

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.
Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

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

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

Joseph Augustin L. Tanco, 42, Filipino, Executive Director

Mr. Tanco has been a Director of STI Holdings since 27 October 2010. He is likewise the Vice President for Investor Relations.

Mr. Tanco is the Chairman of the Board of PhilPlans First, Inc.

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

Mr. Tanco serves as Director and member of the Corporate Governance Committee of STI Education Services Group, Inc., Director and Vice President of Eujo Phils. Inc., Director of Maestro Holdings, Inc. (formerly STI Investments, Inc.), iACADEMY, PhilsFirst Insurance Corporation, STI West Negros University, Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Prime Power Holdings Corporation, Global Resource for Outsourced Workers (GROW), Venture Securities, Inc., Bloom with Looms Logistics, Inc. (formerly Southern Textiles Mills, Inc.) and Biolim Holdings & Management Corporation (formerly Rescom Developers, Inc.).

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

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

Ma. Vanessa Rose L. Tanco, 44, Filipino, Executive Director

Ms. Tanco has been a Director of STI Holdings since 27 October 2010.

Ms. Tanco also holds directorships at STI West Negros University, STI ESG, PhilPlans First, Inc., and Philhealthcare, Inc. Currently, she is the President and CEO of Information and Communications Technology Academy, Inc. or popularly known as iACADEMY.

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

Martin K. Tanco, 56, Filipino, Non-Executive Director

Mr. Tanco has been a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive and Audit and Risk Committees of STI Holdings.

Mr. Tanco is the Director for Investment of Philplans First, Inc. He is the President of the Philfirst Condominium Association and Vice President of Manila Bay Thread Corporation (formerly Coats Manila Bay).

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

Paolo Martin O. Bautista, 53, Filipino, Executive Director

Mr. Bautista has been a Director of STI Holdings since 19 December 2012. He is likewise the Chief Investment Officer, Head of Corporate Strategy and the Chief Risk Officer, of STI Holdings.

Mr. Bautista is also a director of STI Education Services Group, Inc.

Mr. Bautista is a director of Maestro Holdings, Inc. (formerly STI Investments, Inc.), PhilLife and Philplans. He is also an advisor to its Investment Committees. He has over 20 years' experience in the areas of corporate finance, mergers and acquisition, debt and equity capital markets, credit risk management and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at Investment Banking Division of Credit Suisse.

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

Jesli A. Lapus, 73, Filipino, Non-Executive Director

Mr. Lapus was first elected as an Independent Director of STI Holdings on 4 October 2013. He served as the Chairman of the Audit and Risk Committee as well as a member of the Corporate Governance Committee and Related Party Transactions Committee of STI Holdings.

Mr. Lapus will be nominated and first elected as a non-executive director of STI Holdings on 19 December 2022.

Mr. Lapus was first elected as Chairman and Independent Director of STI ESG on 25 September 2013. He also served as a member of the Executive and Corporate Governance Committees as well as the Chairman of the Audit and Risk Committee of STI ESG. He will be elected as a Non-Executive Director of STI ESG on 16 December 2022.

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

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

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

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

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

Robert G. Vergara, 61, Filipino, Independent Director

Mr. Vergara has been an Independent Director of STI Holdings since 27 July 2017. He is the Chairman of the Corporate Governance Committee and a member of the Audit and Risk and Related Party Transactions Committees of STI Holdings.

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

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

He was elected as Director of Manila Polo Club on 24 August 2020.

He was also elected Director of Cabanatuan Electric Corporation on 26 June 2010 up to the present. He was elected Chairman in August 2022.

Mr. Vergara served as the President and General Manager of the Government Service Insurance System from September 2010 to October 2016.

Mr. Vergara was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Limited from October 2006 to September 2010. He was also a Limited Partner in Cannizaro Capital Partners LLP from October 2006 to September 2010. From 2002 to 2006, Mr. Vergara was the Managing Director of Lionhart (Hong Kong) Ltd.

Mr. Vergara was a Principal in Morgan Stanley Dean Witter Asia Ltd. from 1997-2001. He also served as the Managing Director of IFM Asia Ltd. from 1990 to 1997.

Mr. Vergara obtained his Master in Business Administration from Harvard Graduate School of Business Administration. He graduated Magna Cum Laude from Ateneo De Manila University with Bachelor of Science degrees in Management Engineering and Mathematics.

Ma. Leonora Vasquez- De Jesus, 71, Filipino, Independent Director

Ms. Vasquez-De Jesus has been an independent director of STI Holdings since 20 September 2019. She is the Chairperson of the Related Party Transactions Committee as well as a member of the Audit and Risk and Corporate Governance Committees.

She is currently an independent director of BDO-One Network Bank, Inc., a position which she has held since September 2018.

Ms. Vasquez-De Jesus is a director of Risks, Opportunities Assessment and Management Corporation, which is accredited by the Securities and Exchange Commission as a Corporate Governance Seminars provider. She has been a director of said corporation since 2011 up to the present.

From 18 September 2014 to 30 June 2019, Ms. Vasquez-De Jesus served as the University President of Pamantasan ng Lungsod ng Maynila. In addition, she was a Senior Professional Lecturer at the De La Salle University Graduate School of Business. From 29 October 2015 up to October 2018, she was also a member of the Board of Governors of the Phil. National Red Cross.

She served as Head of Presidential Management Staff and Cabinet Secretary during the Ramos and Estrada Administrations, respectively. Her former government engagements include Presidential Adviser for Housing, Urban & Social Development under the Office of the Vice President of the Philippines.

Ms. Vasquez-De Jesus obtained her Ph.D and M.A. in Psychology from the University of the Philippines-Diliman. She graduated Cum Laude from the University of the Philippines-Diliman with a degree in A.B. Psychology.

Raymond Anthony N. Alimurung, 49, Filipino, Independent Director

Mr. Alimurung has been an independent director of STI Holdings since September 20, 2019. He is a member of the Audit and Risk, Corporate Governance and Related Party Transactions Committees.

He is currently the Chairman and Senior Advisor to Group CEO of Lazada, Philippines, which is the leading e-commerce marketplace in South East Asia. He served as CEO from June 2019 to June 2022. Previously, he served as the Chief Commercial Officer of Lazada from April 2016 to June 2018 as well as the Regional Head for Customer Service and its Philippines VP, Business Development from June 2012 to May 2013.

From April 2014 up to April 2016, he was the CEO of eCommerce Philippines, a leading B2C ecommerce solutions provider in South East Asia.

From May 2013 to March 2014, he was the VP for Business Development and Strategy of Citadel Holdings, a Philippine conglomerate with investments in telecommunications, petroleum and aviation services in the Philippines.

Mr. Alimurung obtained his MBA from the Stanford Graduate School of Business. He also holds a Doctor of Medicine from the University of the Philippines College of Medicine where he graduated in the top fifteen percent (15%) of his class. He graduated Cum Laude from the Ateneo De Manila University with a degree in BS Biology.

Justice Antonio T. Carpio (Ret.), 73, Filipino, Independent Director

Justice Antonio T. Carpio is a retired Justice of the Supreme Court of the Philippines. He served in the Supreme Court for 18 years from 2001 to 2019. He obtained his law degree from the College of Law of the University of the Philippines, where he graduated valedictorian and cum laude in 1975. He earned his undergraduate degree in Economics from Ateneo de Manila University in 1970.

Fresh out of law school, Justice Carpio went into private practice and founded the Carpio Villaraza and Cruz Law firm. He was a Professorial Lecturer of the U.P. College of Law from 1983 until 1992 when he was appointed Chief Presidential Legal Counsel, with cabinet rank, by then President Fidel V. Ramos. Justice Carpio was a member of the Board of Regents of the University of the Philippines from 1993 to 1998.

For his "distinguished and exemplary service" to the Republic, Justice Carpio was awarded in 1998 the Presidential Medal of Merit by then President Fidel V. Ramos. In 2015, he was named an Outstanding Alumnus in Public International Law by the UP Alumni Association.

In 2015, the Department of Foreign Affairs sponsored Justice Carpio on a world lecture tour on the West Philippine Sea dispute. Justice Carpio presented the Philippines' perspective on the dispute before think-tanks and universities in 30 cities covering 17 countries.

In May 2017, Justice Carpio published the book titled "The South China Sea Dispute: Philippine Sovereign Rights and Jurisdiction in the West Philippine Sea."

For his adherence to the Rule of Law and defense of Philippine sovereignty and sovereign rights in the West Philippine Sea, both his alma mater, the University of the Philippines and the Ateneo de Manila University, conferred on him the Doctor of Laws, honoris causa, in December 2020 and May 2021, respectively. Earlier in 2009, his grade school and high school alma mater, the Ateneo de Davao University, conferred on him the Doctor of Laws, honoris causa, for his adherence to the Rule of Law. In February 2021, the De La Salle University awarded Justice Carpio the Ka Pepe Diokno Award for his defense of Philippine sovereignty and the civil liberties of the Filipino people.

Justice Carpio was the Chair of the Second Division of the Supreme Court and the Chair of the Senate Electoral Tribunal. Justice Carpio retired from the Supreme Court with a zero backlog of cases.

Yolanda M. Bautista, 70, Filipino, Treasurer

Ms. Bautista has served as the Treasurer of STI Holdings since March 17, 2010. She is likewise a member of the Executive Committee of STI Holdings.

Ms. Bautista is also the Chief Finance Officer and Treasurer of STI ESG. She is likewise a member of the Compensation and Retirement Committees of STI ESG.

She also is a member of the Board of Governors of iACADEMY and its Executive Committee. Ms. Bautista is also a member of the Board of Directors of STI West Negros University.

Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., Global Resource for Outsourced Workers, Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc.

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

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc. and DLS-STI College, Inc. She is also the Group Chief Finance Officer and Treasurer of Maestro Holdings, Inc., as well as the Chief Finance Officer and Treasurer of STI West Negros University. She is also the Treasurer of iACADEMY. She serves as Treasurer of Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation, Techzone Philippines, Inc. and Total Consolidated Asset Management, Inc.

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

Arsenio C. Cabrera, Jr., 62, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

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

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

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

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

Anna Carmina S. Herrera, 47, Filipino, Assistant Corporate Secretary

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

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

(b) Significant Employees

In general, the Company values its human resources. It expects the employees to do their share in achieving the Company's set objectives. There is no person in the Company who is not an executive officer but is expected to make significant contribution in the business of the Company.

(c) Family Relationships

Mr. Joseph Augustin L. Tanco is the son of Mr. Eusebio H. Tanco. Ms. Ma. Vanessa Rose L. Tanco is the daughter of Mr. Eusebio H. Tanco.

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

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

(d) Involvement in Certain Legal Proceedings

None of the above named directors and executive officers of the Company have been involved in any of the following events for the past five (5) years and up to the date of this SEC Form 20-IS:

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

(2) any conviction by final judgment;

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

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

(2) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Consultancy Agreement with STI ESG

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

Consultancy Agreement with STI WNU

The Parent Company entered into an agreement with STI WNU on the rendering of advisory services starting January 1, 2015.

Service Level Agreement with Comm & Sense

On March 7, 2018, a Service Level Agreement between the Parent Company and Comm & Sense, Inc. owned by Mr. Joseph Augustin L. Tanco, Director and Vice President for Investor Relations of STI Holdings, was executed. Comm & Sense is in charge of the conceptualization and execution of press releases for the Parent Company's 17-A and 17-Q reports during each fiscal year. Comm & Sense shall provide strategic public relations consultation services, media networking and monitoring and editorial/creative services to the Parent Company.

AHC

The Parent Company became a stockholder owning 40% of AHC in November 2014 following the SEC approval of the increase in the authorized capital stock of AHC. In February 2015, STI Holdings acquired the remaining 60% ownership of AHC from various individuals making it a 100% owned subsidiary.

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

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.

Advisory Agreement with iACADEMY

The Parent Company entered into an agreement with iACADEMY on the rendering of advisory services starting January 1, 2019.

To date, there are no complaints received by the Parent Company regarding related-party transactions.

For further details, refer to Note 30, Related Party Transactions, of the Audited Consolidated Financial Statements.

Transactions with Promoters

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

(3) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(1) The directors are paid ₱25,000.00 per Board of Directors/committee meetings attended by them. There is no arrangement for compensation of directors.

From FY 2018-2019 up to 2021-2022, the CEO and top four (4) executive officers as a group, did not receive compensation from the Company. There is no employment contract between the Company and any of its executive officers.

(2) The following table summarizes the aggregate compensation for the fiscal years ended March 31, 2020 and June 30, 2021 and 2022. The amounts set forth in the table below have been prepared based on what the Parent Company paid its directors and named executive officers as a group and other officers for the fiscal years ended March 31, 2020 and June 30, 2021 and 2022 and what the Parent Company expects to pay for the fiscal year ending June 30, 2023.

The compensation for board members comprises of per diems.

ANNUAL COMPENSATION

Name and Principal Position	Year Ended	Salary (₱)	Bonus (₱)	Other annual compensation (₱)
All other Officers as a Group	2020 [a]	4,243,696	-	-
	2021 [b]	5,147,471	-	-
	2022 [b]	4,816,367	-	
	2023 [c]	3,309,564		
All Named Executive Officers[d] and Board of Directors as a Group	2020 [a]			513,158
	2021 [b]			2,091,813
	2022 [b]			1,814,912
	2023 [c]			1,814,912

Notes:
[a] Year ended March 31
[b] Year ended June 30

[c] Figure is an estimated amount
[d] Named executives include: Eusebio H. Tanco (Chairman of the Board), Monico V. Jacob (President and CEO), Joseph Augustin L. Tanco (Vice President, Investor Relations), Yolanda M. Bautista (Treasurer and CFO) Paolo Martin O. Bautista (Vice President/Chief Investment Officer and Chief Risk Officer) and Atty. Arsenio Cabrera Jr. (Corporate Secretary).

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

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

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

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. ("SGV") has been the Company's External Auditors for the past years (2010 up to the present). They were reappointed in the Annual Stockholders' Meeting held on 3 December 2021, as external auditors for the ensuing fiscal year.

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

Pursuant to SRC Rule 68 Part 1 (3) (B) (ix) (Rotation of External Auditors), the Company has engaged Ms. Loubelle V. Mendoza of SGV as the Partner-in-charge of the Company. This is her first year of engagement for STI Holdings.

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

As stated in the June 30, 2022 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditors of STI Holdings. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

The Company's Audit and Risk Committee reviews and approves the scope of audit work of the External Auditor and the amount of audit fees for a given year.

The 2017 Manual on Corporate Governance provides that, the Audit and Risk Committee should evaluate and determine the non-audit work of the External Auditor, and periodically review the non-audit fees paid to him in relation to the total fees paid to the External Auditor and to the Company's overall consultancy expenses. The Audit and Risk Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence (As defined by the Code of Ethics for Professional Accountants).

In the Organizational Meeting of the Board of Directors immediately succeeding the stockholders' meeting held on 3 December 2021, the following were elected as the Chairman and Members of the Audit and Risk Committee of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

Chairman: Jesli A. Lapus, Independent Director

Members: Robert G. Vergara, Independent Director
Ma. Leonora Vasquez-De Jesus, Independent Director
Raymond Anthony N. Alimurung, Independent Director
Martin K. Tanco, Non-Executive Director

The Company engaged SGV for the annual audit covering the period from July 1, 2021 to June 30, 2022. The engagement letter dated July 4, 2022 for the year-end audit was received by the Company on the same date.

The following information pertains to their fees and charges (amounts in thousands):

	Year ended June 30, 2022	Year ended June 30, 2021	Three-month period ended June 30, 2020
Audit fees	₱1,550	₱1,468	₱390
Special audit fees*	-	₱ 440	-

*Represents fees for the comparative June 30, 2021 and 2019 full year Statements of Comprehensive Income special audit

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other Than For Exchange

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Company.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Company, or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

No action will be taken with respect to the acquisition or disposition by the Company of any property.

Item 14. Restatement of Accounts

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 3 December 2021 Annual Stockholders' Meeting. The Minutes of the 3 December 2021 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Rules of Conduct and Voting Procedures
4. Declaration of Dividends
5. Approval of the Minutes of the 20 November 2020 Annual Shareholders' Meeting
6. Presentation of Management Report
7. Approval of Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2021
8. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 20 November 2020 up to 3 December 2021
9. Amendment of the Second Article of the Articles of Incorporation to include as part of the secondary purposes the authority of the Company to act as a corporate surety and to guarantee the loan obligations of its subsidiaries and affiliates
10. Delegation to the Board of Directors of the Power to Amend the By-Laws
11. Election of Directors
12. Appointment of External Auditor
13. Adjournment

Item 16. Matters Not Required to be Submitted

The Board of Directors and Management have the power to act as agents of the Company based on statute, charter, by-laws or in delegation of authority to an officer from the acts of the Board, formally expressed or implied from a habit or custom of doing business. In this regard, where an officer has been entrusted with the general management and control of the Company's business, that officer is considered to possess an implied authority to enter into any contract or do any other act which is necessary or appropriate for the conduct of the ordinary business of the Company.

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 3 December 2021 up to 19 December 2022. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 19 December 2021 include, among others: (a) the appointment of officers; (b) the opening of bank accounts and the appointment of signatories; (c) execution of contracts in the ordinary course of business; and (d) the approval of Audited Financial Statements.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 3 December 2021 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

Item 17. Amendment of Charter, By-laws or Other Documents

There are no amendments to the Articles of Incorporation or the By-Laws of the Company that will be presented for approval to the stockholders during the Annual Stockholders' Meeting.

Item 18. Other Proposed Action

There are no proposed actions that will be presented for the approval of the shareholders during the Annual Stockholders' Meeting.

Item 19. Voting Procedures

(1) Vote required

Each common share entitles the holder to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter shall be entitled to vote for each share of stock standing in his name in the books of the Company as of record date. Only those shareholders who have notified the Company of their intention to participate in the meeting by remote communication, together with the stockholders who voted in absentia and by proxy, will be included in the determination of quorum at the meeting. By participating remotely and by proxy, a stockholder shall be deemed present for purposes of quorum. The vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.

In the election of directors, the eleven (11) nominees garnering the highest number of votes will be elected as members of the Board of Directors, provided that there shall always be at least three (3) independent directors. Each stockholder may vote the shares registered in his name in person or by proxy for as many persons as there are directors, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

(2) Method

A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on 12 December 2022. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting.

Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to a designated email address not later than 12 December 2022 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

The Company will seek the approval of the following:

(a) Approval of the Minutes of the Annual Stockholders' Meeting held on 3 December 2021

(b) Approval of Management Report

(c) Approval of the Parent and Consolidated Audited Financial Statements as at and for the fiscal year ending 30 June 2022

(d) Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business, from 3 December 2021 to 19 December 2022

(e) Election of Directors

(f) Appointment of external auditor

Discussion on Compliance with Leading Practices on Corporate Governance

On 27 January 2020, the Company submitted to the SEC, a duly notarized Certification issued by the Compliance Officer, stating that the Company had substantially adopted all the provisions of the Revised Code of Corporate Governance, as prescribed by SEC Memorandum Circular No. 9, Series of 2014, as amended.

The Company is exerting all efforts to further strengthen compliance to principles and practices of good corporate governance. Once in a year, it organizes an in-house corporate governance seminar for all the directors and key officers of STI Holdings and its subsidiaries and affiliate companies.

The Company's Board of Directors and Management, employees and Stockholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

The purpose of the Company is to maximize the organization's long-term success, creating sustainable value for its stockholders, stakeholders and the nation.

The Company ensures that it has at least two (2) independent directors, or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is higher, but in no case less than two (2). Presently, there are four (4) incumbent independent directors on the Board.

The 2021 Integrated Annual Corporate Governance Report of STI Holdings was submitted to the SEC and PSE on 30 May 2022 and posted in the Company's Official Website http://www.stiholdings.com/ on the same day.

Discussion on the Requirements of Section 49 of the Revised Corporation Code

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the 3 December 2021 Annual Stockholders' Meeting with the directors, officers and stockholders who attended the meeting is attached hereto as Annex "F".

The attendance of the directors in the Board and stockholders' meetings held for the calendar year 2021 is as follows:

Board	Name	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman	Eusebio H. Tanco	3	3	100%
Director	Monico V. Jacob	3	3	100%
Director	Joseph Augustin L. Tanco	3	3	100%
Director	Ma. Vanessa Rose L. Tanco	3	2	66.67%
Director	Martin K. Tanco	3	3	100%
Director	Paolo Martin O. Bautista	3	3	100%
Independent Director	Jesli A. Lapus	3	3	100%
Independent Director	Robert G. Vergara	3	3	100%
Independent Director	Ma. Leonora Vasquez-De Jesus	3	3	100%
Independent Director	Raymond Anthony N. Alimurung	3	3	100%

The 2021 Self-Evaluation Performance Report of the Board of Directors was presented during the 10 October 2022 meeting of the Board of Directors. The results are as follows:

	2020	2021
Individual Directors	4.65	4.47
Board of Directors	4.63	4.54
Board Committees	4.18	4.18

The Board noted that a rating of 4 indicated that the performance exceeds expectations or that performance is above standard and meets objectives.

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into related party transactions. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Company in 2021.

UNDERTAKING TO PROVIDE SEC FORM 17-A AND SEC FORM 17-Q

STI EDUCATION SYSTEMS HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A AS OF 30 JUNE 2022 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2022. SUCH WRITTEN REQUESTS SHOULD BE ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 21 November 2022.

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROBERT G. VERGARA,** Filipino, of legal age, with residence address at 1489 Carissa St. Dasmariñas Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 27 July 2017 to present.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
Cabanatuan Electric Corporation	Chairman/ Director	27 August 2022 to present 26 June 2010 to present
Manila Polo Club, Inc.	Director/Treasurer	24 August 2020 to present
Metro Pacific Health	Independent Director	9 December 2019 to present
SM Investments Corporation	Independent Director	24 April 2019 to present
Vergara Advisory Management, Inc.	President/Director	June 2018 to present
STI Education Services Group, Inc.	Independent Director	27 July 2017 to present
SEA CREST Fund	Director	30 March 2009

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, Inc. as provided for in Section 38 of the Securities and Exchange Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Systems Holdings, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Systems Holdings, Inc. of any changes in the abovementioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Director on this ___th day of 22 OCT 2022 2022 at Makati City.

ROBERT G. VERGARA

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

22 OCT 2022

SUBSCRIBED AND SWORN to before me this __th day of ____________ 2022 at Makati City, affiant personally appeared and exhibited to me his Passport No. P5668049B issued on 21 October 2020 at DFA Manila.

Doc. No. 282;
Page No. 58;
Book No. XVI;
Series of 2022.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Extended until 31 December 2022
(PER SUPREME COURT EN BANC RESOLUTION DATED JULY 5, 2022 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8855037 / Makati / 04 January 2022
IBP No. 167544 / Batangas / 19 November 2021
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MA. LEONORA VASQUEZ-DE JESUS**, Filipino, of legal age, with residence address at Unit 2901-A, Ritz Towers, Ayala Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 20 September 2019 to present.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
BDO- One Network Bank, Inc.	Independent Director	Sept. 2018 to present
Risks, Opportunities Assessment and Management Corporation	Director	2011 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Systems Holdings, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Systems Holdings, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this 08 NOV 2022 th day of November 2022 at Makati City.

MA. LEONORA VASQUEZ-DE JESUS

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

0 8 NOV 2022

SUBSCRIBED AND SWORN to before me this __th day of November 2022 at Makati City, affiant personally appeared to me and exhibited to me her Passport No. P61450770 issued on 22 February 2018 at DFA Manila.

Doc. No. 430;
Page No. 79;
Book No. XVI;
Series of 2022.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Extended until 31 December 2022
ER SUPREME COURT EN BANC RESOLUTION DATED JULY 5, 2022 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8855037 / Makati / 04 January 2022
IBP No. 167544 / Batangas / 19 November 2021
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

Annex "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAYMOND ANTHONY N. ALIMURUNG,** Filipino, of legal age, with residence address at 90 Berlin Avenue, Capitol Homes, Matandang Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 20 September 2019 to present.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
Lazada Philippines	Chairman and Senior Advisor to Group CEO	July 2022 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Systems Holdings, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Systems Holdings, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors on this 15 NOV 2022 __th day of November 2022 at Makati City.

RAYMOND N. ALIMURUNG

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

15 NOV 2022

SUBSCRIBED AND SWORN to before me this ___th day of November 2022 at Makati City, affiant personally appeared to me and exhibited to me his Tax Identification No. 212-599-852.

Doc. No. 486;
Page No. 91;
Book No. XVI;
Series of 2022.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Extended until 31 December 2022
(PER SUPREME COURT EN BANC RESOLUTION DATED JULY 5, 2022 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8855037 / Makati / 04 January 2022
IBP No. 167544 / Batangas / 19 November 2021
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

Annex "D"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUSTICE ANTONIO T. CARPIO (Ret.)**, Filipino, of legal age, with residence address at 16-B Avignon TWR 144 HV Dela Costa, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc..

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
Megatron Holdings Inc.	President	2020 to present
Bernardo and Sol Carpio Foundation Inc.	Director	2020 to present
1sambayan Corporation	Chairman	2022 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of STI Education Systems Holdings, Inc., as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to the directors/officers/substantial shareholders of STI Education Systems Holdings, Inc. other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not in government service nor affiliated with a government agency or GOCC.

7. I shall inform the Corporate Secretary of STI Education Systems Holdings, Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

IN WITNESS WHEREOF, I have executed this Certification of Independent Director on this 14 NOV 2022 day of November 2022 at Makati City.

JUSTICE ANTONIO T. CARPIO

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

SUBSCRIBED AND SWORN to before me this 14 NOV 2022 day of November 2022 at Makati City, affiant personally appeared to me and exhibited to me his Driver's License N11-69-037194 issued on 17 October 2022 at Department of Transportation, Land Transportation Office, Philippines and Senior Citizen's Identification No. 34760 issued on 26 October 2009 at Makati City.

Doc. No. 473;
Page No. 88;
Book No. XVI;
Series of 2022.

FELIPPE MART E. CLOSA NOTARY PUBLIC ROLL NO. 58673 MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Extended until 31 December 2022
(PER SUPREME COURT EN BANC RESOLUTION DATED JULY 5, 2022 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8855037 / Makati / 04 January 2022
IBP No. 167544 / Batangas / 19 November 2021
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

Annex "E"

SECRETARY'S CERTIFICATE

I, **ARSENIO C. CABRERA, JR.**, Filipino, of legal age, with office address at 5/F SGV II Building, 6758 Ayala Avenue, Makati City, after having sworn in accordance with law, hereby depose and state that:

1. I am the Corporate Secretary of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Corporation"), a corporation duly organized and existing, under and by virtue of Philippine laws with office address at the 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

2. I hereby certify that no director or officer of the Corporation is connected with any government agency or government instrumentalities.

3. The foregoing is in accordance with the records of the Corporation in my possession.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 8th day of November 2022 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 8th day of November 2022 in Makati City, affiant exhibiting to me his Passport No. P6534927B issued on 23 March 2021 at DFA NCR South.

Doc. No. 423;
Page No. 78;
Book No. XVI;
Series of 2022.

FELIPPE MART E. CLOSA NOTARY PUBLIC ROLL NO. 58673 MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-195
Extended until 31 December 2022
PER SUPREME COURT EN BANC RESOLUTION DATED JULY 5, 2022 PURSUANT TO B.M. NO. 3795)
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 8855037 / Makati / 04 January 2022
IBP No. 167544 / Batangas / 19 November 2021
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

Annex "F"

**MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF
STI EDUCATION SYSTEMS HOLDINGS, INC.**

Held on 3 December 2021, 2:30 p.m.
Conducted virtually via remote communication

PRESENT:	NO. OF SHARES
Total Number of Shares Present in Person	**1,967,419,547**
Total Number of Shares Present by Proxy	**5,420,530,624**
Total Number of Shares Represented In Person and By Proxy	**7,387,950,171**
Total Outstanding Shares:	**9,904,806,924**
Attendance Percentage to Total Outstanding Shares	**74.59%**

I. CALL TO ORDER

The Chairman, Mr. Eusebio H. Tanco, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., recorded the minutes of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

(a) In accordance with the Securities and Exchange Commission's Notice dated 20 April 2020 and the provisions of the Securities Regulation Code, notice for this meeting was published in the business section of two (2) newspapers of general circulation, namely: The Philippine Star and The Manila Standard, in print and online format, for two (2) consecutive days at least twenty-one (21) days prior to the date of this meeting;

(b) Electronic copies of the Definitive Information Statement and its attachments were also made available on the Corporation's website and the PSE Edge portal;

(c) Accordingly, stockholders of record as of 29 October 2021 were notified of this meeting. The stockholders were also notified of the internal guidelines of the Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(c) Present in person and represented in proxy are 7,387,950,171 shares or 74.59% of the total issued and outstanding capital stock of Nine Billion Nine Hundred Four Million Eight Hundred Six Thousand Nine Hundred Twenty Four (9,904,806,924) shares of the Corporation, and that a quorum existed for the valid transaction of business.

The Affidavit(s) of Publication dated 17 November 2021 executed by The Philippine Star and The Manila Standard, respectively attesting the publication of the notice of this meeting are attached hereto as Annexes "A" and "B", respectively.

III. RULES OF CONDUCT AND VOTING PROCEDURES

Since the Corporation is conducting the meeting through remote communication in a virtual format, the Chairman requested the Corporate Secretary to share the rules of conduct and voting procedure for this meeting.

Thereafter, the Corporate Secretary explained that "Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy" for this meeting were made available in the Corporation's website, the Definitive Information Statement and in the Explanation of Agenda items which forms part of the Notice of the Annual Stockholders' Meeting. He emphasized the following points:

1. Only stockholders whose Letter(s) of Intent or proxy forms have been validated or verified were allowed to cast their votes for this meeting through the voting portal.

2. Resolutions proposed to be approved by the stockholders under the Agenda will be shown on the screen as it is being taken up.

3. Votes cast as of 26 November 2021 for each proposed resolution have been tabulated and results will be announced during the meeting.

4. A detailed result of the tabulation of the votes cast indicating the affirmative votes, negative votes and abstentions will be reflected in the Minutes of this meeting.

5. Relevant questions which have been submitted on or before 26 November 2021 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. DECLARATION OF DIVIDENDS

The Chairman announced to the stockholders that, at the Meeting of the Board of Directors held earlier that morning, the Board approved the declaration of cash dividends in the amount of Php0.01 per share or an aggregate amount of Ninety Nine Million Forty Eight Thousand Sixty Nine Pesos (Php99,048,069.00) (the "Cash Dividends") from the unrestricted retained earnings of the Company as of 30 June 2021 based on the Parent Company Audited Financial Statements as of 30 June 2021.

The Cash Dividends are payable to stockholders of record as of 6 January 2022 and shall be payable on or before 31 January 2022, upon compliance with all necessary regulations.

V. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 20 November 2020 were uploaded for inspection on the Corporation's website.

The Corporate Secretary presented the resolution proposed by Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

> *"**RESOLVED**, that the Minutes of the Annual Stockholders' Meeting held on 20 November 2020 as appearing in the Minutes Book of the Corporation be approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Minutes of the Annual Stockholders; Meeting held on 20 November 2020 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171		
% of Shares of Shareholders Present	100%		

VI. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Monico V. Jacob, rendered the Management Report for Fiscal Year 2020-2021. A copy of the Management Report for Fiscal Year 2020-2021 is attached hereto as Annex "C".

Thereafter, the Corporate Secretary presented the resolution proposed by Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*"**RESOLVED**, that the Management Report for Fiscal Year 2020-2021 be noted and approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Management Report for Fiscal Year 2020-2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171		
% of Shares of Shareholders Present	100%		

VII. APPROVAL OF PARENT AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE FISCAL YEAR ENDED 30 JUNE 2021.

The Corporate Secretary stated that copies of the Corporation's Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2021 were included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

Thereafter, the Corporate Secretary presented the resolution proposed by the Audit and Risk Committee and Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

*"**RESOLVED**, that the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2021 as discussed in the Annual Report be noted and approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171		
% of Shares of Shareholders Present	100%		

VIII. RATIFICATION OF LEGAL ACTS, PROCEEDINGS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND OF MANAGEMENT.

The Corporate Secretary stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders since the 20

November 2020 Annual Stockholders' Meeting up to today's meeting has been included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

Thereafter, the Corporate Secretary presented the resolution proposed by Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

> "***RESOLVED****, that all legal acts, proceedings and resolutions of the Board of Directors and of Management, done in the ordinary course of business, since the 20 November 2020 Annual Stockholders' Meeting up to 3 December 2021 be approved, confirmed and ratified."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the legal acts, proceedings and resolutions of the Board of Directors and of Management of the Corporation, done in the ordinary course of business, since the Annual Stockholders' Meeting held on 20 November 2020 up to 3 December 2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171		
% of Shares of Shareholders Present	100%		

IX. AMENDMENT OF ARTICLES OF INCORPORATION

The Chairman stated that the next item on the agenda is the amendment of the Articles of Incorporation. The Chairman requested the Corporate Secretary to explain this matter.

The Corporate Secretary stated that, as indicated in Item 17 on page 25 of the Definitive Information Statement, the Second Article of the Articles of Incorporation shall be amended to include as part of the secondary purposes the authority of the Corporation to act as a corporate surety and to guarantee the loan obligations of its subsidiaries and affiliates.

The Corporate Secretary stated that the affirmative vote of stockholders owning at least 2/3 of the outstanding voting capital stock of the Corporation is necessary to approve the amendment of the Second Article of the Articles of Incorporation.

Thereafter, the Corporate Secretary presented the resolution proposed by Management and, based on the votes received, reported the approval by the stockholders of the following resolutions which were shown on the screen:

*"**RESOLVED**, That the secondary purpose of the Corporation be amended to include the authority of the Corporation to act as a corporate surety and to guarantee the loan obligations of its subsidiaries and affiliates;*

*"**RESOLVED FINALLY**, That Article II of the Articles of Incorporation be, as it is hereby amended in part to read as follows:*

"s. To act as corporate surety, guarantor or joint and solidary obligor for obligations and liabilities incurred by its subsidiaries and affiliates which would redound to the benefit of the Corporation."

As tabulated, the votes for the adoption of the foregoing resolutions providing for the amendment of the Second Article of the Articles of Incorporation to include as part of the secondary purposes the authority of the Corporation to act as a corporate surety and to guarantee the loan obligations of its subsidiaries and affiliates are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171 or 74.59% of the issued and outstanding capital stock		

X. DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO AMEND THE BY-LAWS OF THE CORPORATION

The Chairman stated that the next item on the agenda is the delegation to the Board of Directors of the power to amend the By-Laws of the Corporation. The Chairman requested the Corporate Secretary to explain this matter.

The Corporate Secretary stated that, as indicated in Item 18 on page 25 of the Definitive Information Statement, the Corporation is seeking the approval of the shareholders for the delegation to the Board of Directors of the power to amend the By-Laws of the Corporation to, among others, make these By-Laws compliant with the provisions of the Revised Corporation Code.

The Corporate Secretary stated that the affirmative vote of stockholders owning at least 2/3 of the outstanding voting capital stock of the Corporation is necessary to approve the delegation to the Board of Directors of the power to amend the By-Laws.

Thereafter, the Corporate Secretary presented the resolution proposed by Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

> *"**RESOLVED**, That the power to amend the By-Laws of the Corporation is hereby delegated by the stockholders to the Board of Directors, under the terms set forth in Section 47 of the Revised Corporation Code."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the delegation to the Board of Directors of the power to amend the By-Laws of the Corporation under the terms set forth in Section 47 of the Revised Corporation Code are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,608,171 or 74.586% of the issued and outstanding capital stock	342,000 or 0.00% of the issued and outstanding capital stock	-

XI. ELECTION OF DIRECTORS

The Corporate Secretary stated that the Articles of Incorporation of the Corporation provides for eleven (11) directors, three (3) of which are required to be independent directors.

Under the Corporation's By-Laws and 2017 Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

The Corporate Governance Committee shall pre-screen the qualifications and prepare a Final List of all Candidates for directors. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors.

The Final List of Candidates for directors as determined by the Corporation's Corporate Governance Committee, and as disclosed in the Corporation's Definitive Information Statement, are:

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Joseph Augustin L. Tanco
4. Ma. Vanessa Rose L. Tanco

5. Martin K. Tanco
6. Rainerio M. Borja
7. Paolo Martin O. Bautista

For Independent Directors:

8. Jesli A. Lapus
9. Robert G. Vergara
10. Ma. Leonora Vasquez-De Jesus
11. Raymond N. Alimurung

Thereafter, the Corporate Secretary reported the result of the tabulation of the votes cast as follows:

Nominee	*Votes*
Eusebio H. Tanco	*81,267,451,881*
Monico V. Jacob	*81,267,451,881*
Joseph Augustin L. Tanco	*81,267,451,881*
Maria Vanessa Rose L. Tanco	*81,267,451,881*
Martin K. Tanco	*81,267,451,881*
Rainerio M. Borja	*81,267,109,881*
Paolo Martin O. Bautista	*81,267,451,881*
Jesli A. Lapus (Independent Director)	*81,267,451,881*
Robert G. Vergara (Independent Director)	*81,267,451,881*
Ma. Leonora Vasquez De-Jesus (Independent Director)	*81,267,451,881*
Raymond N. Alimurung (Independent Director)	*81,267,451,881*

The Corporate Secretary certified that the eleven (11) nominees mentioned in the Final List of Candidates for directors prepared by the Corporation's Corporate Governance Committee have received sufficient votes for election to the Board of Directors and they shall serve as such for the ensuing year until the election and qualification of their successors.

XII. APPOINTMENT OF EXTERNAL AUDITOR

The Corporate Secretary stated that the present external auditor of the Corporation is the auditing firm of SyCip Gorres Velayo and Co. ("SGV"). The handling partner of SGV is rotated at least once every 7 years, in compliance with the 7-year limit under the Securities Regulation Code. The Corporate Secretary acknowledged the presence of the following partners of SGV at the Annual Stockholders' Meeting.

SGV Partner	Position
Benjamin N. Villacorte	Assurance Partner
Wilson P. Tan	Managing Partner
Noel P. Rabaja	Tax Partner

Thereafter, the Corporate Secretary presented the resolution proposed by the Audit Committee and Management and, based on the votes received, reported the approval by the stockholders of the following resolution which was shown on the screen:

> *"**RESOLVED**, that the auditing firm of SyCip Gorres Velayo & Co. be, as it is hereby, appointed as external auditor of the Corporation for Fiscal Year 2021-2022."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the appointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for Fiscal Year 2021-2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,387,950,171		
% of Shares of Shareholders Present	100%		

XIII. OTHER MATTERS

The Corporate Secretary stated that, as of 26 November 2021, the cut-off date for submission of questions and/or queries on the Management Report for Fiscal Year 2020-2021, no questions and/or queries were submitted to the Corporation.

XIV. ADJOURNMENT

There being no other business to transact, the meeting was adjourned upon motion duly made and seconded.

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:

EUSEBIO H. TANCO
Chairman

Annex "A"

REPUBLIC OF THE PHILIPPINES) s.s.
QUEZON CITY)

AFFIDAVIT OF PUBLICATION

I, **EMMA V. DOROTEO**, of legal age, single, Filipino and with office address at c/o **PhilSTAR Daily, Inc.,** 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila, after being duly sworn to in accordance with law, depose and state:

That I am the **BILLING & COLLECTION MANAGER** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at 202 Railroad Street corner Roberto S. Oca Street, Port Area, Manila.

That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.

That the order of
STI Education Systems Holdings, Inc.

captioned as follows:
Notice of Annual Stockholders' Meeting

Please see attached printed text which had been published in **The Philippine STAR** in its issues of:
November 11; 12; 2021

FURTHER AFFIANT SAYETH NAUGHT.
QUEZON City, Philippines

Emma V. Doroteo
EMMA V. DOROTEO
Affiant

SUBSCRIBED AND SWORN to before me this NOV 17 2021 day of affiant exhibited to me her Unified Multi-Purpose ID (UMID) CRN No. 0003-8049504-7.

ATTY. GARY A. SANCIO
Notary Public
Until December 31, 2022
Adm. Matter No. NP-146 2021-2022
Roll No. 44261
IBP No. 1082447/06-30-17/Q.C.
PTR No.0699756/01-08-2021/QC

Doc. No. 906
Page No. 83
Book No. XIX
Series of 2021

Annex "B"

Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

STI HOLDINGS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

[illegible]

Corporate Secretary

AFFIDAVIT OF PUBLICATION

I, Mario R. Policarpio Jr., Chief Accountant of Manila Standard, with office address at 6th Floor Universal Re Building, 106 Paseo de Roxas, Makati City, hereby depose and state that:

Manila Standard is a newspaper of general circulation and is distributed nationwide;

Manila Standard at the same time, publishes its online version through its website https://manilastandard.net;

Manila Standard is qualified to publish all kinds of judicial notices.

Manila Standard published on

November 11 & 12, 2021

a Notice:

STI EDUCATION SYSTEMS HOLDINGS

RE : NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 17TH day of NOV 2021 in Makati City.

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 17TH day of NOV, 2021 in Makati City, affiant exhibiting to me his SSS No. 33-0476897-7.

ATTY. [illegible] CALARRITA
NOTARY PUBLIC [illegible] MAKATI CITY
[illegible] 31, 2021
APPOINTMENT [illegible] 264 (2020-2021)
PTR NO. [illegible] / MAKATI CITY
IBP NO. [illegible] / QUEZON CITY
MCLE COMPLIANCE NO. VI-0021190 / 07-09-2018
2nd FLOOR ALPHA LAND TOWER MAKATI CITY
ROLL OF ATTORNEY'S NO. 5451

Doc. No.: [illegible]
Page No.:
Book No.:
Series of 2021

MANAGEMENT REPORT

Group History and Structure

STI Education Systems Holdings, Inc.

STI Education Systems Holdings, Inc. ("STI Holdings" or the "Parent Company") was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation in 1946. After many years of operations as part of the Jardine-Matheson group, STI Holdings was sold to local Philippine investors in 2006. In March 2010, it became part of the Tanco Group of Companies.

STI Holdings is the holding company within the Tanco Group that drives investment in its education business. It is a publicly-listed company in the Philippine Stock Exchange ("PSE") and its registered office address and principal place of business is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City. Unless indicated otherwise or the context otherwise requires, reference to the "Group" are to STI Holdings and its subsidiaries.

In June and August 2012, the Board of Directors and stockholders of the Parent Company, respectively, approved the share-for-share swap transaction (the "Share Swap") between the shareholders of the Parent Company and the shareholders of STI Education Services Group, Inc. ("STI ESG Shareholders") and the corresponding increase in the Company's authorized capital stock from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion. The Securities and Exchange Commission ("SEC") approved both the Share Swap and increase in authorized capital stock in September 2012.

In the latter part of August 2012, the Board of Directors of STI Holdings approved the offering and issuance by way of a follow-on offering of up to a maximum of 3 billion common shares of the Parent Company. The Offer, comprised of Primary Offering, Secondary Offering and the Over Allotment Option were all executed and completed in November 2012 where a total of 2,900,000,000 shares were issued following its listing in the PSE.

As of June 30, 2022 and June 30, 2021, STI Holdings has outstanding shares totaling 9,904,806,924 out of its authorized capital stock of 10 billion shares.

STI Holdings has 4 subsidiaries as of June 30, 2022, namely: STI Education Services Group, Inc. ("STI ESG"), STI West Negros University, Inc. ("STI WNU"), Information and Communications Technology Academy, Inc. ("iACADEMY"), and Attenborough Holdings Corporation ("AHC").

Consolidation of STI ESG into STI Holdings

In August 2012, STI Holdings' shareholders approved an increase in share capital from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion and a share swap agreement with the STI ESG Shareholders. The SEC approved the agreement and the increase in the authorized capital of the Parent Company in September 2012. By the end of October 2012, the consolidation of the two companies was completed.

In view of the increase in its authorized capital stock and pursuant to the Share Swap, STI Holdings issued 5,901,806,924 shares to STI ESG Shareholders in exchange for 907,970,294 common shares of STI ESG. As a result, immediately after the Share Swap, the STI ESG Shareholders who joined the Share Swap owned approximately 84% interest in STI Holdings while STI Holdings increased its shareholdings to 96.0% of the total issued and outstanding capital stock of STI ESG.

In November and December 2012, STI Holdings subscribed to 2.1 billion STI ESG shares. In July 2013, the Parent Company acquired an additional 328,125 shares. STI Holdings' ownership of STI ESG is at 98.7% as of June 30, 2022 and 2021.

Acquisition of West Negros University

On October 1, 2013, STI Holdings acquired 99.45% of the issued and outstanding common shares and 99.93% of the issued and outstanding preferred shares of West Negros University Corp., now known as STI West Negros University, a leading university in the City of Bacolod in Negros Occidental.

STI WNU offers a wide variety of programs and complements the courses offered by the Parent Company's other subsidiary, STI ESG.

The acquisition is part of the planned expansion of the Parent Company. It not only widened its course offerings at the tertiary level but also provided STI Holdings another entry into basic education which is the focus of the government's K to 12 program, and into the graduate school level which is vital in uplifting the development of human capital in the country.

In May 2015, the SEC approved the change in the corporate name of West Negros University Corp. to STI West Negros University, Inc.

Acquisition of iACADEMY

On September 27, 2016, STI Holdings purchased One Hundred Million (100,000,000) iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG. STI Holdings also subscribed to ₱100 million of the ₱400 million increase in the authorized capital stock of iACADEMY. On November 9, 2016, the SEC approved the increase in the authorized capital stock of iACADEMY. As of said date, the authorized capital stock of iACADEMY is at ₱500 Million with ₱200 million subscribed and fully paid by STI Holdings. As a result, iACADEMY is now a 100% subsidiary of STI Holdings.

AHC

The Parent Company became a stockholder owning 40% of AHC in November 2014 following the SEC approval of the increase in the authorized capital stock of AHC. In February 2015, STI Holdings acquired the remaining 60% ownership of AHC from various individuals making it a 100% owned subsidiary.

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

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.

Acquisition of Neschester

On August 2, 2016, STI Holdings subscribed to all of the unissued authorized capital stock of Neschester totaling to Six Hundred Seventy Thousand (670,000) common shares of stock (the "Subscribed Shares") of Neschester at a subscription price of ₱200 million. STI Holdings also purchased all of the issued shares of Neschester owned by the former stockholders of said corporation totaling Five Hundred Fifty Thousand (550,000) common shares (the "Sale Shares") at an aggregate purchase price of ₱173.2 million. As a result of STI Holdings' subscription to the Subscribed Shares and the purchase by STI Holdings of the Sale Shares, STI Holdings now owned one hundred percent (100%) of the issued, outstanding and authorized capital stock of Neschester.

The major asset of Neschester was a parcel of land in Makati City with an area of 2,332.5 square meters. On September 20, 2016, iACADEMY had its groundbreaking ceremony of its Yakal Campus on this parcel of land located along Yakal Street, Makati City. The 12-storey building with penthouse was launched as iACADEMY Nexus in February 2018 and is now fully operational.

On September 7, 2017, the Board of Directors ("BOD") of Neschester and the Board of Governors of iACADEMY approved the merger of the two companies with iACADEMY as the surviving corporation. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester and the related increase in the authorized capital stock of iACADEMY were filed with the SEC on January 24, 2018 and January 30, 2018, respectively. On April 10, 2018, the SEC approved the Plan of Merger and the increase in authorized capital stock of iACADEMY.

The Board of Directors ("BOD") of STI Holdings, together with the governing boards of each of the subsidiaries, approved several amendments in its Articles of Incorporation ("AOI") and By-Laws, including, among others, the change in the fiscal year of the Parent Company and all its subsidiaries, from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year and the change in the dates of its Annual Stockholders' meetings. In the case of the Parent Company, these amendments were approved in the annual stockholders' meeting held on December 6, 2019. The Securities and Exchange Commission ("SEC") has approved the foregoing amendments in the respective AOIs and By-laws of STI Holdings and its subsidiaries as at March 31, 2020. The Bureau of Internal Revenue ("BIR") has likewise approved the change in the fiscal year/accounting period of the Parent Company and its subsidiaries as at September 24, 2020.

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

As of 30 June 2022, the high share price of the Company was ₽0.35 and the low share price was ₽0.34. As of 30 September 2022, the high share price of the Company was ₽0.33 and the low share price was ₽0.33. As of 2 November 2022, the high share price of the Company was ₽0.33 and the low share price was ₽0.33.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second, third and fourth quarters of 2022:

	High	**Low**
2022		
Fourth Quarter (as of 2 November 2022)	0.33	0.33
Third Quarter	0.33	0.33

	High	Low
Second Quarter	0.35	0.34
First Quarter	0.37	0.36
2021		
Fourth Quarter	0.35	0.34
Third Quarter	0.37	0.36
Second Quarter	0.40	0.39
First Quarter	0.39	0.38
2020		
Fourth Quarter	0.47	0.46
Third Quarter	0.32	0.31
Second Quarter	0.40	0.28
First Quarter	0.65	0.36

The Company's public float as of 30 June 2022 is 3,115,190,548 shares equivalent to 31.45% of the total issued and outstanding shares of the Company. As of 30 June 2021, the Company's public float was 3,063,612,606 shares equivalent to 30.93% of the Company's total issued and outstanding shares. As of 31 October 2022, the Company's public float is 3,085,960,548 shares equivalent to 31.16% of its total and issued and outstanding shares.

(2) Holders

As of 31 October 2022, there were 1,262 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 October 2022.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,672,634,589	37.07%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%
TANCO, EUSEBIO H.	1,253,666,793	12.66%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
EUJO PHILIPPINES, INC.	763,873,130	7.71%
PCD NOMINEE CORP (NON-FILIPINO)	756,504,013	7.64%
TANTIVY HOLDINGS, INC. (FORMERLY: INSURANCE BUILDERS, INC.)	626,776,992	6.33%
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.02%
TANCO, ROSIE L.	13,000,000	0.13%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR , LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
VALDERRAMA , LELEN ITF YASMIN AYN VALDERRAMA	300,000	0.00%
LELEN VALDERRAMA ITF YADIN AYN VALDERRAMA	300,000	0.00%

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
VALDERRAMA, LELEN A.	300,000	0.00%
LELEN VALDERRAMA ITF GERRENT ARN VALDERRAMA	300,000	0.00%
TACUB, PACIFICO B.	200,000	0.00%

(3) Cash Dividends

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

On November 20, 2020, cash dividends amounting to Php 0.0037 per share or the aggregate amount of Php36,647,785.62 were declared by the Board of Directors in favor of all stockholders on record as at December 29, 2020, payable on January 26, 2021.

On December 6, 2019, cash dividends amounting to ₽0.02 per share or the aggregate amount of ₽198.1 million were declared by the Board of Directors in favor of all stockholders on record as at December 20, 2019, payable on January 15, 2020.

There are no restrictions that limit the payment of dividends on common shares.

(4) Recent Sales of Unregistered or Exempt Securities

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

Management's Discussion and Analysis of Financial Conditions and Results of Operations

This discussion summarizes the significant factors affecting the financial condition and operating results of STI Education Systems Holdings, Inc. ("STI Holdings" or the "Parent Company") and its subsidiaries (hereafter collectively referred to as the "Group") for the fiscal years ended June 30, 2022, 2021 and 2020 as well as the significant factors affecting the operating results of the Group for the three-months periods ended September 30, 2022 and 2021 and financial condition as at September 30, 2022 and June 30, 2022.

The Group adjusted the school calendar of the schools owned and managed by the subsidiaries nationwide to eventually align its academic cycle with the calendars of public colleges and other private higher education institutions not only in the Philippines but in the ASEAN region as well. In line with this, the Board of Directors ("BOD") of STI Holdings, together with the governing boards of each of the subsidiaries, approved several amendments in its Articles of Incorporation ("AOI") and By-Laws, including, among others, the change in the fiscal year of the Parent Company and all its subsidiaries, from beginning April 1 of each year and ending on March 31 of the following year to beginning July 1 of each year and ending on June 30 of the following year and the change in the dates of its Annual Stockholders' meetings. In the case of the Parent Company, these amendments were approved in the annual stockholders' meeting held on December 6, 2019. The Securities and Exchange Commission ("SEC") approved the foregoing amendments in the respective AOIs and By-laws of STI Holdings and its subsidiaries as at March 31, 2020. The Bureau of Internal Revenue ("BIR") likewise approved the change in the fiscal year/accounting period of the Parent Company and its subsidiaries as at August 27, 2020.

To transition the change in the fiscal year, the short period audited consolidated financial statements, which cover the financial condition of the Group as at June 30, 2020 and its operating results for the three-month period beginning April 1, 2020 up to June 30, 2020 were prepared and presented in compliance with regulatory and statutory requirements.

A voluntary disclosure of the consolidated statement of comprehensive income for the twelve months ended June 30, 2020 was audited and included in Note 39 of the notes to financial statements of the June 30, 2021 audited consolidated financial statements. The same consolidated statement of comprehensive income for the twelve months ended June 30, 2020 has been included in Note 40 of the notes to financial statements of the June 30, 2022 audited consolidated financial statements.

The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as at and for the years ended June 30, 2022 and 2021, and for all the other periods presented.

Financial Condition

As at 30 September 2022

The Group's total assets as at September 30, 2022 amounted to ₱15,624.3 million, 7% or ₱1,046.4 million higher than the ₱14,577.9 million balance as at June 30, 2022. The increase was driven by the ₱859.9 million increase in receivables. Receivables from students increased from ₱605.1 million as at June 30, 2022 to ₱1,214.3 million as at September 30, 2022. Receivables from DepEd for the SHS vouchers likewise registered an increase of ₱264.0 million.

Cash and cash equivalents increased by 13% or ₱207.9 million, inclusive of tuition and other school fees received during the three-month period ended September 30, 2022, from ₱1,568.7 million to ₱1,776.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially due to the tuition and other school fees for SY 2022-2023 collected during the quarter.

Total receivables is up by ₱859.9 million from ₱531.0 million as at June 30, 2022 to ₱1,390.9 million as at September 30, 2022. Receivables from students increased by ₱609.2 million from ₱605.1 million to ₱1,214.3 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱283.8 million as at September 30, 2022, posting an increase of ₱269.2 million from ₱14.6 million as at June 30, 2022. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient ("QVR") is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱9.4 million and ₱1.7 million as at June 30, 2022 and September 30, 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement ("MOA") with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program ("DBP RISE"). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.0 million as at September 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱11.2 million to ₱42.3 million as at September 30, 2022 from ₱31.1 million as at June 30, 2022 as receivables from STI ESG's new tenants were recognized. The rent receivables are expected to be collected within the fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱312.4 million as at June 30, 2021 to ₱344.7 million as at September 30, 2022 due to the provision for ECL recognized during the three-month period.

Inventories decreased by 20% or ₱32.1 million from ₱158.2 million to ₱126.1 million as at June 30, 2022 and September 30, 2022, respectively, due to the sale of uniforms, net of acquisitions, for the three-month period ended September 30, 2022.

Prepaid expenses increased by ₱15.4 million or 13% from ₱114.3 million as at June 30, 2022 to ₱129.7 million as at September 30, 2022. Current advances to suppliers increased by ₱10.4 million from ₱7.2 million to ₱17.6 million as at June 30, 2022 and September 30, 2022, respectively, representing advance payments made by STI WNU for the purchase of school uniforms and for repairs and maintenance of various school equipment and facilities.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. ("RCR"), a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss ("FVPL")" in the Group's consolidated statements of financial position. The carrying value of the equity instruments designated at FVPL amounted to ₱5.31 per share or an aggregate amount of ₱8.2 million as at September 30, 2022, posting a decrease of ₱1.4 million from its value as at June 30, 2022.

Deferred tax assets ("DTA") increased by ₱4.7 million from ₱26.0 million as at June 30, 2022 to ₱30.7 million as at September 30, 2022 representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱101.4 million from ₱364.9 million as at June 30, 2022 to ₱466.3 million as at September 30, 2022, representing down payments made by STI WNU relative to the construction of its new School of Business Education building as well as advance payments made by STI ESG to suppliers in relation to the purchase of school uniforms, construction of classrooms and laboratory, rehabilitation of sewerage treatment plants and repair works in preparation for the new school year.

Total current liabilities increased by ₱1,207.3 million to ₱2,409.2 million as at September 30, 2021 from ₱1,201.9 million as at June 30, 2022, mainly due to the ₱1,458.7 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).

Total equity decreased by ₱47.9 million substantially due to the net loss incurred and the actuarial losses on pension liabilities recognized for the three-month period ended September 30, 2022.

June 30, 2022 vs. June 30, 2021

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2022**	**June 30, 2021**	**June 2022 vs. June 2021**	
			Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	14,577.9	14,761.5	(183.6)	(1.2%)
Current assets	3,421.6	3,249.6	172.0	5.3%
Cash and cash equivalents	1,568.7	1,470.5	98.2	6.7%
Total liabilities	6,083.0	6,580.3	(497.3)	(7.6%)
Current liabilities	1,201.8	1,193.4	8.4	0.7%
Total equity	8,495.0	8,181.2	313.8	3.8%
Equity attributable to equity holders of the parent	8,413.6	8,100.0	313.6	3.9%
Financial ratios				
Debt-to-equity ratio	0.70	0.79	(0.09)	(11.4%)
Current ratio	2.85	2.72	0.13	4.8%
Debt service cover ratio	1.95	1.50	0.45	30.0%
Asset to equity ratio	1.72	1.80	(0.08)	(4.4%)

The Group's financial position remained strong, with cash resources generated mostly by operating activities. Financial ratios are healthy and well within bank covenants.

The Group's consolidated total assets amounted to ₱14,577.9 million as at June 30, 2022 compared to ₱14,761.5 million as at June 30, 2021.

Cash and cash equivalents increased by ₱98.2 million or 7% from last year's ₱1,470.5 million to ₱1,568.7 million as at June 30, 2022. The Group generated net cash from operating activities amounting to ₱1,129.7 million arising from the collection of tuition and other school fees from students and collection from the Department of Education ("DepEd") for the Senior High School ("SHS") vouchers and Commission on Higher Education ("CHED") for Tertiary Education Subsidy ("TES"). These funds were partly utilized to pay the contractors and suppliers of the recent construction and renovation projects of the Group, with net cash used in investing activities aggregating to ₱170.9 million. The Group registered ₱905.1 million net cash used in financing activities due to the ₱449.5 million principal payments on interest-bearing loans, ₱281.6 million interest payments on the said loans and on STI ESG's bonds, and ₱95.7 million dividend payments to the stockholders of STI Holdings and STI ESG.

Total receivables amounted to ₱531.0 million, posting an increase of ₱44.7 million from ₱486.3 million as at June 30, 2021. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and Development Bank of the Philippines ("DBP") for the SHS vouchers, TES and financial assistance to students, respectively. Receivables from students pertaining to tuition and other school fees increased by ₱192.4 million from ₱412.7 million as at June 30, 2021 to ₱605.1 million as at June 30, 2022. Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱75.5 million as at June 30, 2022, lower by ₱22.0 million from ₱97.5 million as at June 30, 2021, representing an improvement in the collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱14.6 million as at June 30, 2022, compared to ₱24.6 million as at June 30, 2021. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who enroll in participating institutions. A Qualified Voucher Recipient ("QVR") is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱23.6 million and ₱9.4 million as at June 30, 2021 and 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement ("MOA") with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program ("DBP RISE"). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.9 million as at June 30, 2021 to ₱2.0 million as at June 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱8.8 million to ₱31.1 million as at June 30, 2022 from ₱22.3 million as at June 30, 2021 as receivables from STI ESG's new tenant was recognized on June 30, 2022. The rent receivables are expected to be collected within the next fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱209.5 million as at June 30, 2021 to ₱312.4 million as at June 30, 2022 due to the provision for ECL recognized during the year.

Inventories decreased by 12% or ₱20.6 million from ₱178.8 million to ₱158.2 million as at June 30, 2021 and 2022, respectively, representing the sale of school uniforms and textbooks, net of acquisitions, during the year ended June 30, 2022.

Prepaid expenses and other current assets increased by ₱20.9 million or 22% from ₱93.4 million to ₱114.3 million, substantially due to the ₱57.2 million creditable withholding tax balance as at June 30, 2022, which increased by ₱12.9 million compared to the ₱44.3 million balance as at June 30, 2021. This creditable withholding tax will be applied to the income tax due in the following period. Current advances to suppliers increased by ₱5.5 million from ₱1.6 million to ₱7.1 million as at June 30, 2021 and 2022, respectively, representing down payments made by STI WNU relative to the construction of its Engineering building. Prepaid insurance decreased by ₱5.1 million from ₱11.8 million as at June 30, 2021 to ₱6.7 million as at June 30, 2022 substantially due to the timing of STI ESG's payment for the health insurance coverage of its employees. Premiums for the period July 1, 2021 to June 30, 2022 were paid before June 30, 2021 while the coverage for July 1, 2022 to June 30, 2023 was settled after the reporting date this year.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. ("RCR"), a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss ("FVPL")" in the Group's consolidated statement of financial position as at June 30, 2022. The carrying value of the equity instruments designated at FVPL amounted to ₱6.20 per share or an aggregate amount of ₱9.6 million as at June 30, 2022.

Noncurrent asset held for sale amounting to ₱1,039.7 million and ₱1,020.7 million as at June 30, 2022 and 2021 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 the deeds of dacion executed in 2016, and the Pasig property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay") as discussed in the succeeding paragraphs. 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 its receipt. Negotiations with other interested parties are ongoing as at June 30, 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. In the same manner, the Pasig property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property.

Property and equipment, net of accumulated depreciation, amounted to ₱9,672.5 million from ₱10,041.3 million as at June 30, 2022 and 2021, respectively. The property and equipment balance as at June 30, 2022 includes costs related to the renovation of STI WNU's Engineering Building amounting to ₱22.2 million. This account also includes the costs incurred for the construction of an isolation room as part of iACADEMY's preparation for the implementation of its limited face-to-face classes. The project cost ₱1.0 million and was completed in the third week of May 2022. The property and equipment balance as at June 30, 2021 included costs related to the construction of STI Academic Center Legazpi ("STI Legazpi"), a four-storey school building with an estimated capacity of 2,500 students, built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021, and consequently, the related depreciation expense was recognized beginning the same month. The aforementioned additions to property and equipment were, however, substantially offset by the depreciation expense recognized during the year.

Investment properties increased by ₱158.1 million from ₱846.1 million as at June 30, 2021 to ₱1,004.2 million as at June 30, 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. The Certificate of Sale was annotated on the title on May 5, 2022. The one (1) year redemption period commenced on the date the Certificate of Sale was annotated on the title. STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱44.1 million and ₱66.9 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 ₱26.1 million for the year ended June 30, 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 said property as part of its "Investment properties" amounting to ₱44.2 million and ₱9.7 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 ₱19.0 million for the year ended June 30, 2022. On June 30, 2022, STI Tanay and the third-party mortgagors sought the redemption of the mortgaged property located in Pasig City for ₱19.0 million. STI ESG executed the Certificate of Redemption which restored the mortgagors to their full ownership of the mortgaged property situated in Pasig City, including all its improvements, free and clear of the mortgage lien thereon. On the same date, STI ESG executed the release and cancellation of the third-party mortgage of the property situated in Pasig City. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price. Management likewise considered the Pasig Property to have met the criteria for financial statement presentation as noncurrent asset held for sale. Upon cessation of the recognition of the Pasig property as part of investment properties, the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The payment for the redemption price was received on July 29, 2022. The gain on settlement of receivable and provision for impairment of noncurrent asset held for sale were presented in the consolidated statement of comprehensive income as "gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale" in the amount of ₱10.8 million.

The "Investment Properties" account also includes properties under construction as at June 30, 2022 pertaining to the renovation of office condominium units owned by STI ESG. The related contract costs amounted to ₱88.0 million, inclusive of mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and the related construction management services. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

Investments in and advances to associates and joint ventures decreased by 52% or ₱20.2 million from ₱38.7 million to ₱18.5 million as at June 30, 2021 and 2022, respectively, upon recognition of the Group's equity share in net losses of associates.

Deferred tax assets ("DTA"), net of the related deferred tax liability ("DTL"), decreased by ₱8.8 million from ₱34.8 million to ₱26.0 million as at June 30, 2021 and 2022, respectively, largely due to the application of the Net Operating Loss Carry Over ("NOLCO") as at June 30, 2021 by STI ESG and iACADEMY to their taxable income for the year ended June 30, 2022.

Goodwill, intangible and other noncurrent assets decreased by ₱116.9 million from ₱481.8 million as at June 30, 2021 to ₱364.9 million as at June 30, 2022. As at June 30, 2021, STI ESG had receivables from STI Tanay 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. The Extrajudicial Foreclosure Sale for the real estate covered by mortgages on properties located in Pasig City and Tanay, Rizal declared STI ESG as the winning bidder. STI ESG then recognized the real estate mortgaged to secure the said loans as part of its "Investment Properties" and derecognized the receivable from STI Tanay as at June 30, 2022. Receivable from STI Tanay, related to the loans assigned by DBP, amounted to nil and ₱75.5 million as at June 30, 2022 and June 30, 2021, respectively (see foregoing discussions). Noncurrent advances to suppliers decreased by ₱17.9 million representing the amount reclassified to "Property and Equipment" as at June 30, 2022 pertinent to the cost of construction works completed as at June 30, 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. STI ESG then applied its deposits as payment for the consideration relative to the acquisition of the non-controlling interest in De Los Santos-STI College.

Accounts payable and other current liabilities decreased by ₱70.9 million from ₱807.0 million to ₱736.1 million as at June 30, 2021 and 2022, respectively, substantially due to payments made by STI ESG to various contractors for obligations related to construction works as well as to suppliers of equipment and furniture for the new STI Academic Center Legazpi. Accounts payable decreased by ₱17.2 million due to payments to the contractors and suppliers of recently completed construction projects. Accrued expenses, on the other hand, increased by ₱17.0 million, largely representing expenses related to in-person commencement ceremonies for SY 2021-2022. Interest payable as at June 30, 2022 decreased by ₱6.9 million as interests accruing as at June 30, 2021 on the Group's Corporate Notes Facility and Term Loan Facility were settled as at June 30, 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. The payable to STI Diamond amounting to ₱24.1 million as at June 30, 2021, which represents STI Novaliches' obligations to the former 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, has been settled in full as at June 30, 2022. Further, the current portion of advance rent and security deposits presented under "Accounts payable and other current liabilities" decreased by an aggregate amount of ₱9.4 million due to reclassifications made to "Other Noncurrent Liabilities" of the advance rent and security deposit related to a lease contract renewed for a three-year term.

Current portion of interest-bearing loans and borrowings increased by ₱30.3 million from ₱208.8 million as at June 30, 2021 to ₱239.1 million as at June 30, 2022. The balance as at June 30, 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 ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. Meanwhile, in July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities ("ACADEME") Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students, but not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2022. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The first and second drawdowns with outstanding balances as at June 30, 2022 amounting to ₱5.7 million and ₱6.9 million 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.

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 to 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.

Unearned tuition and other school fees increased by ₱15.0 million from ₱101.8 million as at June 30, 2021 to ₱116.8 million as at June 30, 2022. This account refers to advance payment of 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 in the related school term(s) within the financial calendar.

Current portion of lease liabilities increased by ₱33.5 million from ₱75.7 million as at June 30, 2021 to ₱109.2 million as at June 30, 2022, representing reclassification of lease obligations due within the next twelve months. Noncurrent lease liabilities decreased by ₱45.0 million from ₱409.1 million as at June 30, 2021 to ₱364.1 million as at June 30, 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 are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases.*

Income tax payable amounted to ₱551.5 thousand and ₱89.5 thousand, as at June 30, 2022 and 2021, respectively. The balance as at June 30, 2022 represents income tax payable of STI ESG's subsidiaries and STI WNU. STI ESG and iACADEMY applied their NOLCO from the previous fiscal year to their taxable income. Income tax due on the taxable income of the Parent Company and STI ESG were covered by creditable withholding taxes, while iACADEMY's income tax due was covered by previous quarters' payments and creditable withholding taxes.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") with the Philippine Dealing and Exchange Corp. ("PDEx") on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,980.5 million and ₱2,973.1 million as at June 30, 2022 and 2021, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱19.5 million and ₱26.9 million, as at June 30, 2022 and 2021, respectively. The proceeds from the bonds had been fully utilized as at March 31, 2019.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱480.0 million due to the prepayments made by STI ESG and iACADEMY totaling ₱360.0 million as well as the reclassification of the amount of ₱242.7 million to current portion of interest-bearing loans. STI WNU fully paid its loan under China Bank's Corporate Notes Facility in January 2021.

Pension liabilities increased by ₱3.2 million from ₱105.4 million to ₱108.6 million as at June 30, 2021, and June 30, 2022, respectively, representing pension expense for the year 2022, net of the remeasurement gain resulting from the change in the market value of the investments under the pension plan assets of the Group, and the retirement fund contributions made during the year ended June 30, 2022.

Other noncurrent liabilities increased by ₱10.4 million from ₱13.0 million to ₱23.4 million as at June 30, 2021 and 2022, respectively, representing advance rent and security deposit received by STI ESG in relation to a new lease agreement. Also included are the advance rent and security deposit, previously classified as current liabilities, related to a lease contract which was renewed in May

2022. The lease renewal and new lease agreement entered into during the year ended June 30, 2022 cover periods beyond one year.

Cumulative actuarial gain increased by ₱8.4 million from ₱19.3 million to ₱27.7 million as at June 30, 2021 and 2022, respectively, due to the impact of unrealized remeasurement gain for the year ended June 30, 2022 resulting from the increase in market value of the investments under the Group's pension plan assets.

Fair value change in equity instruments at FVOCI is up by ₱1.1 million representing fair value adjustments resulting from the increase in the market value of the unquoted equity shares of De Los Santos Medical Center, Inc. held by STI ESG.

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 June 30, 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. As a result, 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 June 30, 2022 consolidated financial statements.

Retained earnings increased by ₱320.0 million from ₱4,165.3 million to ₱4,485.3 million as at June 30, 2021 and 2022, respectively, substantially due to the net income attributable to equity holders of the Parent Company recognized for the year ended June 30, 2022, net of cash dividends declared by the Parent Company on December 3, 2021 amounting to ₱99.0 million.

June 30, 2021 vs. June 30, 2020

The Group's consolidated total assets amounted to ₱14,761.5 million as at June 30, 2021 compared to ₱14,830.3 million as at June 30, 2020.

Cash and cash equivalents increased by ₱634.3 million or 76% from ₱836.2 million to ₱1,470.5 million as at June 30, 2020 and 2021, respectively. The Group generated net cash from operations amounting to ₱714.2 million arising from the collection of tuition and other school fees from students and collection from the DepEd and CHED for the SHS vouchers and TES, respectively. The Group generated net cash of ₱147.2 million from investing activities, as the proceeds from the sale of STI ESG's shares in Maestro Holdings, Inc. ("Maestro Holdings") amounting to US$10.0 million equivalent to ₱480.5 million funded capital expenditures of ₱281.9 million. On the other hand, the Group made principal payments on interest-bearing loans, interest payments on the said loans, STI ESG's bonds, and dividend payments to the stockholders of STI Holdings and STI ESG. The net cash used in financing activities amounting to ₱227.6 million is net of the proceeds from STI ESG's loan drawdowns from its credit facilities with Bank of the Philippine Islands, Security Bank Corporation, and China Banking Corporation.

Total receivables amounted to ₱486.3 million as at June 30, 2021, posting a decrease of ₱68.7 million from ₱555.0 million as at June 30, 2020. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and DBP for the SHS vouchers, TES and financial assistance to students, respectively. The balance likewise includes receivables from franchised schools attributed to charges for educational services and royalty fees for the year ended June 30, 2021. Receivables from students, decreased by ₱2.6 million from ₱415.3 million as at June 30, 2020 to ₱412.7 million as at June 30, 2021. Outstanding receivables from DepEd for the SHS qualified vouchers amounted to ₱24.6 million as at June 30, 2021, posting a decrease of ₱12.4 million from ₱37.0 million as at June 30, 2020. Accounts receivable from CHED for TES amounted to ₱38.2 million and ₱23.6 million as at June 30, 2020 and 2021, respectively. Receivables from DBP related to DBP RISE amounted ₱2.9 million as at June 30, 2021. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Meanwhile, improvements in collection efficiencies resulted in the reduction of the Group's allowance for ECL from ₱231.4 million as at June 30, 2020 to ₱209.5 million as at June 30, 2021. Rent receivables from third parties decreased by ₱37.7 million to ₱22.3 million as at June 30, 2021 from ₱60.0 million as at June 30, 2020 attributed to vacancies in the Group's investment properties as a result of pre-termination of lease contracts during this period of the pandemic. The rent receivables are expected to be collected within the next fiscal year. As at June 30, 2020, other receivables account includes ₱75.5 million receivable from STI Tanay resulting from a Deed of Assignment entered into by STI ESG and DBP in November 2019 wherein DBP assigned, transferred and conveyed, without recourse, all its collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes. As at June 30, 2021, the outstanding receivable was reclassified to noncurrent asset under "Goodwill, intangible and other noncurrent assets" account.

Inventories increased by 27% or ₱38.4 million largely attributed to the purchase of school uniforms and textbooks. Orders for the purchase of these uniforms and textbooks for SY 2020-2021 were made way before the implementation of the protocol restrictions to control the spread of the Coronavirus Disease 2019 ("COVID-19").

Prepaid expenses and other current assets increased by ₱22.0 million or 31% from ₱71.4 million to ₱93.4 million, substantially due to the ₱44.3 million creditable withholding tax balance as at June 30, 2021 which increased by ₱14.4 million compared to the ₱29.9 million balance as at June 30, 2020. This creditable withholding tax will be applied to the income tax due the following period. Prepaid subscriptions and licenses showed an aggregate increase of ₱10.9 million representing Microsoft, Adobe Acrobat license, Adobe Creative Cloud, eLearning Management System ("eLMS"), Sangfor firewall, Sophos firewall, Toon Boom Harmony, and Autodesk subscriptions. Sangfor Firewall is a security device used to protect STI ESG's head office and schools' network from internal and external attacks. Autodesk, on the other hand, refers to the software used to design school building blueprints. These subscription costs are normally renewed annually and are recognized as expense over the period of coverage of the respective agreements. Prepaid insurance likewise increased by ₱4.3 million from ₱7.5 million to ₱11.8 million substantially due to fire and building insurance and employees' health coverage which were paid in advance and are recognized as expense over the period of coverage.

Prepaid internet cost related to the connectivity assistance provided to the students amounted to ₱2.1 million as at June 30, 2021. The increase in prepaid expenses was offset by the ₱7.7 million decline of the Group's Input VAT balance representing the amount charged to expense and those applied against output VAT due during the year.

The noncurrent asset held for sale, representing the carrying value of STI ESG's 20% ownership in Maestro Holdings, amounted to ₱419.1 million as at June 30, 2020. The operating subsidiaries of Maestro Holdings are PhilPlans First, Inc. ("PhilPlans"), PhilhealthCare, Inc. ("PhilCare"), and

Philippine Life Financial Assurance Corporation ("PhilLife"). On June 27, 2017, STI ESG's BOD approved the disposal of this 20% stake in Maestro Holdings. Furthermore, with the reclassification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings as at June 30, 2017 and carried the investment at the lower of its carrying amount and fair value less costs to sell. On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions. On December 15, 2020, STI ESG and Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio ("Chita SPC Limited"), executed a deed of absolute sale for the sale of STI ESG's 1,281,484 shares in Maestro Holdings for a total consideration of US$ 10.0 million equivalent to ₱480.5 million. STI ESG then derecognized its noncurrent asset held for sale amounting to ₱419.1 million as at June 30, 2021.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2021 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 the deeds of dacion executed in 2016. 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 June 30, 2021. 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.

Property and equipment, net of accumulated depreciation, amounted to ₱10,041.3 million from ₱10,113.6 million as at June 30, 2021 and 2020, respectively. On April 23, 2021, Heva Management & Development Corporation and STI ESG executed a deed of absolute sale for the purchase of a parcel of land with an area of 2,615 square meters situated in West Diversion Road, Iloilo City for a total consideration of ₱183.1 million. As such, STI ESG reclassified the deposit for asset acquisition to land under "Property and Equipment" as at June 30, 2021. STI ESG paid the real property tax and documentary stamp tax for the transfer of ownership amounting to ₱2.8 million during the year ended June 30, 2021. As at June 30, 2021, the property has an aggregate cost of ₱185.9 million, inclusive of the related taxes. The property is intended to be the new site for STI Iloilo. The property and equipment balance includes construction-in-progress costs for STI Legazpi amounting to ₱288.3 million as at June 30, 2021, up by ₱89.0 million from the June 30, 2020 balance. STI Academic Center Legazpi is a four-storey school building with an estimated capacity of 2,500 SHS and tertiary students, built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021. The aforementioned additions to property and equipment were, however, substantially offset by the depreciation expense recognized during the year.

Investment properties decreased by ₱1,064.6 million from ₱1,910.7 million as at June 30, 2020 to ₱846.1 million as at June 30, 2021 largely due to the reclassification of the Parent Company's Quezon City dacion properties to noncurrent asset held for sale and due to depreciation expenses recognized for the year.

Investments in and advances to associates and joint ventures decreased by 11% or ₱4.6 million upon recognition of the Group's equity share in net losses of associates.

Deferred tax assets, net of the related deferred tax liabilities, decreased by ₱42.7 million from ₱77.5 million to ₱34.8 million as at June 30, 2020 and 2021, respectively. The CREATE Act prescribes the reduction of the preferential tax rate for proprietary educational institutions from 10.0% to 1.0%

effective July 1, 2020 up to June 30, 2023. The Group assessed the DTA which may be realized on or before June 30, 2023 hence resulting in the reduction of the Group's DTA as at June 30, 2021.

Goodwill, intangible and other noncurrent assets decreased by ₱113.3 million from ₱595.1 million to ₱481.8 million as at June 30, 2020 and 2021, respectively, substantially due to the reclassification to property and equipment of the deposits for asset acquisition amounting to ₱183.1 million pertaining to the Iloilo property. Noncurrent advances to suppliers decreased by ₱16.4 million representing reclassification to property and equipment of the advance payments made for the maritime simulator and other equipment acquired by NAMEI Polytechnic Institute, Inc. ("NAMEI") and completely installed as at June 30, 2021. The outstanding receivable of STI ESG from STI Tanay amounting to ₱75.5 million was reclassified from "Receivables" to noncurrent asset under "Goodwill, intangible and other noncurrent assets" account (see discussions in the preceding paragraphs).

Accounts payable and other current liabilities decreased by ₱47.4 million substantially due to payments made by STI ESG to contractors for obligations related to construction works as well as to suppliers of equipment and furniture for the new STI Academic Center Legazpi and for the maritime simulator and other equipment for NAMEI. Accrued expenses went down by ₱13.3 million resulting from lower direct costs and operating expenses. The current portion of advance rent and security deposits likewise decreased by ₱22.2 million due to the application of advance rental and security deposits against the monthly rent due, in accordance with the provisions of the lease agreements, as a result of pre-terminated lease contracts, and refund to former lessees in relation to expired agreements, on the investment properties of STI ESG and iACADEMY.

Unearned tuition and other school fees decreased by ₱15.9 million from ₱117.7 million as at June 30, 2020 to ₱101.8 million as at June 30, 2021. This account refers to advance payment for tuition and other school fees for the SY 2021-2022.

Current portion of interest-bearing loans and borrowings decreased by ₱149.8 million from ₱358.6 million as at June 30, 2020 to ₱208.8 million as at June 30, 2021. The balance represents the current portion of the Term Loans with China Bank of iACADEMY and STI ESG amounting to ₱79.3 million and ₱120.0 million, respectively, and STI ESG's LandBank loan amounting to ₱9.5 million, which are all due within the next twelve months. In July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities. On January 22, 2021, STI ESG availed of a ₱100.0 million 180-day loan from Security Bank subject to interest at 4.75% per annum, payable quarterly. The credit lines are on a clean basis. The proceeds from these loans were used for working capital requirements. The short-term loans with BPI and Security Bank were fully settled on February 26, 2021 and March 30, 2021, respectively. For the year ended June 30, 2021, STI WNU made principal payments totaling ₱39.4 million on its Corporate Notes Facility. Of this amount, ₱19.6 million pertains to the payment made by STI WNU in January 2021, as full and final settlement of its loan from the Corporate Notes Facility. In September 2020 and March 2021, iACADEMY made principal payments on its Term Loan Facility with China Bank aggregating to ₱80.0 million.

The noncurrent portion of interest-bearing loans and borrowings increased by ₱339.4 million. STI ESG made drawdowns from its new Term Loan Facility aggregating to ₱400.0 million during the year ended June 30, 2021, subject to an interest rate of 5.81% per annum. The outstanding balance of the Corporate Notes Facility was reclassified from current to noncurrent liability given its amended maturity date as mentioned in the preceding paragraph. STI ESG applied PFRS 9, *Financial Instruments* and assessed if the terms of the new or modified financial liability are the same or substantially different from the terms of the original financial liability. The modification of the financial liability of STI ESG did not result in the derecognition of the original liability since the difference between the discounted present value of the cash flows under the new terms is below 10% from the discounted present value of the remaining cash flows of the original financial liability. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million. The same amount is recognized as a premium on interest-bearing loans and borrowings, net of the amortized premium portion, thus increasing the loan carrying value from ₱240.0 million to ₱248.1 million, as at June 30, 2021. The premium on the interest-bearing loans and borrowings will be amortized over the remaining term of the loan. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. Further, ₱120.0 million of the noncurrent portion of the interest-bearing loans and borrowings on STI ESG's Term Loan Facility was reclassified from noncurrent to current liability as the same is due in March 2022. The proceeds from these loans were used to settle the costs of construction, equipment and furniture acquired for STI Legazpi and also for working capital requirements. Interest rates for all of STI ESG's drawdowns from the Term Loan Facility and the outstanding balance from the Corporate Notes Facility were repriced at a rate of 5.56% per annum effective September 20, 2020 and February 1, 2021, respectively. On September 28, 2020, iACADEMY's term loan balance of ₱560.0 million was repriced at an interest rate of 3.3727% per annum.

Current portion of lease liabilities decreased by ₱15.1 million from ₱90.8 million as at June 30, 2020 to ₱75.7 million as at June 30, 2021, representing payments made during the year, net of new lease agreements during the year ended June 30, 2021. Noncurrent lease liabilities decreased by ₱52.7 million from ₱461.8 million as at June 30, 2020 to ₱409.1 million as at June 30, 2021 representing the present value of the remaining noncurrent portion of lease payments.

Income tax payable decreased by ₱8.2 million to ₱89.5 thousand as at June 30, 2021 from ₱8.3 million as at June 30, 2020 due to lower taxable income. STI WNU's NOLCO as at June 30, 2020 amounting to ₱17.4 million was applied to its taxable income for the year ended June 30, 2021. This NOLCO was incurred during the three-month period ended June 30, 2020 when the school was on lockdown due to the COVID-19 pandemic.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") on the Philippine Dealing and Exchange Corp. ("PDEx") secondary market on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,973.1 million and ₱2,966.1 million as at June 30, 2021 and 2020, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱26.9 million and ₱33.9 million, as at June 30, 2021 and 2020, respectively. The proceeds from the bonds had been fully utilized as at March 31, 2019.

Pension liabilities decreased by ₱10.0 million from ₱115.4 million to ₱105.4 million as at June 30, 2020, and June 30, 2021, respectively, resulting from the increase in the market value of the investments under the pension plan assets of the Group and lower pension expense recognized during the year ended June 30, 2021 due to the optimization of the Group's workforce.

Deferred tax liabilities decreased by ₱118.8 million from ₱233.7 million to ₱114.9 million as at June 30, 2020 and June 30, 2021, respectively, largely due to the reversal of the DTL recognized on the properties, the ownership of which has been transferred to the Parent Company in 2016 as settlement of loans it granted to third parties. These properties have not been used in business since acquisition.

Other noncurrent liabilities decreased by ₱80.5 million from ₱93.5 million to ₱13.0 million as at June 30, 2020 and 2021, respectively, representing reclassification to current liability of STI Novaliches' payable to STI Diamond that is due within one year from June 30, 2021 and application of advance rent and security deposits to unpaid rental as a result of pre-terminated lease contracts on the investment properties of STI ESG and iACADEMY.

Cumulative actuarial gain increased by ₱15.5 million from ₱3.8 million to ₱19.3 million as at June 30, 2020 and 2021, respectively, due to the impact of unrealized remeasurement gain resulting from the increase in market value of the investment in equity securities of the pension plan assets.

Fair value change in equity instruments at FVOCI is up by ₱1.2 million representing fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

Other comprehensive income associated with noncurrent asset held for sale amounting to ₱90.6 million as at June 30, 2020 was reclassified by STI ESG to retained earnings and other equity reserve following the disposal of STI ESG's 20% share in Maestro Holdings.

Retained earnings increased by ₱158.6 million from ₱4,006.7 million to ₱4,165.3 million as at June 30, 2020 and 2021, respectively, substantially due to the net income recognized for the year ended June 30, 2021 and the impact of the reclassification of other comprehensive income associated with the disposal of STI ESG's noncurrent asset held for sale amounting to ₱90.6 million, net of cash dividends declared by the Parent Company amounting to ₱36.6 million.

Results of Operations

The Statements of Comprehensive Income cover different reporting periods resulting from the change in the fiscal year-end of the companies in the Group, as discussed in earlier paragraphs.

In general, the operating results shown in the consolidated statements of comprehensive income of the Group reflect the economic impact of the ongoing COVID-19 pandemic. The Group has adapted to the new normal and has implemented online learning methods for students. The teachers have been trained on online teaching strategies, including the development of high-quality courseware materials. The Group has also ramped up its online marketing strategies for its enrollment campaign.

In order to achieve comparability, the Group prepared a voluntary disclosure of operating results for the twelve months ended June 30, 2020 (see Note 40 of the notes to financial statements in the June 30, 2022 audited consolidated financial statements). The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2022, June 30, 2021, and June 30, 2020.

Three-month period ended September 30, 2022 vs. three-month period ended September 30, 2021

For the three-month period ended September 30, 2022, the Group generated gross revenues of ₱500.4 million, higher by 34% or ₱127.6 million from same period last year of ₱372.8 million. The increase was primarily driven by the 14% increase in the total number of students of the Group for SY 2022-2023. Gross profit likewise increased by ₱84.7 million or 46% year-on-year.

The Group recorded an operating loss of ₱40.3 million for the three-month period ended September 30, 2022 as against same period last year's operating loss of ₱100.0 million.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net income (losses) of associates and joint ventures, interest expense, interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, derecognition of contingent consideration and income on rent concessions, was registered at ₱117.1 million for the three-month period ended September 30, 2022, an increase of ₱72.7 million from ₱44.4 million registered during the same period last year. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use ("ROU") assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2022 is at 23% compared to 12% for the same period last year.

Years ended June 30, 2022 vs. 2021

The enrollment figures of the schools under STI Holdings for SY 2021-2022 are as follows:

	SY 2020-2022	**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, Technical Education and Skills Development Authority ("TESDA") students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including SHS, yields the following numbers:

	SY 2022-2021			
	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 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"). For SY 2022-2023, classes of SHS and tertiary students of both STI ESG and STI WNU started on August 30, 2022 and September 2, 2022, respectively. Meanwhile, classes started on October 2, 2022 for STI WNU's School of Graduate Studies.

iACADEMY implements its fully online learning program entitled Guided Online Autonomous Learning ("GOAL"), introduced 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 2, 2022 and August 30, 2022, 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 seven 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 are 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.

The consolidated gross revenues of the Group for the year ended June 30, 2022 amounted to ₱2,677.6 million, reflecting a 28% increase compared to ₱2,084.1 million for the year ended June 30, 2021.

Tuition and other school fees increased by ₱554.3 million from ₱1,882.7 million for the year ended June 30, 2021 to ₱2,437.0 million for the year ended June 30, 2022 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, 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 both increased by 17%. This resulted from the higher number of enrollees of franchised schools from 22,600 students in SY 2020-2021 to 25,520 in SY 2021-2022 or a 13% increase. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies increased by 18% or ₱4.4 million to ₱29.3 million for the year ended June 30, 2022 from ₱24.9 million last year. The sale of uniforms increased by ₱6.8 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 ₱3.7 million due to the lower number of SHS students. The cost of educational materials and supplies sold increased by 20%, concomitant with the increase in the sale of educational materials and supplies.

Other revenues increased by ₱14.9 million from ₱58.6 million for the year ended June 30, 2021 to ₱73.5 million for the year ended June 30, 2022 associated with the higher number of students.

The cost of educational services rose by ₱103.3 million from ₱852.2 million to ₱955.5 million for the years ended June 30, 2021 and 2022, respectively. Instructors' salaries and benefits increased by ₱73.3 million from ₱286.1 million to ₱359.4 million due to the increased number of faculty members, concomitant with the increase in 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 ₱6.0 million from ₱19.8 million to ₱25.8 million for the years ended June 30, 2021 and 2022, respectively. iACADEMY upgraded its subscription to Adobe Creative Cloud-All Apps in line 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, 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. Other direct expenses increased by ₱37.0 million substantially due to commencement expenses/cost of various student activities and programs and the Group's subscriptions to eLMS and CloudSwyft solutions. Commencement expenses amounted to ₱31.9 million and ₱14.4 million for the years ended June 30, 2022 and 2021, respectively. The Group held in-person graduation ceremonies for SHS and tertiary graduates of SY 2021-2022 while virtual graduation ceremonies were held for graduates of SY 2020-2021. The Group increased its eLMS subscriptions due to the higher enrollment in SY 2021-2022. The Group's subscription to CloudSwyft amounted to ₱3.3 million for the year 2022. CloudSwyft is a tool 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. The Group continued to increase the frequency of cleaning, sanitizing and disinfecting high-touchpoint surfaces, thus, school materials and supplies increased by ₱1.5 million from ₱3.6 million to ₱5.1 million for the years ended June 30, 2021 and 2022, respectively. Depreciation expense decreased by ₱9.7 million, from ₱382.3 million to ₱372.6 million, for the years ended June 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of June 30, 2021 held by closed/suspended schools.

Gross profit improved by 40% from ₱1,211.8 million to ₱1,698.0 million for the years ended June 30, 2021 and 2022, respectively, largely due to the increased enrollment.

General and administrative expenses posted a 10% increase or ₱104.2 million from ₱1,025.1 million to ₱1,129.3 million for the years ended June 30, 2021 and 2022, respectively. The Group recognized a provision for ECL amounting to ₱112.7 million for the year ended June 30, 2022, largely representing ECLs on outstanding receivables from students for tuition and other school fees as at June 30, 2022. This is higher by ₱70.9 million compared to the ₱41.8 million recorded for the year ended June 30, 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 ₱23.6 million from ₱51.7 million to ₱75.3 million for the years ended June 30, 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. With the improvement in the COVID-19 situation, all members of the administrative support staff are now reporting to their offices, thus the increase in utilities cost. This also resulted in a ₱11.2 million increase in clerical, security and janitorial costs. Repairs and maintenance costs likewise increased by ₱7.6 million year-on-year due to preventive maintenance costs of generator set and chillers. Provision for impairment of goodwill related to the closure of STI Iloilo amounting to ₱3.8 million was recognized during the year ended June 30, 2022. The Group likewise recognized provision for inventory obsolescence amounting to ₱2.0 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively. 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 year ended June 30, 2021. Depreciation expense decreased by ₱5.2 million year-on-year largely due to full depreciation of office furniture and equipment held by closed/suspended schools as of June 30, 2021. 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 ₱38.0 million for the year ended June 30, 2022, lower by ₱15.1 million compared to ₱53.1 million for the same period last year.

The Group posted an operating income of ₱568.6 million for the year ended June 30, 2022, an improvement of ₱381.9 million or 205% from the operating income of ₱186.7 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 the 40%increase in the number of students enrolled in CHED programs.

Interest expense decreased by ₱23.8 million year-on-year from ₱337.1 million to ₱313.3 million mainly due to the partial prepayments in September 2021 made by STI ESG and iACADEMY on their Term Loan Facilities with China Bank in the amounts of ₱240.0 million and ₱120.0 million, respectively. In addition, the interest rate on iACADEMY's Term Loan with China Bank was repriced from 3.3727% per annum on September 28, 2020 to 3.2068% per annum on September 28, 2021.

Rental income decreased by ₱45.8 million year-on-year from ₱116.8 million to ₱71.0 million due to pre-termination and nonrenewal of lease agreements in some of the investment properties of STI ESG and iACADEMY.

The Group recognized unrealized gain on foreign exchange rate differences amounting to ₱44.6 million and ₱0.7 million for the years ended June 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱1.3 million and ₱3.2 million for the years ended June 30, 2022 and 2021, respectively. These are attributed to STI ESG's and iACADEMY's dollar-denominated cash and cash equivalents.

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the year ended June 30, 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.

Interest income increased by ₱32.4 million from last year's ₱5.7 million to ₱38.1 million for the year ended June 30, 2022, substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. 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.

Equity in net losses of associates amounted to ₱20.2 million for the year ended June 30, 2022 compared to equity in net losses of associates of ₱4.6 million recognized for the same period last year.

STI ESG recognized a gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale, amounting to ₱10.8 million for the year ended June 30, 2022. The gain on settlement of receivable from STI Tanay amounted to ₱45.1 million while the provision for impairment of noncurrent asset held for sale was recognized at ₱34.3 million, net of depreciation recognized on the Pasig property from the date of the annotation on the property's title up to June 30, 2022 (see foregoing discussions).
Collection efficiencies resulted in the increase in the recovery of receivables previously written-off by ₱2.9 million from ₱6.8 million to ₱9.7 million for the years ended June 30, 2021 and 2022, respectively.

The Group recognized gain on sale of equipment amounting to ₱1.6 million for the year ended June 30, 2022 largely attributed to the disposal of STI ESG's transportation equipment.

STI ESG recorded dividend income from RCR and De Los Santos Medical Center, Inc. amounting to ₱1.2 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively.

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 ₱6.1 million and ₱39.7 million for the years ended June 30, 2022 and 2021, respectively, presented as part of "Other income (expenses) - net" in the audited consolidated statements of comprehensive income. Also included in the account "Other income (expenses) – net" is the reversal of interest income from past due accounts of consolidated subsidiaries of STI ESG in the amount of ₱15.9 million.

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 and 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 audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Following the guidelines of PFRS 9, *Financial Instruments*, STI ESG assessed the terms of the new or modified financial liability resulting from the amended maturity date of STI ESG's loan balance under its Corporate Notes Facility Agreement with China Bank. The modifications of the financial liability of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million which was reported in the audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Provision for income tax amounting to ₱10.8 million was recognized by the Group for the year ended June 30, 2022 compared to ₱76.9 million income tax benefit 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.

The Group reported a net income of ₱416.2 million for the year ended June 30, 2022, an improvement of ₱314.5 million or 309% from last year's net income of ₱101.7 million.

Remeasurement gain on pension liability, net of income tax effect, amounted to ₱8.5 million and ₱15.6 million for the years ended June 30, 2022 and 2021, respectively, due to the movements in value of equity shares forming part of pension assets.

Total comprehensive income amounted to ₱425.8 million and ₱118.5 million for the years ended June 30, 2022 and 2021, respectively. The improvement is attributed to the higher number of enrollees and improvement in the enrollment mix in favor of CHED programs for SY 2021-2022 compared to that of SY 2020-2021.
Earnings before interest, taxes, depreciation, and amortization ("EBITDA") which is defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses of associates and joint venture and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale (net of capital gains tax), income on rent concessions, gain on derecognition of contingent consideration, gain on settlement of STI Tanay receivable (net of provision for impairment of noncurrent asset held for sale), gain on foreign exchange differences, fair value gain (loss) on equity instruments at FVPL and loss loan on modification increased from ₱811.7 million for the year ended June 30, 2021 to ₱1,128.6 million for the year ended June 30, 2022. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 42% compared to 39% 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 ₱330.8 million for the year ended June 30, 2022 compared to core income for the same period last year of ₱55.4 million.

Years ended June 30, 2021 vs. 2020

The Statements of Comprehensive Income cover reporting periods resulting from the change in the fiscal year-end of the companies in the Group, as discussed in earlier paragraphs. In order to achieve comparability, the Group prepared a voluntary disclosure of operating results for the twelve months ended June 30, 2020. The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2021 and June 30, 2020.

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

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

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

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

	SY 2019-2020			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	40,737	2,152	31,909	74,798
iACADEMY	1,421	-	1,145	2,566
STI WNU	3,744	-	2,859	6,603
Total	**45,902**	**2,152**	**35,913**	**83,967**
Proportion of CHED:TESDA:DepEd	**55%**	**2%**	**43%**	**100%**

** STI ESG DepEd count includes 25,801 SHS students and the 241 students of NAMEI who are enrolled in basic education in SY 2020-2021 and 31,455 SHS students and the 454 students of NAMEI who are enrolled in basic education in SY 2019-2020. For iACADEMY, this represents the number of enrolled SHS students while for STI WNU, this is the total of 1,470 SHS students and the 733 students enrolled in basic education in SY 2020-2021 and 1,874 SHS students and the 985 students enrolled in basic education in SY 2019-2020.*

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

For SY 2019-2020, the school calendars of STI ESG and STI WNU for SHS and tertiary students covered the months of June 2019 to March 2020 and July 2019 to April 2020, respectively. With the imposition of the ECQ throughout Luzon, classes in all levels were suspended on March 17, 2020. Classes of SHS students of STI ESG and STI WNU were completed by the end of March 2020 while classes in the tertiary level were suspended in all campuses nationwide to ensure the safety and welfare of the students.

The tertiary students were given three options to finish the second semester of SY 2019-2020, namely (1) online learning for those who are willing to and can go online, may finish all their lessons via eLMS; (2) offline learning for those who are willing to continue and finish all their lessons but cannot go online, in which case handouts were provided to the students; or (3) face-to-face for those who cannot go online and opt to wait until STI ESG and STI WNU could resume classes under the “new normal” operations with face-to-face classes combined with applicable learning modes. Classes of students who opted for online and offline studies resumed in the third week of May 2020 and were completed as at July 30, 2020, while those who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021.

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

Face-to-face classes remained suspended and thus the Group has continued to conduct classes online as at June 30, 2021.

The consolidated gross revenues of the Group for the year ended June 30, 2021 amounted to ₱2,090.6 million compared to ₱2,526.9 million for the year ended June 30, 2020.

Tuition and other school fees amounted to ₱1,882.7 million for the year ended June 30, 2021, a decline of ₱374.8 million or 17% from the same period in 2020, due to the lower number of enrollees brought about by the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. Despite this, the Group registered an enrollment of over 70,000 students in SY 2020-2021. As part of the Group’s continuing efforts to mitigate the impact of the COVID-19 pandemic on the students and their parents, select students enrolled in certain programs enjoyed a refund and/or a tuition fee credit. STI ESG and STI WNU reduced the laboratory fees by up to 35% and other school or miscellaneous fees of SHS, tertiary and basic education students for SY 2020-2021 or by an aggregate amount of ₱82.1 million. Similarly, iACADEMY gave discounts of as much as 6% and 31% on its tuition fees and other school fees, respectively, for SHS students resulting in a 10% reduction on their total fees in SY 2020-2021. In the same manner, iACADEMY granted 50% and 33% discounts on its regular laboratory fees and other school fees, respectively, for its college students. iACADEMY’s total foregone revenues for SY 2020-2021 due to the discounts granted amounted to ₱32.0 million. The Group likewise granted a tuition fee adjustment to tertiary students for SY 2019-2020 aggregating to ₱30.2 million.

Revenues from educational services and royalty fees decreased by 12% and 8%, respectively. This resulted from the lower number of enrollees of franchised schools brought about by the impact of and restrictions implemented due to the COVID-19 pandemic. In addition, operations of some of STI ESG’s franchised schools were either suspended or terminated. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

As classes for the entire SY 2020-2021 were held online, sale of educational materials and supplies declined by ₱48.6 million to ₱24.9 million for the year ended June 30, 2021 from ₱73.5 million for the year ended June 30, 2020. Sale of educational materials and supplies recognized in SY 2019-2020 substantially pertains to the sale of uniforms and textbooks while the sale of educational materials and supplies for SY 2020-2021 is largely attributed to the sale of textbooks. The cost of educational materials and supplies sold decreased likewise, concomitant with the decrease in the sale of educational materials and supplies.

Other revenues increased by ₱2.6 million from ₱62.5 million for the year ended June 30, 2020 to ₱65.1 million for the year ended June 30, 2021 largely attributed to the data connectivity costs charged to franchised schools. Data loading to the respective SIM cards of the students is centralized in STI ESG's Head office, thus the equivalent connectivity charges pertaining to franchised schools amounting to ₱21.4 million were recognized as other revenues for the year ended June 30, 2021 in the audited consolidated statements of comprehensive income of the Group. The increase was partially offset by lower recovery of accounts receivable previously written off as compared to the year ended June 30, 2020, as well as lower income from issuance of diplomas, transcript of records and other documents requested by students. Income was also recognized last year in relation to the forfeiture of security deposit on pre-terminated lease contracts on the investment properties of STI ESG.

The cost of educational services is lower by ₱66.0 million from ₱918.2 million to ₱852.2 million for the years ended June 30, 2020 and 2021, respectively. Instructors' salaries and benefits decreased by ₱62.4 million from ₱348.5 million to ₱286.1 million as a result of the optimization of faculty loading in the conduct of synchronous meetings with the students under the new learning modality. Depreciation expense decreased by ₱15.1 million from ₱397.4 million to ₱382.3 million year-on-year, attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets due to terminated lease agreements. The Group adopted PFRS 16 and applied a single recognition and measurement approach for all leases except for short-term leases and recognized ROU assets for the leases previously classified as operating leases. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Courseware development cost amounted to ₱11.2 million for the year ended June 30, 2020 compared to ₱1.8 million for the year ended June 30, 2021. The courseware development cost for SY 2019-2020 includes the curriculum development and implementation of maritime programs of NAMEI. STI ESG, in behalf of NAMEI, and Raft Shore People, Inc. ("RAFT") entered into a Cooperation Agreement to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. The parties likewise agreed to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). In light of the effects of the pandemic on the operation of schools and on the economy as a whole, the parties agreed to hold the implementation of the agreement in abeyance. Face-to-face classes remain suspended in order to contain the spread of the virus in the country and thus the Group has continued to conduct classes online as at June 30, 2021. As classes were conducted online, school materials and supplies expense posted a decline of ₱10.3 million from ₱13.9 million to ₱3.6 million for the years ended June 30, 2020 and 2021, respectively. Classes are conducted through various online learning platforms in order to continue the delivery of lessons to the students during the pandemic. However, this posed different risks and challenges for both teachers and students, many of whom have limited access to the internet. As such, the Group provided internet connectivity assistance to its students which amounted to ₱72.2 million for the year ended June 30, 2021.

Gross profit declined from ₱1,552.8 million to ₱1,211.8 million for the years ended June 30, 2020 and 2021, respectively, largely due to the lower number of enrollees.

General and administrative expenses decreased by 16% or ₱189.0 million from ₱1,214.1 million to ₱1,025.1 million for the years ended June 30, 2020 and 2021, respectively. The highest decline was registered by light and water expenses which decreased by ₱69.2 million. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraced work-from-home arrangements to the maximum extent possible and likewise optimized its manpower structure resulting in a reduced workforce. Salaries and benefits of non-teaching personnel, as well as security and janitorial expenses, decreased by ₱43.2 million and ₱47.8 million, respectively, for the year ended June 30, 2021 compared to the year ended June 30, 2020. Depreciation expense decreased by ₱16.3 million from ₱248.4 million for the year 2020 to ₱232.1 million for the year 2021 attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets because of terminated lease agreements. The Group recognized a provision for ECL amounting to ₱41.8 million for the year ended June 30, 2021, largely representing ECLs on receivables from students' tuition and other school fees, resulting to a ₱12.9 million decrease from the prior year's ₱54.7 million provision. This is due to the reversal of prior years' provisions amounting to ₱27.5 million reflecting the Group's improved collection efficiency. The Group recognized advertising and promotions expense amounting to ₱53.1 million for the year ended June 30, 2021. Bulk of the marketing activities and programs for SY 2019-2020 were concluded as at June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, marketing activities were mostly conducted from July to September 2020. This resulted in an increase in advertising and promotions expense by ₱25.4 million as compared to ₱27.7 million incurred during the same period in 2020. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million was recognized for the year ended June 30, 2021.

The Group posted an operating income of ₱186.7 million and ₱338.7 million for the years ended June 30, 2021 and 2020, respectively, due to lower revenues caused by lower number of enrollees, as a result of the COVID-19 pandemic.

Equity in net losses of associates amounted to ₱4.6 million for the year ended June 30, 2021 compared to equity in net losses of associates of ₱0.2 million recognized for the year ended June 30, 2020.

Interest expense decreased by ₱4.4 million to ₱337.1 million from ₱341.5 million for the years ended June 30, 2021 and 2020, respectively, resulting substantially from lower interest rates on the Group's loans and the full payment by STI WNU of its interest-bearing loans in January 2021. Drawdowns were made by STI ESG on its Term Loan Facility with China Bank amounting to ₱400.0 million in July 2020, subject to an interest rate of 5.81% per annum. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum effective September 19, 2020 for STI ESG and 3.3727% per annum for iACADEMY's loan effective September 28, 2020.

Rental income decreased by ₱80.6 million to ₱116.8 million from ₱197.4 million for the years ended June 30, 2021 and 2020, respectively, attributed to vacancies in the investment properties of STI ESG and iACADEMY as a result of pre-termination of and expired lease contracts during the year ended June 30, 2021.

Following the guidelines of PFRS 9, *Financial Instruments*, STI ESG assessed the terms of the new or modified financial liability resulting from the amended maturity date of STI ESG's loan balance under its Corporate Notes Facility Agreement with China Bank. The modifications of the financial liability of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million which is reported in the audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Interest income decreased from ₱10.8 million to ₱5.7 million for the years ended June 30, 2020 and 2021, respectively, as available funds were used to settle obligations with suppliers.

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

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other revenues aggregating to ₱39.7 million for the year ended June 30, 2021.

For the year ended June 30, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The decline in fair value as at June 30, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale for the sale of STI ESG's 20% ownership in Maestro Holdings, for a price of US$10.0 million. The disposal of STI ESG's 20% ownership in Maestro Holdings resulted in a gain of ₱15.4 million which is recognized and presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million as at June 30, 2020 and the equivalent peso selling price of ₱480.5 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱46.0 million represents 15% of ₱306.4 million, which is the difference between STI ESG's acquisition cost of the investment amounting to ₱174.1 million and the selling price recorded at its peso equivalent of ₱480.5 million. The related net foreign exchange gain of ₱3.9 million was recognized for the year ended June 30, 2021 since the sale was settled in US dollars.

Benefit from income tax amounting to ₱76.9 million was recognized for the year ended June 30, 2021, inclusive of the benefit from deferred income tax recognized during the year ended June 30, 2021. The deferred tax asset/liabilities balance was adjusted following the implementation of the CREATE Law which reduced the preferential income tax rate for proprietary educational institutions from 10% to 1% effective July 1, 2020 to June 30, 2023 and the reduction of the income tax rate from 30% to 25% and 20% for the Parent Company and AHC, respectively, effective July 1, 2020.

The Group reported a net income of ₱101.7 million for the year ended June 30, 2021 compared to the net loss amounting to ₱117.5 million last year. Net loss for the year ended June 30, 2020 was largely due to the provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings.

Remeasurement gain on pension liability amounting to ₱15.6 million and remeasurement loss of ₱15.5 million, net of income tax effect, were recorded for the years ended June 30, 2021 and 2020, respectively, due to the movements in value of equity shares forming part of pension assets.

The unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱1.2 million for the year ended June 30, 2021 compared to ₱7.6 million for the year ended June 30, 2020, due to the decline in the market value of equity shares as at financial reporting date.

Total comprehensive income amounted to ₱118.5 million for the year ended June 30, 2021 compared to total comprehensive loss of ₱125.4 million for the year ended June 30, 2020.

EBITDA decreased from ₱1,057.1 million for the year ended June 30, 2020 to ₱811.7 million for the year ended June 30, 2021. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 39% compared to 42% last year.

Core income amounted to ₱55.4 million for the year ended June 30, 2021 compared to ₱180.2 million for the year ended June 30, 2020.

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/Three months ended September 30		
		2022	**2021**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	23%	12%	EBITDA margin improved in 2022 as compared to the same period in 2021 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	54%	49%	Gross profit margin also improved as revenues increased due to the reason cited above.

		As at/Three months ended September 30		
		2022	2021	Remarks
Return on equity	Net loss attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	(2%)	(6%)	While the return on equity is expected to be lower during the first quarter of both fiscal years as the revenues of the Group, which are mainly tuition and other school fees, are equivalent to only one month, since the school term for most schools only started in August, the remaining fees will be recognized as income over the remaining months of the school year. The Group expects the ROE to improve by end of fiscal year 2022-2023.
Debt service cover ratio ("DSCR")	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	2.49	2.07	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	0.66	0.73	Debt-to-equity ratio decreased due to the prepayment made by STI ESG on its Term Loan Facility.

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. On August 15, 2022, China Bank approved the temporary waiver of the DSCR requirement covering the periods ending June 30, 2023 and December 31, 2023 for STI ESG. The approval of majority of the Record Bondholders for the waiver of the DSCR requirement up to June 30, 2023 was also obtained by STI ESG. As at September 30, 2022, STI ESG has complied with the financial covenants on DSCR and Debt-to-equity ratio.

Material Changes in Balance Sheet Accounts

Cash and cash equivalents increased by 13% or ₱207.9 million, inclusive of tuition and other school fees received during the three-month period ended September 30, 2022, from ₱1,568.7 million to ₱1,776.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially due to the tuition and other school fees for SY 2022-2023 collected during the quarter.

Total receivables is up by ₱859.9 million from ₱531.0 million as at June 30, 2022 to ₱1,390.9 million as at September 30, 2022. Receivables from students increased by ₱609.2 million from ₱605.1

million to ₱1,214.3 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱283.8 million as at September 30, 2022, posting an increase of ₱269.2 million from ₱14.6 million as at June 30, 2022. 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 PEAC, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱9.4 million and ₱1.7 million as at June 30, 2022 and September 30, 2022, respectively. On March 17, 2021, STI ESG executed a MOA with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program ("DBP RISE"). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.0 million as at September 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱11.2 million to ₱42.3 million as at September 30, 2022 from ₱31.1 million as at June 30, 2022 as a major new lease contract was consummated by STI ESG in July. The rent receivables are expected to be collected within the fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱312.4 million as at June 30, 2022 to ₱344.7 million as at September 30, 2022 due to the provision for ECL recognized during the three-month period.

Inventories decreased by 20% or ₱32.1 million from ₱158.2 million to ₱126.1 million as at June 30, 2022 and September 30, 2022, respectively, due to the sale of uniforms, net of acquisitions, for the three-month period ended September 30, 2022.

Prepaid expenses increased by ₱15.4 million or 13% from ₱114.3 million as at June 30, 2022 to ₱129.7 million as at September 30, 2022. Current advances to suppliers increased by ₱10.4 million from ₱7.2 million to ₱17.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially representing advance payments made by STI WNU for the purchase of school uniforms and for repairs and maintenance of various school equipment and facilities.

In September 2021, STI ESG invested in quoted equity shares of RCR, a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss ("FVPL")" in the Group's consolidated statements of financial position. The carrying value of the equity instruments designated at FVPL amounted to ₱5.31 per share or an aggregate amount of ₱8.2 million as at September 30, 2022, posting a decrease of ₱1.4 million from its value as at June 30, 2022.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2022 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 the deeds of dacion executed in 2016. The balance of ₱1,039.7 million as at June 30, 2022 includes the Pasig City property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay") as discussed in the succeeding paragraphs. 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 its receipt. Negotiations with other interested parties are ongoing as at September 30, 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. In the same manner, the Pasig City property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property. On July 29, 2022, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig City Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale.

Property and equipment, net of accumulated depreciation, amounted to ₱9,698.4 million from ₱9,672.5 million as at September 30, 2022 and June 30, 2022, respectively. The increase, net of depreciation expense for the three-month period ended September 30, 2022, was mainly due to the reclassification of the Tanay property from "Investment properties" to "Property and equipment" account during the three-month period ended September 30, 2022. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct SHS classes is still in process as at report date. The property and equipment balance also includes costs related to the renovation of STI WNU's Engineering building amounting to ₱25.1 million.

Investment properties declined from ₱1,004.2 million as at June 30, 2022 to ₱886.4 million as at September 30, 2022, due to the depreciation expense recognized for the three-month period ended September 30, 2022 and the reclassification of the Tanay property from "Investment properties" to "Property and equipment" account since the said property is now being used by STI QA as its school building and grounds (see discussion in the previous paragraph). On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million. STI ESG also recognized the cost of the remaining works for the renovation of its office condominium units. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

Equity instruments designated at FVOCI increased by ₱0.6 million from ₱70.2 million as at June 30, 2022 to ₱70.8 million as at September 30, 2022, due to the increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets ("DTA") increased by ₱4.7 million from ₱26.0 million as at June 30, 2022 to ₱30.7 million as at September 30, 2022 representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱101.4 million from ₱364.9 million as at June 30, 2022 to ₱466.3 million as at September 30, 2022, substantially representing advances to suppliers for the down payments made by STI WNU relative to the construction of its new School of

Basic Education building and renovation of its Engineering building as well as advance payments made by STI ESG to suppliers in relation to the purchase of school uniforms, construction of classrooms and laboratory, rehabilitation of sewerage treatment plants and repair works in preparation for the new school year.

Accounts payable and other current liabilities decreased by ₱117.6 million or 16% from ₱736.1 million to ₱618.5 million as at June 30, 2022 and September 30, 2022, respectively. Accounts payable decreased by ₱97.4 million due to payments to the contractors and suppliers of recently completed construction projects. Accruals for utilities and other expenses declined by ₱33.2 million. Interest payable as at September 30, 2022 decreased by ₱21.1 million representing interest payments by STI ESG and iACADEMY on their Corporate Notes Facility and Term Loan Facility in September 2022.

Unearned tuition and other school fees increased substantially by ₱1,458.7 million from ₱116.8 million as at June 30, 2022 to ₱1,575.5 million as at September 30, 2022. The unearned revenue will be recognized as income over the remaining months of the school year/related term(s).

Current portion of lease liabilities declined by ₱1.9 million from ₱109.2 million as at June 30, 2022 to ₱107.3 million as at September 30, 2022 due to payments made during the three-month period, net of reclassification to current portion of lease obligations due within the next twelve months. Noncurrent portion of lease liabilities decreased by ₱17.2 million from ₱364.1 million as at June 30, 2022 to ₱346.9 million as at September 30, 2022. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated financial statements of the Group following the adoption of Philippine Financial Reporting Standards ("PFRS") 16, *Leases*.

Current portion of interest-bearing loans and borrowings decreased by ₱131.9 million from ₱239.1 million as at June 30, 2022 to ₱107.2 million as at September 30, 2022. The balance as at September 30, 2022 represents the current portion of the Corporate Notes Facility Agreement of STI ESG with China Banking Corporation ("China Bank") amounting to ₱60.0 million, the current portion of STI ESG's Land Bank of the Philippines ("LandBank") loan amounting to ₱7.6 million and iACADEMY's ₱39.6 million Term Loan balance with China Bank. The balance as at June 30, 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 ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On September 23, 2022, China Bank approved STI ESG's request to allow a partial principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests, on the outstanding Term Loan Facility balance covering the period September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. 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 was applied in the direct order of maturity, and as such, applied to 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 was applied in the inverse order of maturity according to the repayment schedule.

Meanwhile, in July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities ("ACADEME") Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students, but not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2022. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The first drawdown from the Landbank ACADEME program amounting to ₱10.0 million matured in August 2022, while the second drawdown of ₱12.1 million is maturing in January 2023, for the 20-month tenor, while the same is maturing in August 2023 and January 2024, respectively, for the 30-month tenor.

Income tax payable amounted to ₱645.0 thousand as at September 30, 2022, representing income tax due on the taxable income of STI WNU. The balance of ₱551.5 thousand as at June 30, 2022 represents income tax payable of STI ESG's subsidiaries and STI WNU. STI ESG and iACADEMY applied their NOLCO from the previous fiscal year to their taxable income. Income tax due on the taxable income of the Parent Company and STI ESG were covered by creditable withholding taxes, while iACADEMY's income tax due was covered by prior year's excess credit and creditable withholding taxes.

Non-current portion of interest-bearing loans and borrowing decreased by ₱152.2 million from ₱1,291.5 million to ₱1,139.3 million as at June 30, 2022 and September 30, 2022, respectively, due to the prepayment made by STI ESG.

Pension liabilities increased by ₱0.7 million from ₱108.7 million to ₱109.4 million as at June 30, 2022 and September 30, 2022, respectively, representing pension expense and decrease in the market value of the investments under the pension plan assets of the Group for the three-month period ended September 30, 2022.

Other noncurrent liabilities increased by ₱54.4 million from ₱23.4 million to ₱77.8 million as at June 30, 2022 and September 30, 2022, respectively, due to 4 months advance rent and 3 months security deposit received in relation to a new five-year lease contract with iACADEMY on the building along Sen. Gil J. Puyat Avenue, Makati City.

Cumulative actuarial gain declined by ₱1.0 million from ₱27.7 million to ₱26.7 million as at June 30, 2022 and September 30, 2022, respectively, representing movement in the market value of the investments under the pension plan assets of the Group as of September 30, 2022.

Retained earnings decreased by ₱42.4 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended September 30, 2022.

Material Changes in Income Statement Accounts

Total revenues reached ₱500.4 million during the three-month period ended September 30, 2022, an increase of ₱127.6 million from the revenues earned for the same period last year.

Tuition and other school fees amounted to ₱370.4 million for the three-month period ended September 30, 2022, up by ₱66.6 million or 22% from same period last year attributed to the 14% or 11,683 increase in the student population for SY 2022-2023 at 94,312 compared to 82,629 enrollees for SY 2021-2022. STI ESG's wholly-owned and franchised schools registered an enrollment of 81,697 students, 8,947 or 12% more than the enrollment in SY 2021-2022. Percentage-wise, STI WNU registered the highest increase at 35% for this SY compared to last SY. Further, the Group's enrollment mix improved with enrollees in programs regulated by CHED comprising 70% of the total student population in SY 2022-2023 compared to 68% for SY 2021-2022. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 17% or 3,707 from 22,142 to 25,849 for SY 2021-2022 and SY 2022-2023, respectively.

Revenues from educational services and royalty fees both increased by 14% attributed to the 11% increase in the student population of franchised schools for SY 2022-2023. 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.
Other revenues decreased by ₱0.5 million or 2% compared to the same period last year from ₱20.8 million to ₱20.3 million for the three-month period ended September 30, 2022. As more face-to-face classes are held, internet connectivity assistance was not provided to students for the three-month period ended September 30, 2022, compared to P4.5 million charged to STI ESG's franchised schools for the same period last year. This was partially offset by the increase in other income from students' requests for certifications and other forms for the three-month period ended September 30, 2022.

Sale of educational materials and supplies increased by ₱56.3 million year-on-year from ₱12.0 million for the three-month period ended September 30, 2021 to ₱68.3 million for the three-month period ended September 30, 2022. Sale of educational materials and supplies recognized in the current period largely pertains to sale of uniforms as face-to-face classes resumed and enrollment increased while sale of SHS textbooks mainly accounted for the sales in the same period last year.

The cost of educational materials and supplies sold likewise increased, concomitant with the increase in the sale of educational materials and supplies.

Cost of educational services increased by ₱2.6 million from ₱177.7 million for the three-month period ended September 30 last year to ₱180.3 million for the same period this year. The cost of instructors' salaries and benefits increased by ₱13.7 million due to the increased number of faculty members as a result of 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. Depreciation expense decreased by ₱0.6 million, from ₱83.7 million to ₱83.1 million, for the three-month periods ended September 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of September 30, 2021 held by closed schools and those with suspended operations. Rent expense decreased by ₱0.1 million due to savings on rental expenses attributed to the closed schools and those with suspended operations. Other direct expenses decreased by ₱10.0 million. Internet connectivity assistance to students is not provided this school year as more classes are held face-to-face. Also, the increase in school materials and supplies expense of ₱0.9 million or 79% was due to costs incurred in relation to the transition to onsite classes this year.

General and administrative expenses increased by ₱25.1 million from ₱284.4 million to ₱309.5 million for the three-month periods ended September 30, 2021 and 2022, respectively. Light and water expenses increased by ₱14.9 million from ₱15.9 million to ₱30.8 million for the three-month periods ended September 30, 2021 and 2022, respectively, as more face-to-face classes are held and the cost of electricity increased. Expenses for clerical, security and janitorial services increased by ₱7.4 million year-on-year. Salaries and benefits are higher by ₱9.0 million for the three-month period ended September 30, 2022 compared to same period last year as salary adjustments were implemented this year. Also, certain plantilla positions were filled up during the three months ended September 30, 2022 in preparation for the face-to-face classes this year. For SY 2022-2023, the Group toned down its TV and radio advertisements and connected with students and their influencers largely through social media platforms, as these reach people more quickly and easily. The Group also focused on creating various short-form videos with bite-size contents that are visually appealing and attention-grabbing. These short-form videos entail lower costs. Thus, the Group recognized advertising and promotions expenses amounting to ₱9.4 million for the three-month period ended September 30, 2022, lower by ₱10.7 million compared to ₱20.1 million for the same period last year. The Group recognized a provision for ECL amounting to ₱32.3 million from the three-month period ended September 30, 2022. This is slightly lower by ₱1.4 million compared to ₱33.7 million for the three-month period ended September 30, 2021 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2022. 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 of receivables from the students for prior years. Rent expense decreased by ₱0.4 million due to savings on rent expenses attributed to the closed schools and those with suspended operations.

The Group's operating loss for the three-month period ended September 30, 2022 amounted to ₱40.3 million, an improvement of ₱59.7 million or 60% from the operating loss of ₱100.0 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement of the enrollment mix in favor of students enrolled under the CHED programs, as well as strict control of direct and administrative expenses.

Interest expenses decreased by ₱7.5 million from ₱85.2 million for the three-month ended September 30, 2021, to ₱77.7 million for the same period this year mainly due to the partial principal prepayment made by STI ESG on its Term Loan Facility with China Bank.

Rental income increased by ₱12.6 million year-on-year due to new lease agreements entered into by STI ESG for the last 12 months in one of its investment properties.

The Group recognized unrealized gain on foreign exchange rate differences attributed to STI ESG's dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences on the dollar-denominated cash and cash equivalents of STI ESG and iACADEMY amounting to nil and ₱0.2 million for the three-month periods ended September 30, 2022 and 2021, respectively.

Interest income increased by ₱1.6 million from last year's ₱1.3 million to ₱2.9 million for the three-month period ended September 30 this year due to interest earned on the Group's short-term investments.

Recovery of accounts written-off amounted to ₱2.7 million for the three-month period ended September 30, 2022 compared to ₱2.5 million for the same period last year due to improved collection efficiencies.

Fair value loss of ₱1.4 million was recorded for the three-month period ended September 30, 2022 based on the market value of STI ESG's quoted equity shares as at September 30, 2022.

STI ESG recorded dividend income from RCR and De Los Santos Medical Center, Inc. amounting to ₱0.2 million and ₱0.9 million, respectively, for the three-month period ended September 30, 2022.

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 ₱2.9 million for the three-month period ended September 30, 2021. Included in other income for the three-month period ended September 30, 2021 is the difference between the nontrade payable, contingent liability to the former shareholders of STI WNU amounting to ₱50.0 million and the ₱25.0 million full and final settlement thereof paid on September 14, 2021 in accordance with the terms of the compromise agreement between STI Holdings and the Agustin Family, the former shareholders of STI WNU.
Equity in net earnings of associates and joint venture amounted to ₱0.8 million for the three-month period ended September 30, 2022 compared to the equity in net loss of associates and joint venture amounting to ₱0.1 million recorded for the same period last year.

The Group recognized a gain on sale amounting to ₱1.4 million for the three-month period ended September 30, 2021 attributed to the disposal of STI ESG's transportation equipment.

The Group also recognized other income amounting to ₱4.7 million for the three-month period ended September 30, 2022 representing donation from a third-party institution, as part of the partnership program between STI ESG and the third-party institution for delivering certification courses, simulation tools, and training materials to eligible students.

Benefit from income tax amounting to ₱2.5 million and ₱0.2 million were recognized for the three-month periods ended September 30, 2022 and 2021, respectively, due to the net loss recognized for these periods.

Net loss of ₱47.6 million was recorded for the first three months this year, as against ₱116.7 million net loss for the same period last year, an improvement of ₱69.1 million or 59%.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.6 million for the three-month period ended September 30, 2022, compared to negative ₱69.5 thousand for the three-month period ended September 30, 2021 due to the movement in the price of quoted equity shares held by STI ESG.

The Group recognized a remeasurement loss on pension liability amounting to ₱0.9 million and ₱1.6 million, net of income tax effect, for the three-month periods ended September 30, 2022 and 2021, respectively, due to the adjustments in the market value of equity shares forming part of STI ESG's pension assets.

Total comprehensive loss of ₱47.9 million was incurred for the three-month period ended September 30, 2022, compared to ₱118.4 million total comprehensive loss for the same period last year, an improvement of 60% or ₱70.5 million due to the 14% increase in enrollment and favorable enrollment mix.

EBITDA is up by ₱72.7 million from ₱44.4 million to ₱117.1 million for the three-month periods ended September 30, 2021 and 2022, respectively. EBITDA margin for the three-month period ended September 30, 2022 is at 23% compared to 12% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱78.7 million for the three-month period ended September 30, 2022 compared to the negative ₱163.6 million core income for the same period last year.

Financial Risk Disclosure

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

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

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

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio ("DSCR"), based on the consolidated financial statements of the Group, is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA divided by total principal and interests due for 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 September 30, 2022 and 2021, the Group's debt service cover ratios are 2.49:1.00 and 2.07:1.00, respectively. As at June 30, 2022 and 2021, the Group's DSCRs are 1.95:1.00 and 1.50:1.00, respectively.

Recognizing the economic impact of the COVID-19 outbreak, China Bank granted the temporary waiver of the DSCR requirement on STI ESG's term loan and Corporate Notes Facility Agreements for the year ended June 30, 2021. STI ESG also obtained the approval of the majority of the Record Bondholders for the waiver of the DSCR requirement on its bonds payable up to June 30, 2023.

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

It is the Group's policy to require 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 interest-bearing loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

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

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

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

As at September 30, 2022 and 2021, the Group's debt-to-equity ratios are 0.66:1.00 and 0.73:1.00, respectively. As at June 30, 2022 and 2021, the Group's debt-to-equity ratios are 0.70:1.00 and 0.79:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

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

b. Except as provided in Note 34 of the Notes to the Audited Consolidated Financial Statements attached as part of “Exhibits and Schedules,” the Group has no other financial and capital commitments.

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

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

e. There are no known trends, demands, commitments, events or uncertainties that will have an impact on the Group’s liquidity except for the contingencies and commitments enumerated in Note 34 of the Notes to the Audited Consolidated Financial Statements.

f. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed-rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG, STI WNU and iACADEMY are fully compliant with all the covenants in the loan agreements. Please see Notes 18, 19 and 35 in the Notes to the Audited Consolidated Financial Statements. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

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

h. The Group’s business is linked to the academic cycle. For SY 2019-2020, the Group started the school calendar of tertiary students in mid-July 2019 and ended in April 2020 while classes for the basic education and SHS started in June and ended in March 2020. iACADEMY’s academic year started in July for the tertiary level and August for the SHS, with academic year for SHS and tertiary level ending in May and June of each year, respectively. With the imposition of ECQ and GCQ in certain areas around the country, as previously discussed, the schools in the Group started online classes and completed SY 2019-2020 by the end of July 2020. Classes for STI ESG and STI WNU students who opted for online and offline studies were completed by the end of July 2020, while those who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021. For SY 2020-2021 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, for its part, has started classes in August for all levels, with classes ending in May and July of the following year for SHS and tertiary level, respectively, since SY 2020-2021. Accordingly, as it has been in its old fiscal year and even with its new fiscal year, as discussed in Notes 1 and 2 of the Notes to the Audited Consolidated Financial Statements, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group’s operation is not highly seasonal.

Management continues to monitor the COVID-19 situation and will take further actions as necessary and appropriate in response to the economic disruptions, government regulations and other COVID-19 consequences.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business days if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Notes 19 and 39 of the Audited Consolidated Financial Statements).

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

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

   The equity sharing in the Joint Venture Company 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 as a wholly owned subsidiary of STI ESG and is continuing its operations.

l. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (“UniFAST”) and STI ESG signed a memorandum of agreement to avail of the TES and Student Loan Program (“SLP”) for STI ESG’s students under the Universal Access to Quality Tertiary Education Act (“UAQTEA”) and its Implementing Rules and Regulations (“IRR”). 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 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 goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to persons with disabilities (“PWDs”) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED pays directly the schools where these students enrolled.

m. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the ‘study now, pay later’ program of the government for students amid the financial difficulties families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.00% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parent/benefactor/student, which in no case shall exceed three (3) years. This ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company.

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

n. In September 2020, STI ESG wrote CHED, TESDA and DepEd of its decision to suspend the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY 2020-2021 and to cease the operations of STI Pagadian effective SY 2020-2021. Similarly, the respective franchisees also informed CHED, TESDA and DepEd of the cessation of operations of some of STI ESG’s franchised schools namely: STI College Bohol, Inc. (“STI Bohol”), STI College Recto, Inc. (“STI Recto”), Sungold Technologies, Inc. (“STI Zamboanga”), STI College Pasay, Inc. (“STI Pasay”), STI College Dipolog, Inc. (“STI Dipolog”), STI College San Francisco, Inc. (“STI San Francisco”) and the suspension of operations of STI College Parañaque, Inc. (“STI Parañaque”) effective SY 2020-2021. Further, STI Iloilo ceased to operate effective SY 2022-2023.

On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

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

1. Establish a culinary school offering modular culinary courses which shall prepare the students to work on board cruise vessels and to jointly oversee the preparation and implementation of modular culinary and catering courses.
2. To jointly oversee the preparation and implementation of the curriculum for courses such as Bachelor of Science in Marine Transportation, Bachelor of Science in Marine Engineering, Senior High School Maritime track and Maritime Information Technology Programs. The parties likewise endeavor to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW").
3. To engage the Dean and other administrators as well as the members of the faculty who are professionals and are highly qualified to provide the students with the requisite education and training which will prepare them for work on board vessels.

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

With the current developments in the economy and in the industry, STI ESG and RAFT have started discussing the terms of the agreement and updating the provisions to be aligned with the practices considering the adjustments made in the industry as a result of the pandemic.

o. President Rodrigo Duterte signed into law on March 26, 2021 Republic Act ("RA") No. 11534, otherwise known as 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% to 1% effective July 1, 2020 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 July 1, 2020 to June 30, 2023.
- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax ("IAET") is repealed.

Pursuant to the provisions of the CREATE Act, the 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 on April 11, 2021.

UNDERTAKING TO PROVIDE SEC FORM 17-A AND SEC FORM 17-Q

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A AS OF 30 JUNE 2022 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2022, WILL BE PROVIDED WITHOUT CHARGE, TO ANY STOCKHOLDERS OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

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

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 21 November 2022

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City, 1307 Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

Receiving: Anthonio Kwong
Receipt Date and Time: November 04, 2022 08:35:06 AM

Company Information

SEC Registration No.: 0000001746
Company Name: STI EDUCATION SYSTEMS HOLDINGS, INC.
Industry Classification: K70120
Company Type: Stock Corporation

Document Information

Document ID: OST11104202288265 81
Document Type: Financial Statement
Document Code: FS
Period Covered: June 30, 2022
Submission Type: Consolidated, Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

STI EDUCATION SYSTEMS HOLDINGS

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, Inc. and subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2020, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUTISTA
Treasurer and Chief Financial Officer

Signed this 10th day of October 2022

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

SUBSCRIBED AND SWORN to me this OCT 25 2022 day of _____, 2022 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS Numbers as follows:

Name	Number	Date/Place of Issuance
Eusebio H. Tanco	Passport No. PO992946B	11/03/19, DFA Manila
Monico V. Jacob	Passport No. P6179864B	01/26/21, DFA NCR East
Yolanda M. Bautista	SSS No. 03-2678038-9	Makati City

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2023
Appt No M-002 (2022-2023) Attorney's Roll No. 34562
MCLE Compliance No. VII-0004035/7-19-2021
PTR No. 8852113/1-3-2022/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

Doc/ No. 313
Page No. 64
Book No. XLXV
Series of 2022

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	7	4	6

C O M P A N Y   N A M E

STI EDUCATION SYSTEMS HOLDINGS
INC. AND SUBSIDIARIES

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

7th Floor, STI Holdings Center
, 6764 Ayala Avenue, Makati Ci
ty 1226

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	CRMD	

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@stiholdings.com.ph	**(632) 8844 9553**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,262	**Third Friday of November**	**06/30**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

5/F SGV-II BUILDING, 6758 AYALA AVENUE, MAKATI CITY

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group’s application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group’s credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for ECL, net of reversal, for the year ended June 30, 2022 amounted to ₱112.7 million.

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

Audit response

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

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

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2022, the Group’s goodwill attributable to each of the Group’s cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱243.6 million, which is considered significant to the consolidated financial statements. In addition, management’s assessment process requires significant judgments and is based on assumptions, specifically discount rate, forecasted revenue growth, earnings before interest, taxes, depreciation and amortization (EBITDA) margins and long-term growth rate.

The Group’s disclosures about goodwill are included in Notes 4 and 16 to the consolidated financial statements.

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2022 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

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

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

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

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

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

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

SGV
Building a better
working world

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Loubelle V. Mendoza.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 8854336, January 3, 2022, Makati City

October 10, 2022

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

	June 30	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,568,718,083**	₱1,470,503,591
Receivables (Note 6)	**531,008,186**	486,250,896
Inventories (Note 7)	**158,185,754**	178,771,671
Prepaid expenses and other current assets (Note 8)	**114,302,639**	93,372,943
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**9,610,000**	–
	2,381,824,662	2,228,899,101
Noncurrent asset held for sale (Notes 10 and 12)	**1,039,728,064**	1,020,728,064
Total Current Assets	**3,421,552,726**	3,249,627,165
Noncurrent Assets		
Property and equipment (Notes 11 and 29)	**9,672,515,491**	10,041,279,490
Investment properties (Note 12)	**1,004,237,631**	846,072,465
Investments in and advances to associates and joint venture (Notes 13 and 14)	**18,490,878**	38,733,075
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15)	**70,188,775**	69,147,732
Deferred tax assets - net (Note 30)	**26,016,008**	34,781,681
Goodwill, intangible and other noncurrent assets (Notes 16 and 39)	**364,921,994**	481,838,485
Total Noncurrent Assets	**11,156,370,777**	11,511,852,928
TOTAL ASSETS	**₱14,577,923,503**	₱14,761,480,093
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 17)	**₱736,074,970**	₱807,037,380
Current portion of interest-bearing loans and borrowings (Note 18)	**239,135,979**	208,812,671
Unearned tuition and other school fees (Note 22)	**116,842,319**	101,754,837
Current portion of lease liabilities (Note 29)	**109,244,620**	75,745,111
Income tax payable (Note 30)	**551,497**	89,530
Total Current Liabilities	**1,201,849,385**	1,193,439,529
Noncurrent Liabilities		
Bonds payable (Note 19)	**2,980,515,064**	2,973,082,875
Interest-bearing loans and borrowings - net of current portion (Note 18)	**1,291,461,407**	1,771,433,275
Lease liabilities - net of current portion (Note 29)	**364,071,946**	409,072,273
Pension liabilities - net (Note 28)	**108,655,427**	105,409,464
Deferred tax liabilities - net (Note 30)	**113,049,596**	114,921,367
Other noncurrent liabilities (Note 20)	**23,356,036**	12,961,372
Total Noncurrent Liabilities	**4,881,109,476**	5,386,880,626
Total Liabilities *(Carried Forward)*	**6,082,958,861**	6,580,320,155

(Forward)

	June 30	
	2022	2021
Total Liabilities *(Brought Forward)*	**₱6,082,958,861**	₱6,580,320,155
Equity Attributable to Equity Holders of the Parent Company (Note 21)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**27,664,542**	19,277,239
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**13,255,113**	12,149,020
Other equity reserve	**(1,686,369,660)**	(1,670,477,910)
Share in associates':		
Cumulative actuarial gain (Note 13)	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**4,485,334,148**	4,165,349,454
Total Equity Attributable to Equity Holders of the Parent Company	**8,413,593,440**	8,100,007,100
Equity Attributable to Non-controlling Interests	**81,371,202**	81,152,838
Total Equity	**8,494,964,642**	8,181,159,938
TOTAL LIABILITIES AND EQUITY	**₱14,577,923,503**	₱14,761,480,093

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 AND THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Notes 2 and 40)
REVENUES (Note 22)			
Sale of services:			
Tuition and other school fees	**₱2,436,975,046**	₱1,882,717,358	₱165,626,597
Educational services	**125,387,103**	107,311,098	21,182,148
Royalty fees	**12,386,738**	10,560,747	1,963,548
Others	**73,548,480**	58,569,796	7,009,855
Sale of educational materials and supplies	**29,334,526**	24,904,944	998,130
	2,677,631,893	2,084,063,943	196,780,278
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**955,509,592**	852,201,805	166,238,586
Cost of educational materials and supplies sold (Note 25)	**24,171,066**	20,074,097	464,529
General and administrative expenses (Note 26)	**1,129,340,841**	1,025,084,135	232,550,165
	2,109,021,499	1,897,360,037	399,253,280
INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**568,610,394**	186,703,906	(202,473,002)
OTHER INCOME (EXPENSES)			
Interest expense (Note 18, 19, 23 and 29)	**(313,339,583)**	(337,065,915)	(84,442,945)
Rental income (Notes 12, 29 and 31)	**71,020,655**	116,833,364	48,410,966
Foreign exchange gain - net (Note 5)	**45,835,968**	3,869,142	–
Derecognition of contingent consideration (Notes 17 and 34)	**25,000,000**	–	–
Interest income (Notes 5, 6, 16 and 23)	**38,060,878**	5,691,709	1,949,082
Equity in net losses of associates and joint venture (Note 13)	**(20,242,197)**	(4,603,590)	(1,361,267)
Gain on:			
Settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10, 12 and 16)	**10,832,534**	–	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	15,460,821	–
Recovery of accounts written-off (Note 6)	**9,722,680**	6,833,368	107,449
Dividend income (Notes 9 and 15)	**1,206,828**	798,524	6,640
Fair value loss on equity instruments at FVPL (Note 9)	**(387,500)**	–	–
Loss on loan modification (Note 18)	**–**	(8,298,502)	–
Other income (expenses) - net (Note 29)	**(9,277,015)**	38,630,065	–
	(141,566,752)	(161,851,014)	(35,330,075)
INCOME (LOSS) BEFORE INCOME TAX	**427,043,642**	24,852,892	(237,803,077)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**4,088,974**	632,436	154,151
Deferred	**6,711,275**	(77,510,016)	(16,514,479)
	10,800,249	(76,877,580)	(16,360,328)
NET INCOME (LOSS) *(Carried Forward)*	**416,243,393**	101,730,472	(221,442,749)

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2)
NET INCOME (LOSS) *(Brought Forward)*	**₱416,243,393**	₱101,730,472	(₱221,442,749)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liabilities (Note 28)	**8,639,206**	17,070,655	(7,482,375)
Income tax effect	**(182,627)**	(1,429,856)	748,238
Fair value change in equity instruments at FVOCI (Note 15)	**1,141,043**	1,169,224	(347,194)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**9,597,622**	16,810,023	(7,081,331)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱425,841,015**	₱118,540,495	(₱228,524,080)
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱414,028,434**	₱102,820,252	(₱220,359,761)
Non-controlling interests	**2,214,959**	(1,089,780)	(1,082,988)
	₱416,243,393	₱101,730,472	(₱221,442,749)
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱423,521,830**	₱119,444,571	(₱227,345,484)
Non-controlling interests	**2,319,185**	(904,076)	(1,178,596)
	₱425,841,015	₱118,540,495	(₱228,524,080)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 32)	**₱0.042**	₱0.010	(₱0.022)

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 AND THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

	Equity Attributable to Equity Holders of the Parent Company (Note 21)												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain (Note 28)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 15)	Other Equity Reserve	Share in Associates' Cumulative Actuarial Gain (Note 13)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 13)	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	–	–	–	–	–	–	–	–	–	**414,028,434**	**414,028,434**	**2,214,959**	**416,243,393**
Other comprehensive income	–	–	–	**8,387,303**	**1,106,093**	–	–	–	–	–	**9,493,396**	**104,226**	**9,597,622**
Total comprehensive income	–	–	–	**8,387,303**	**1,106,093**	–	–	–	–	**414,028,434**	**423,521,830**	**2,319,185**	**425,841,015**
Dividend declaration	–	–	–	–	–	–	–	–	–	**(94,043,740)**	**(94,043,740)**	–	**(94,043,740)**
Acquisition of De Los Santos-STI College minority shares of stock (Note 21)	–	–	–	–	–	**(15,891,750)**	–	–	–	–	**(15,891,750)**	**(74,378)**	**(15,966,128)**
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	**(2,026,443)**	**(2,026,443)**
Balance at June 30, 2022	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱27,664,542**	**₱13,255,113**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱–**	**₱4,485,334,148**	**₱8,413,593,440**	**₱81,371,202**	**₱8,494,964,642**
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 income (loss)	–	–	–	–	–	–	–	–	–	102,820,252	102,820,252	(1,089,780)	101,730,472
Other comprehensive income	–	–	–	15,473,365	1,150,954	–	–	–	–	–	16,624,319	185,704	16,810,023
Total comprehensive income (loss)	–	–	–	15,473,365	1,150,954	–	–	–	–	102,820,252	119,444,571	(904,076)	118,540,495
Disposal of noncurrent asset held for sale (Note 10)	–	–	–	–	–	–	–	–	(90,645,302)	90,645,302	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	–	(34,796,184)	(34,796,184)	–	(34,796,184)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(535,442)	(535,442)
Balance at June 30, 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
Balance at April 1, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱10,446,933	₱11,340,730	(₱1,670,477,910)	₱321,569	(₱114)	₱90,645,302	₱4,227,039,845	₱8,242,704,197	₱83,770,952	₱8,326,475,149
Net loss	–	–	–	–	–	–	–	–	–	(220,359,761)	(220,359,761)	(1,082,988)	(221,442,749)
Other comprehensive loss	–	–	–	(6,643,059)	(342,664)	–	–	–	–	–	(6,985,723)	(95,608)	(7,081,331)
Total comprehensive loss	–	–	–	(6,643,059)	(342,664)	–	–	–	–	(220,359,761)	(227,345,484)	(1,178,596)	(228,524,080)
Balance at June 30, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱3,803,874	₱10,998,066	(₱1,670,477,910)	₱321,569	(₱114)	₱90,645,302	₱4,006,680,084	₱8,015,358,713	₱82,592,356	₱8,097,951,069

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 AND THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱427,043,642**	₱24,852,892	(₱237,803,077)
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12, 16, 24 and 26)	**599,456,835**	614,399,065	159,379,244
Interest expense (Notes 18, 19, 23 and 29)	**313,339,583**	337,065,915	84,442,945
Unrealized foreign exchange gain - net	**(44,559,464)**	(543,220)	–
Derecognition of contingent consideration (Notes 17 and 34)	**(25,000,000)**	–	–
Interest income (Notes 5, 6, 16 and 23)	**(38,060,878)**	(5,691,709)	(1,949,082)
Equity in net losses of associates and joint venture (Note 13)	**20,242,197**	4,603,590	1,361,267
Loss (gain) on:			
Settlement of STI Tanay receivable, net of provision for impairment of noncurrent asset held for sale (Note 12)	**(10,832,534)**	–	–
Sale of property and equipment	**(1,634,265)**	106,373	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	(15,460,821)	–
Net change in net pension liabilities (Note 28)	**11,885,169**	7,077,277	4,600,580
Income on rent concessions (Note 29)	**(6,054,606)**	(39,727,038)	–
Provision for impairment of:			
Goodwill (Notes 16 and 26)	**3,806,174**	–	–
Investments in and advances to associates and joint venture (Note 26)	**–**	10,265,554	–
Dividend income (Notes 9 and 15)	**(1,206,828)**	(798,524)	(6,640)
Fair value loss on equity instruments at FVPL (Note 9)	**387,500**	–	–
Loss on loan modification (Note 18)	**–**	8,298,502	–
Operating income before working capital changes	**1,248,812,525**	944,447,856	10,025,237
Decrease (increase) in:			
Receivables	**(62,665,075)**	(142,938,422)	85,143,849
Inventories	**20,585,916**	(38,308,235)	(309,562)
Prepaid expenses and other current assets	**(20,929,696)**	(20,967,497)	6,270,506
Increase (decrease) in:			
Accounts payable and other current liabilities	**(98,942,011)**	(66,655,229)	53,759,048
Unearned tuition and other school fees	**15,087,482**	123,358,686	(85,828,643)
Other noncurrent liabilities	**10,394,664**	(72,466,115)	(16,376,395)
Net cash generated from operations	**1,112,343,805**	726,471,044	52,684,040
Income tax paid	**(3,627,008)**	(17,956,573)	(1,719,348)
Interest received	**20,968,006**	5,691,709	1,925,267
Net cash provided by operating activities	**1,129,684,803**	714,206,180	52,889,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 11 and 38)	**(121,215,122)**	(281,882,633)	(33,528,846)
Investment properties (Notes 12 and 38)	**(34,230,335)**	–	–
Equity instruments at FVPL (Note 9)	**(9,997,500)**	–	–
Decrease (increase) in:			
Intangible and other noncurrent assets	**(9,082,578)**	4,384,874	(3,305,141)
Advances to associates and joint venture (Note 13)	**–**	(10,265,554)	–
Dividends received	**1,998,712**	6,640	6,640
Proceeds from:			
Sale of property and equipment	**1,652,430**	356,131	–
Sale of noncurrent asset held for sale (Note 10)	**–**	480,540,000	–
Capital gains tax paid (Note 10)	**–**	(45,963,285)	–
Net cash provided by (used in) investing activities	**(170,874,393)**	147,176,173	(36,827,347)

(Forward)

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term loans (Note 18)	**(₱449,544,753)**	(₱239,400,000)	₱–
Interest	**(281,594,979)**	(297,967,414)	(46,910,230)
Dividends	**(95,665,835)**	(35,327,186)	(4,436)
Lease liabilities (Note 29)	**(78,349,815)**	(73,912,834)	(19,601,709)
Short-term loans (Note 18)	**–**	(400,000,000)	–
Net proceeds from:			
Availment of long-term loans (Note 18)	**–**	397,000,000	–
Availment of short-term loans (Note 18)	**–**	400,000,000	–
Landbank ACADEME Program (Note 18)	**–**	21,971,627	–
Net cash used in financing activities	**(905,155,382)**	(227,635,807)	(66,516,375)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**44,559,464**	543,220	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**98,214,492**	634,289,766	(50,453,763)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,470,503,591**	836,213,825	886,667,588
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,568,718,083**	₱1,470,503,591	₱836,213,825

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

a. General

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

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

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

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

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings' ownership of STI ESG is at 98.7% as at June 30, 2022 and 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 the Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 2011, respectively.
- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by CHED and the 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 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 the report date, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the BIR. As a response to the request made for the Phase 3 merger, through a letter dated September 28, 2022, the BIR informed STI ESG that Section 40 C.2 of the Tax Code, as amended by Republic Act (RA) No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, STI ESG and the merged schools can implement the said transaction. The reply to the request for a confirmatory ruling for the Phase 1 merger is still pending from the BIR as at report date.

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

November 4, 2019. The BIR approved STI ESG's application for the change in accounting period on August 27, 2020.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy, Inc. (STI Training Academy) with STI ESG owning 100.0% of the subscribed and issued capital stock. STI Training Academy, Inc. is established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority (TESDA); and to provide other professional courses and training, such as tanker courses and their allied and security courses, including stewarding and culinary courses. In a letter dated August 25, 2022, the Maritime Industry Authority (MARINA) informed STI Training Academy that the latter's application for accreditation as a Maritime Training Institution (MTI) is granted. This will enable STI Training Academy to start offering training courses that are tailor-fit to certain shipping lines or industries.

In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao for SY 2020-2021 and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. STI 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. Further, STI Iloilo ceased to operate beginning SY 2022-2023. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrollment turnout and/or the high cost of rental of facilities. As at June 30, 2022, STI ESG's network of operating schools totals sixty three (63) schools with thirty five (35) owned schools and twenty eight (28) franchised schools comprising sixty (60) colleges and three (3) education centers. Back in September 2020, the students enrolled in the aforementioned schools which were either suspended or closed, 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.

On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at June 30, 2022 and 2021, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million and ₱67.0 million, respectively (see Notes 17 and 34). As at June 30, 2022 and 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 SHS, tertiary and post-graduate programs.

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

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

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

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

iACADEMY 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. It started in 2002 as a wholly owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings since September 30, 2016. iACADEMY conducts its classes in its Nexus building 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 (with a par value of ₱1.00 per share) to ₱1,000.0 million (with a par value of ₱1.00 per share) . 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 October 10, 2022, the request is pending with the BIR.

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

On June 1, 2022, the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its Articles of Incorporation as follows: (1) amendment of its primary purpose to include (a) establishment of educational institutions in Metro Manila and a branch in Cebu City; and (b) that iACADEMY shall have all the express powers of a corporation under Section 35 of the Revised Corporation Code, including the establishment and maintenance of branches and school campuses within the Philippines, subject to the rules and regulations of the DepEd, CHED and TESDA. The SEC approved the amendments on July 28, 2022.

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 34).

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 34).

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

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD of STI Holdings on October 10, 2022.

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

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

The Group's short-period consolidated financial statements as at and for the three-month period ended June 30, 2020 have been prepared pursuant to the Parent Company's change in accounting period from fiscal year ending March 31 to fiscal year ending June 30, as discussed in Note 1, and in compliance with statutory requirements. The amounts reflected in the June 30, 2020 consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and the related notes are for three months and, accordingly, are not comparable with the amounts in the June 30, 2022 and 2021 consolidated financial statements with each pertaining to a whole year (see Note 40).

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 41).

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 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.

iACADEMY implements 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 learning management system that is being used by schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past seven 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 most of SY 2021-2022, face-to-face classes remain suspended and thus the Group has continued to conduct classes online. 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.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021 and the three months ended June 30, 2020.

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

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

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

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

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

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

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

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

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

		Effective Percentage of Ownership					
		June 30, 2022		June 30, 2021		June 30, 2020	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–	99	–
STI WNU	Educational Institution	**99**	**–**	99	–	99	–
iACADEMY	Educational Institution	**100**	**–**	100	–	100	–
AHC	Holding Company	**100**	**–**	100	–	100	–
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**–**	**99**	–	99	–	99
STI College of Kalookan, Inc. (STI Caloocan) [a]	Educational Institution	**–**	**99**	–	99	–	99
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**	–	99	–	99
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**–**	**99**	–	99	–	99
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**	–	99	–	99
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**	–	99	–	99
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**–**	**99**	–	99	–	99
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**	–	99	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**	–	99	–	99
STI Training Academy	Educational Institution	**–**	**99**	–	99	–	99
NAMEI Polytechnic Institute of Mandaluyong, Inc.	Educational Institution	**–**	**99**	–	99	–	99
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**	–	93	–	93
De Los Santos-STI College, Inc. (De Los Santos-STI College) [b]	Educational Institution	**–**	**99**	–	51	–	51
STI College Quezon Avenue, Inc. (STI QA) [c]	Educational Institution	**–**	**99**	–	51	–	51

[a] A subsidiary of STI ESG through a management contract (see Note 4)
[b] On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. CHED, in a letter reply dated July 1, 2016, said that De Los Santos-STI College may apply again for initial permits if it intends to offer the programs enumerated in its letter for SY 2018-2019. De Los Santos-STI College has not resumed its school operations as at October 10, 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. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance to certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023 (see Note 1).

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

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

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

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

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 July 1, 2021. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated.

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

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

  The Group shall also disclose information about:

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

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

Standards Issued but Not Yet Effective
The standards and interpretations that are issued but not yet effective for the year ended June 30, 2022 are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements, except otherwise stated.

Effective for Fiscal Year 2023

- 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 Philippines 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 amendment is 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 venture 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.

- 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 for Fiscal Year 2024

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The Group is currently assessing the impact of adopting the amendments to PAS 12.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  1. Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  2. Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after July 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective for Fiscal Year 2025

- 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, 2024 and must be applied retrospectively.

Effective for Fiscal Year 2026

- 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, 2025, with comparative figures required. Early application is permitted.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint venture.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2022 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as equity instruments at FVOCI and equity instruments at FVPL, at fair value at each reporting date. Also, fair values of investment properties and financial instruments measured at amortized cost are disclosed in Notes 9, 12 and 36 to the consolidated financial statements, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Notes 12 and 36).

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

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

a. Financial assets

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at FVPL

a. *Financial assets at amortized cost (debt instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

The Group's financial assets at amortized cost include cash and cash equivalents, receivables (except for advances to officers and employees) and rental and utility deposits under "Goodwill, intangible and other noncurrent assets" account as at June 30, 2022 and 2021 (see Notes 6 and 16).

b. *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to impairment assessment.

As at June 30, 2022 and 2021, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI (see Note 15).

c. *Financial assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

As at June 30, 2022, the Group's listed equity investments for trading are classified as financial assets at FVPL. The Group has no FVPL as at June 30, 2021.

Impairment of Financial Assets. The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”, or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the Stage for Impairment. The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

For receivables from students, The Group applies a simplified approach in calculating ECLs for receivables from students. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets. Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Write-off Policy. The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

On July 12, 2022, the BOD of STI ESG approved an interim policy for the deferral of the write-off of STI ESG's receivables for the year ended June 30, 2022.

Reclassification of Financial Assets. The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

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

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

As at June 30, 2022 and 2021, the Group has no financial liabilities at FVPL. The Group's financial liabilities as at June 30, 2022 and 2021 are measured at amortized cost.

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), lease liabilities, and refundable deposits classified under "Other noncurrent liabilities" (see Notes 17, 18, 19 and 20).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.0% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of Financial Liability. The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10.0% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the consolidated statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The NRV of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV of promotional and school materials and supplies is the current replacement cost.

Prepaid Expenses and Other Current Assets
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Investment properties are not depreciated or amortized once classified as held for sale. Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment
The Group's property and equipment consists of land, buildings, equipment, furniture and fixtures, leasehold improvements, library holdings, construction in-progress and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives or lease term (in the case of ROU assets), whichever is shorter:

Asset Type	Number of Years
Buildings	20 to 25 years
Office and school equipment	3 to 15 years
Office and school furniture and fixtures	3 to 5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	3 to 5 years
Computer equipment and peripherals	3 years
Library holdings	5 years
Machineries and equipment	10 years
Right-of-use asset - land	25 years
Right-of-use asset - building	2 to 5 years
Right-of-use asset - transportation equipment	3 to 5 years

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

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

Investment Properties

Investment properties include land, condominium units and buildings held by the Group for capital appreciation and rental purposes. Investment properties also include right-of-use asset involving a building that is being subleased. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Depreciation of condominium units and buildings is computed on a straight-line basis over 20 to 25 years. Unless the Group is reasonably certain to obtain ownership of the leased building at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

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

<u>Borrowing Costs</u>
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to all borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Asset Acquisition

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

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

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group has interest in Philippine Healthcare Educators, Inc. (PHEI) a joint venture company. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint venture and the Parent Company are identical, except for Synergia Human Capital Solutions, Inc. (Synergia) and Global Resource for Outsourced Workers, Inc. (GROW) which have December 31 as financial reporting date, and the associates' and joint venture accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint venture and the financial reporting date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of the Group, which are all incorporated in the Philippines, are as follows :

		Effective Percentage of Ownership					
		June 30, 2022		June 30, 2021		June 30, 2020	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related services	**49**	**–**	49	–	49	–
STI College Alabang, Inc. (STI Alabang)	Educational Institution	**40**	**–**	40	–	40	–
Synergia[(a)]	Management Consulting Services	**30**	**–**	30	–	30	–
STI Marikina	Educational Institution	**24**	**–**	24	–	24	–
Maestro Holdings, Inc. (Maestro Holdings)[(b)]	Holding Company	**–**	**–**	–	–	20	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3

[(a)]*Dormant entities*
[(b)] *STI ESG's 20% stake in Maestro Holdings was sold on December 15, 2020 (see Note 10)*

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

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

For nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGUs, to which goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Unearned Tuition and Other School Fees
Unearned tuition and other school fees refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date. This represents contract liabilities under PFRS 15, *Revenue from Contracts with Customers.*

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of comprehensive income.

Capital Stock and Additional Paid-in Capital
Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

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

Retained Earnings and Dividend on Common Stock of the Parent Company
The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings/Loss Per Share Attributable to the Equity Holders of the Parent Company
Earnings/loss per share is computed by dividing net income/loss attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividend declaration, if any.

Diluted earnings per share (EPS) is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to PFRS 15:

Tuition and Other School Fee Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract. The Group's "Unearned tuition and other school fees" account represents contract liabilities which will be recognized as revenue when the related educational services are rendered. This includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time using the output method and is recognized as income over the corresponding school term to which they pertain using the output method on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenue from educational services and royalty fees is satisfied over time based on a percentage of monthly franchise receipts and is recognized on an accrual basis in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods is transferred to the customer.

Other Revenues. Other revenues include income related to the software license subscriptions provided to franchised schools. These revenues are satisfied at a point in time and are recognized at the time of sale when control or rights to the goods or services are transferred to the customer.

The following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Costs and Expenses

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

Pension Costs

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

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

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

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

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. De Los Santos-STI College and STI QA recognize gains or losses on the settlement of a DB plan when the settlement occurs (see Notes 8 and 28).

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

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

Right-of-use Assets. The Group classifies its ROU assets as part of property and equipment; and investment properties. Refer to the accounting policies in property and equipment; and investment properties sections.

Lease Liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases with Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to a lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. A lessee recognizes the effect of the rent concession by recognizing the reduction in payment as other income in profit or loss in the consolidated statement of comprehensive income.

The Group applied the practical expedient for rent concessions granted to the Group resulting in recognition of income from rent concessions aggregating to ₱6.1 million and ₱39.7 million recognized under “Other income – net” in the consolidated statements of comprehensive income for the years ended June 30, 2022 and 2021, respectively.

Group as Lessor. Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits NOLCO and MCIT can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the financial reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account or "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

Operating Segment
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on consolidated net income (loss) and EBITDA, defined as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, gain on settlement of STI Tanay receivable (net of provision for impairment of noncurrent asset held for sale), income on rent concessions, fair value loss on equity instruments at FVPL, gain on sale of noncurrent asset held for sale (net of capital gains tax), loss on loan modification and gain on derecognition of contingent consideration. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net income (loss) to consolidated EBITDA:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Consolidated net income (loss)	**₱416,243,393**	₱101,730,472	(₱221,442,749)
Depreciation and amortization* (see Notes 11, 12, 16, 24 and 26)	**524,769,336**	537,108,249	138,468,707
Interest expense* (see Notes 18, 19, 23 and 29)	**281,966,280**	301,536,491	74,861,815
Foreign exchange gain – net	**(45,835,968)**	(3,869,142)	–
Interest income (see Notes 5, 6 and 23)	**(38,060,878)**	(5,691,709)	(1,949,082)
Gain on derecognition of contingent consideration (see Notes 17 and 33)	**(25,000,000)**	–	–
Equity in net losses of associates and joint venture (see Note 13)	**20,242,197**	4,603,590	1,361,267
Provision for (benefit from) income tax	**10,800,249**	(76,877,580)	(16,360,328)
Gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale (see Notes 10 and 12)	**(10,832,534)**	–	–
Income on rent concessions** (see Note 29)	**(6,054,606)**	(39,727,038)	–
Fair value loss on equity instruments at FVPL	**387,500**	–	–
Gain on sale of noncurrent asset held for sale*** (see Note 10)	**–**	(15,460,821)	–
Loss on loan modification (see Note 18)	**–**	8,298,502	–
Consolidated EBITDA	**₱1,128,624,969**	₱811,651,014	(₱25,060,370)

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
***Presented as part of "Other income".*
****Net of capital gains tax amounting to ₱45.9 million paid during the year ended June 30, 2021.*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020:

	June 30, 2022 (One Year)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱1,432,614,200**	**₱189,663,625**	**₱680,470,698**	**₱310,073,376**	**₱64,809,994**	**₱2,677,631,893**
Results						
Income (loss) before other income (expenses) and income tax	**181,703,296**	**31,823,797**	**246,948,516**	**111,137,645**	**(3,002,860)**	**568,610,394**
Interest expense	**(299,611,661)**	**(3,883,675)**	**(6,249,868)**	**(835,656)**	**(2,758,723)**	**(313,339,583)**
Other income	**127,889,989**	**–**	**693,110**	**371,051**	**–**	**128,954,150**
Benefit from (provision for) income tax	**(11,766,572)**	**1,302,025**	**(848,610)**	**512,908**	**–**	**(10,800,249)**
Gain on derecognition of contingent consideration	**25,000,000**	**–**	**–**	**–**	**–**	**25,000,000**
Interest income	**37,684,497**	**32,615**	**163,395**	**155,531**	**24,840**	**38,060,878**
Equity in net losses of associates and joint venture	**(20,242,197)**	**–**	–	–	–	**(20,242,197)**
Net Income (Loss)	**₱40,657,352**	**₱29,274,762**	**₱240,706,543**	**₱111,341,479**	**(₱5,736,743)**	**₱416,243,393**
EBITDA						**₱1,128,624,969**

	June 30, 2021 (One Year)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,155,999,591	₱138,515,524	₱523,630,921	₱222,436,557	₱49,997,624	₱2,090,580,217
Results						
Income (loss) before other income (expenses) and income tax	(35,295,403)	(2,584,788)	179,615,112	59,705,062	(8,219,803)	193,220,180
Interest expense	(320,664,413)	(4,989,637)	(7,057,175)	(1,429,120)	(2,925,570)	(337,065,915)
Other income	153,419,523	7,362,793	2,895,222	1,303,272	2,629,698	167,610,508
Benefit from (provision for) income tax	84,500,157	(189,770)	498,048	(7,850,455)	(80,400)	76,877,580
Interest income	5,044,289	55,958	243,715	336,552	11,195	5,691,709
Equity in net losses of associates and joint venture	(4,603,590)	–	–	–	–	(4,603,590)
Net Income (Loss)	(₱117,599,437)	(₱345,444)	₱176,194,922	₱52,065,311	(₱8,584,880)	₱101,730,472
EBITDA						₱811,651,014

	June 30, 2020 (Three Months - see Notes 2 and 40)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱145,559,127	₱7,241,392	₱28,189,143	₱13,393,422	₱2,504,643	₱196,887,727
Results						
Loss before other income (expenses) and income tax	(108,776,030)	(21,391,314)	(39,613,601)	(23,883,274)	(8,701,334)	(202,365,553)
Interest expense	(79,417,441)	(1,390,713)	(1,832,473)	(947,908)	(854,410)	(84,442,945)
Other income	48,371,249	–	–	46,357	–	48,417,606
Benefit from income tax	14,287,419	–	–	2,072,909	–	16,360,328
Interest income	1,792,230	14,693	107,793	30,918	3,448	1,949,082
Equity in net losses of associates and joint venture	(1,361,267)	–	–	–	–	(1,361,267)
Net Loss	(₱125,103,840)	(₱22,767,334)	(₱41,338,281)	(₱22,680,998)	(₱9,552,296)	(₱221,442,749)
EBITDA						(₱25,060,370)

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

	June 30, 2022					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,273,110,652**	**₱770,907,221**	**₱1,379,938,195**	**₱683,891,664**	**₱142,285,468**	**₱13,250,133,200**
Noncurrent asset held for sale	**1,039,728,064**	–	–	–	–	**1,039,728,064**
Investments in and advances to associates and joint venture	**18,490,878**	–	–	–	–	**18,490,878**
Goodwill	**227,874,121**	–	–	**15,681,232**	–	**243,555,353**
Deferred tax assets - net	**8,937,435**	**2,532,798**	**4,947,451**	**7,942,758**	**1,655,566**	**26,016,008**
Total Assets	**₱11,568,141,150**	**₱773,440,019**	**₱1,384,885,646**	**₱707,515,654**	**₱143,941,034**	**₱14,577,923,503**
Segment liabilities[(b)]	**₱579,201,645**	**₱53,439,704**	**₱115,992,079**	**₱91,306,771**	**₱36,884,624**	**₱876,824,823**
Interest-bearing loans and borrowings	**1,530,597,386**	–	–	**–**	–	**1,530,597,386**
Bonds payable	**2,980,515,064**	–	–	–	–	**2,980,515,064**
Pension liabilities - net	**63,765,218**	**5,482,854**	**11,382,893**	**26,136,589**	**1,887,873**	**108,655,427**
Lease liabilities	**267,996,138**	**51,663,460**	**95,496,288**	**18,479,857**	**39,680,822**	**473,316,565**
Deferred tax liabilities - net	**113,049,596**	–	–	–	–	**113,049,596**
Total Liabilities	**₱5,535,125,047**	**₱110,586,018**	**₱222,871,260**	**₱135,923,217**	**₱78,453,319**	**₱6,082,958,861**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱146,766,580**
Depreciation and amortization[(c)]						**524,769,336**
Noncash expenses other than depreciation and amortization						**135,255,250**

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

	June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱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 venture	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[(b)]	₱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[(c)]						537,108,249
Noncash expenses other than depreciation and amortization						68,676,525

[(d)] *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint venture, goodwill and net deferred tax assets.*
[(e)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, lease liabilities and deferred tax liabilities.*
[(f)] *Depreciation and amortization excludes those related to ROU assets.*

	June 30, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱11,542,199,801	₱835,073,144	₱959,895,983	₱559,018,437	₱148,792,889	₱14,044,980,254
Noncurrent asset held for sale	419,115,894	–	–	–	–	419,115,894
Investments in and advances to associates and joint venture	43,336,665	–	–	–	–	43,336,665
Goodwill	229,750,336	–	–	15,681,232	–	245,431,568
Deferred tax assets - net	61,091,080	906,468	1,701,851	13,671,718	80,132	77,451,249
Total Assets	₱12,295,493,776	₱835,979,612	₱961,597,834	₱588,371,387	₱148,873,021	₱14,830,315,630

	June 30, 2020					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Segment liabilities[b]	₱841,876,091	₱45,962,613	₱88,543,503	₱66,215,639	₱31,393,474	₱1,073,991,320
Interest-bearing loans and borrowings	1,751,211,241	–	–	39,400,000	–	1,790,611,241
Bonds payable	2,966,097,772	–	–	–	–	2,966,097,772
Pension liabilities - net	66,480,596	4,699,923	10,403,110	32,072,340	1,746,872	115,402,841
Lease liabilities	296,077,163	82,870,413	102,454,338	21,752,743	49,435,634	552,590,291
Deferred tax liabilities - net	233,671,096	–	–	–	–	233,671,096
Total Liabilities	₱6,155,413,959	₱133,532,949	₱201,400,951	₱159,440,722	₱82,575,980	₱6,732,364,561

Other Segment Information	
Capital expenditure -	
Property and equipment	₱34,112,929
Depreciation and amortization[c]	138,468,707
Noncash expenses other than depreciation and amortization	10,828,850

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

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

In response to the COVID-19 outbreak, which has caused global economic disruption, the Group has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2022 and 2021 consolidated financial statements from those applied in the previous financial year, other than for those disclosed under this section.

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

Recognition of Revenue from Tuition and Other School Fees, Educational Services and Royalty Fees over time. The Group concluded that tuition and other school fees, educational services and royalty fees are to be recognized over time using the output method on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Recognition of Revenue from the Sale of Educational Materials and Supplies at a Point in Time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present obligation to pay for the asset and the Group has transferred physical possession of the asset.

Determination of Control Arising from a Management Contract. STI ESG has a management contract with STI Caloocan. Management has concluded that STI ESG, in substance, has the power to direct its relevant activities and has the means to obtain majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control over STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Classification and Measurement of Financial Assets

a. *Contractual Cash Flows Assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset if there are payments of principal or amortization of the premium/discount. "Interest" is defined as the compensation for the time value of money and credit risk although it can also include compensation for other lending risks such as liquidity, administrative costs and profit margin.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

b. *Evaluation of Business Model in Managing Financial Instruments*

The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios.

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and the expected frequency, value, timing, as well as the manner of compensation for them.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Noncurrent Asset Held for Sale. Quezon City Dacion Properties - On June 24, 2021, the Parent Company's BOD approved the sale to an interested buyer of the Parent Company's properties located in Quezon City ("Quezon City dacion properties") which were obtained by the Parent Company through the deeds of dacion in 2016 as these properties have not been used in business since acquisition. Management considered these properties to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the Quezon City dacion properties
- The Quezon City dacion properties are available for immediate sale in its present condition
- Negotiations with an interested buyer have been initiated
- The properties will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, the Parent Company ceased to account for the properties as investment properties effective June 30, 2021 and carried such 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 (see Notes 10 and 12).

In May and June 2022, the Parent Company issued authority to sell to certain brokers to perform all efforts in connection with the sale of the Quezon City properties to prospective buyers. As of June 30, 2022 and October 10, 2022, negotiations with interested buyers are ongoing.

Property Acquired through Extrajudicial Foreclosure Sale - As discussed in Note 10, the receivable from STI Tanay is secured by real estate mortgages over certain properties which include STI Tanay's land and building, including improvements thereon, and a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property).

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under "Investment properties".

STI Tanay and the mortgagors were given a one year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price. Management considered the Pasig Property to meet the criteria to be classified as held for sale for the following reasons:

- STI Tanay and the mortgagors have one year redemption period from the date the certificate of sale was annotated (i.e., August 5, 2021); hence, management expects to complete the sale within one year from the date of classification
- The Pasig Property is available for immediate sale/redemption in its present condition
- The Pasig Property will be redeemed at a reasonable price in relation to its fair value
- STI Tanay is the specified buyer of the property and actions to complete the redemption have been initiated

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell.

Maestro Holdings - On June 27, 2017, STI ESG's BOD approved the disposal of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposal of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- Actions to locate a buyer and complete the sale have been initiated
- The shares will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification.

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings effective June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell.

On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, the BOD of STI ESG approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio (Chita SPC Limited), for a purchase price US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG (see Note 10).

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to collection of receivables and labor. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 34).

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of Expected Credit Losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of Default.* The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss Given Default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.
- *Exposure at Default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified Approach for Receivables from Students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group then adjusts the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of the COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information at the end of the first three months subsequent to report date. As a result of this review, the probability of default of receivables from students that are due subsequent to report date was adjusted accordingly. Additional scenario analysis was incorporated which considered differing severity and duration assumptions relating to the global pandemic. This included probability-weighted shocks to annual gross domestic product (GDP) and consequential impacts on unemployment and other economic variables.

As uncertainties in market trend and economic conditions may remain persistent amidst the continuous spread of COVID-19, actual results in the future periods may differ from the estimates.

Incorporation of Forward-looking Information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL, net of reversal, amounting to ₱112.7 million, ₱41.8 million and ₱6.3 million for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, respectively. Allowance for ECL on receivables amounted to ₱312.4 million and ₱209.5 million as at June 30, 2022 and 2021, respectively. The carrying amounts of receivables as at June 30, 2022 and 2021 are disclosed in Note 6.

Valuation of Noncurrent Asset Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount.

For the investment properties held for sale, the Group engaged an independent professionally qualified appraiser to determine the fair value of the properties. The Level 3 fair value of these properties was derived using the market approach. The market approach is a comparative approach to value which considers the sale of similar or substitute properties and related market data and establishes a value estimate by a process involving comparison.

For the equity investment held for sale, management used the adjusted consolidated net assets value of PhilPlans First, Inc. (PhilPlans) and discounted cash flows from the financial budget covering five years approved by the management of Philippine Life Financial Assurance Corporation (PhilLife) and PhilhealthCare, Inc. (PhilCare) in estimating the fair value of Maestro Holdings. Philplans consists primarily of investments in listed equity instruments, government bonds, other fixed-income securities (accounts valued at Level 1 and Level 2) and pre-need reserves. Management used a discount rate for the discounted cash flows of PhilLife and PhilCare equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Key assumptions used by management are growth rates, long-term growth rate, discount rates, discount on lack of control (DLOC), discount on lack of marketability (DLOM), and estimated costs to sell (under Level 3).

Provision for impairment loss on noncurrent asset held for sale amounted to ₱34.3 million for the year ended June 30, 2022. No impairment was recognized for the year ended June 30, 2021 and the three-month period ended June 30, 2020.

As at June 30, 2022 and 2021, the carrying value of the noncurrent asset held for sale follows:

	June 30, 2022	June 30, 2021
Quezon City dacion properties (see Notes 10 and 12)	**₱1,020,728,064**	₱1,020,728,064
Property acquired through extrajudicial foreclosure (see Notes 10 and 12)	**19,000,000**	–
	₱1,039,728,064	₱1,020,728,064

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties (excluding land) and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits.

Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation, and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2022 and 2021. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	June 30, 2022	June 30, 2021
Property and equipment (excluding land and construction in-progress) (see Note 11)	**₱6,252,502,763**	₱6,362,118,533
Investment properties (excluding land and construction and in-progress) (see Note 12)	**564,823,819**	537,346,207
Intangible assets (see Note 16)	**49,174,773**	47,476,586

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

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying value of property and equipment, investment properties, investment in and advances to associates and joint venture and intangible assets and other noncurrent assets are disclosed in Notes 11, 12, 13, 14 and 16, respectively.

The Group recognized a provision for impairment of investments in and advances to associates and joint venture amounting to nil and ₱10.3 million for the years ended June 30, 2022 and 2021, respectively. No impairment was recognized for the three-month period ended June 30, 2020 (see Note 26). As at June 30, 2022 and 2021, the carrying value of the investments in and advances to associates and joint venture amounted to ₱18.5 million and ₱38.7 million, respectively (see Note 13).

Impairment of Goodwill and Intangible Assets with Indefinite Useful Life. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill and intangible assets with indefinite useful life which are subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill and intangible assets with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impact and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting date was conducted.

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, EBITDA margins, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital (WACC) wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate ranging from 12.9% to 13.9% and from 10.41% to 10.76% were used as at June 30, 2022 and 2021, respectively. The growth rate used in extrapolating cash flows beyond the period covered by the CGUs' recent budgets was 5.00%.

Impairment testing showed that the CGUs' recoverable amounts were greater than their carrying amounts. The Group recognized a provision for impairment of goodwill amounting to ₱3.8 million and nil for the years ended June 30, 2022 and 2021, respectively. No impairment was recognized for the three-month period ended June 30, 2020. Goodwill amounted to ₱243.6 million and ₱247.4 million as at June 30, 2022 and 2021, respectively; while intangible assets with indefinite useful life amounted to ₱31.6 million and ₱27.6 million as at June 30, 2022 and 2021, respectively (see Note 16).

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

Deferred tax assets recognized as at June 30, 2022 and 2021 are disclosed in Note 30 to the consolidated financial statements.

Measurement of Lease Liabilities. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*

  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*

  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2022 and 2021 are disclosed in Note 29 to the consolidated financial statements.

Determining Pension Liabilities. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions are described in Note 28 and include among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension liabilities amounted to ₱108.7 million and ₱105.4 million as at June 30, 2022 and 2021, respectively (see Note 28).

5. Cash and Cash Equivalents

	June 30, 2022	June 30, 2021
Cash on hand and in banks	**₱1,004,708,289**	₱799,348,838
Cash equivalents	**564,009,794**	671,154,753
	₱1,568,718,083	₱1,470,503,591

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

Interest earned from cash in banks and cash equivalents for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 amounted to ₱3.1 million, ₱4.6 million and ₱1.6 million, respectively (see Note 23).

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱44.5 million and ₱0.7 million for the years ended June 30, 2022 and 2021, respectively (nil for the three-month period ended June 30, 2020). The Group also recognized a realized net gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱1.3 million and ₱3.2 million for the years ended June 30, 2022 and 2021, respectively (nil for the three-month period ended June 30, 2020).

6. **Receivables**

	June 30, 2022	June 30, 2021
Tuition and other school fees	**₱669,973,794**	₱506,647,378
Educational services (see Note 31)	**75,476,227**	81,088,506
Rent, utilities and other related receivables (see Note 31)	**41,693,700**	39,160,840
Advances to officers and employees (see Note 31)	**20,156,347**	20,875,796
Receivable from STI Tanay	**6,758,041**	16,373,591
Dividend receivable	**–**	791,884
Others	**29,334,574**	30,805,631
	843,392,683	695,743,626
Less allowance for expected credit losses	**312,384,497**	209,492,730
	₱531,008,186	₱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 (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022.

   These receivables are noninterest-bearing. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱2.0 million, ₱0.9 million and ₱0.3 million for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2020, respectively (see Note 23).

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. Receivable from STI Tanay substantially represents the receivable for educational services rendered by STI ESG to the franchisee (Notes 12 and 16).

STI ESG recognized a provision for ECL amounting to ₱6.8 million on receivable from STI Tanay for the year ended June 30, 2022 (nil for the year ended June 30, 2021 and the three-month period ended June 30, 2020).

f. Dividend receivable as at June 30, 2021 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.

g. Others mainly include receivables from a former franchisee and vendors of STI ESG amounting to ₱1.6 million and ₱6.7 million for the years ended June 30, 2022 and 2021, respectively. This account also includes receivables from Social Security Systems amounting to ₱4.1 million and ₱4.4 million as at June 30, 2022 and 2021, respectively. These receivables are expected to be collected within the year.

The movements in allowance for expected credit losses are as follows:

	June 30, 2022		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱201,902,317**	**₱7,590,413**	**₱209,492,730**
Provisions (see Note 26)	**102,838,745**	**9,819,180**	**112,657,925**
Write-off	**(8,545,227)**	**(1,220,931)**	**(9,766,158)**
Balance at end of year	**₱296,195,835**	**₱16,188,662**	**₱312,384,497**

	June 30, 2021		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱227,264,607	₱4,168,791	₱231,433,398
Provisions (see Note 26)	38,362,990	3,421,622	41,784,612
Write-off	(63,725,280)	–	(63,725,280)
Balance at end of year	₱201,902,317	₱7,590,413	₱209,492,730

Recovery of accounts written off amounted to ₱9.7 million, ₱6.8 million and ₱0.1 million for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2022, respectively.

7. Inventories

	June 30, 2022	June 30, 2021
At cost:		
Educational materials:		
Uniforms	**₱128,607,105**	₱141,968,660
Textbooks and other education-related materials	**10,694,553**	14,943,391
Total *(Carried Forward)*	**139,301,658**	156,912,051

	June 30, 2022	June 30, 2021
Total *(Brought Forward)*	**₱139,301,658**	₱156,912,051
Promotional materials:		
Proware materials	**13,436,142**	13,761,674
Marketing materials	**387,296**	3,514,387
	13,823,438	17,276,061
School materials and supplies	**5,060,658**	4,583,559
	₱158,185,754	₱178,771,671

The carrying value of inventories carried at net realizable value is nil as at June 30, 2022 and 2021. Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, with original cost of ₱18.5 million and ₱16.5 million as at June 30, 2022 and 2021, respectively, are fully provided with allowance for inventory obsolescence.

Provision for inventory obsolescence resulting from excess of cost over net realizable value of inventories for the years ended June 30, 2022 and 2021 amounted to ₱2.0 million and ₱0.8 million, respectively (nil for the three-month period ended June 30, 2020) (see Note 26).

Inventories charged to cost of educational materials and supplies sold amounted to ₱24.2 million, ₱20.1 million and ₱0.5 million for the years ended June 30, 2020 and 2021 and the three-month period ended June 30, 2020, respectively (see Note 25).

8. Prepaid Expenses and Other Current Assets

	June 30, 2022	June 30, 2021
Prepaid taxes	**₱57,161,045**	₱44,275,128
Input VAT - net	**23,007,435**	14,792,832
Prepaid subscriptions and licenses	**13,849,894**	13,060,678
Advances to suppliers	**7,153,692**	1,643,208
Prepaid insurance	**6,743,814**	11,830,587
Software maintenance cost	**1,743,610**	1,567,359
Prepaid internet cost	**126,227**	2,137,464
Excess contributions to CEAP (see Note 28)	**–**	2,315,227
Others	**4,516,922**	1,750,460
	₱114,302,639	₱93,372,943

Prepaid taxes represent excess creditable withholding taxes over tax due which will be applied against income tax due of the following period. This account also includes prepayments for business and real property taxes which will be recognized as expense over the period covered.

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in the next fiscal year. Input VAT are 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, Toon Boom Harmony and Autodesk subscriptions which were paid in advance and are recognized as expense over the period of coverage which is within next reporting period. These subscriptions are normally renewed annually and are amortized in accordance with the terms of the respective agreements.

Advances to suppliers mainly include down payments for rental of venues for company events, laboratory and electrical supplies, and advance payment for the renovation of STI WNU's Engineering building.

Prepaid insurance primarily represents vehicle insurance coverage as at June 30, 2022, and mainly pertains to health coverage of employees and fire and other risks insurance on buildings as at June 30, 2021, which were paid in advance and are recognized as expense over the period of coverage which is within next reporting period.

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

Prepaid internet cost represents the balance of the load wallet for data connectivity of the students as at June 30, 2022 and 2021. 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 in SY 2020-2021 and SY 2021-2022. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime.

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. On May 23, 2022, the retirement funds aggregating to ₱6.1 million have been transferred to the trustee bank that administers the retirement funds of the Group (see Note 28).

During the year, 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. The unutilized portion amounting to ₱2.9 million is recognized as part of other prepaid expenses as at June 30, 2022.

9. Equity Instruments at Fair Value through Profit or Loss (FVPL)

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱9.6 million as at June 30, 2022.

In September 2021, STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱0.4 million for the year ended June 30, 2022.

STI ESG recognized dividend income from RCR amounting to ₱0.4 million for the year ended June 30, 2022.

10. **Noncurrent Asset Held for Sale**

	June 30, 2022	June 30, 2021
Quezon City dacion properties (see Note 12)	**₱1,020,728,064**	₱1,020,728,064
Property acquired through extrajudicial foreclosure (see Notes 12 and 16)	**19,000,000**	–
	₱1,039,728,064	₱1,020,728,064

Quezon City Dacion Properties
Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2022 and 2021 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 the deeds of dacion in 2016 (see Notes 12 and 34).

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 its receipt. With the classification as noncurrent asset held for sale, the Parent Company carried the said properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized for the years ended June 30, 2022 and 2021 as a result of such classification.

In May and June 2022, the Parent Company issued authority to sell to certain brokers to perform all efforts in connection with the sale of the Quezon City dacion properties to prospective buyers. As of June 30, 2022 and October 10, 2022, negotiations with interested buyers are ongoing.

Property Acquired through Extrajudicial Foreclosure
As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million represents the carrying value of land and building located in Pasig acquired by STI ESG through extrajudicial foreclosure which are expected to be fully redeemed by STI Tanay subsequent to the fiscal year end.

As discussed in Note 16, the receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property) (see Note 12); and (b) land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under "Investment properties" at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of "Gain on settlement of receivable" for the year ended June 30, 2022 (see Note 16).

STI Tanay and the mortgagors were given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price (see Note 12).

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The gain on settlement of receivable and the provision for impairment of noncurrent asset held for sale were presented as part of "Gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale" in the 2022 consolidated statement of comprehensive income.

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the "Agreement") for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (see Note 12); (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG (future collections to be applied to receivable for educational services from STI Tanay); (4) assignment of STI Tanay's rights to the use of the name of "STI College Tanay"; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized noncurrent asset held for sale amounting to ₱19.0 million (see Note 41).

<u>Maestro Holdings</u>
On June 27, 2017, STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. With the classification as noncurrent asset held for sale on June 30, 2017, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings and the investment was carried at the lower of its carrying amount or fair value less costs to sell.

No provision for impairment was recognized for the three-month period ended June 30, 2020 prior to the sale.

On September 24, 2020, STI ESG's BOD approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, STI ESG's BOD approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited for a purchase price of US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG.

On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale wherein the latter offered to purchase all 1,281,484 shares of STI ESG in Maestro Holdings representing 20% ownership, for a total consideration of US$10.0 million, equivalent to ₱480.5 million. The amount of US$10.0 million has been fully received by STI ESG. The difference between the selling price of ₱480.5 million and the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15.0% of ₱306.4 million, which is the difference between the selling price and the acquisition cost of investment amounting to ₱174.1 million. This transaction resulted in a gain amounting to ₱15.5 million (net of capital gains tax of ₱45.9 million) which is presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2021. The sale also resulted in the reclassification of other comprehensive income associated with noncurrent asset held for sale to retained earnings and other equity reserve amounting to ₱89.9 million and ₱0.7 million, respectively (see Note 21).

11. **Property and Equipment**

	June 30, 2022												
	Land	**Buildings**	**Office and School Equipment**	**Office and School 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	**1,518,671**	**52,824,346**	**34,045,542**	**5,974,074**	**3,682,573**	**–**	**22,775,670**	**3,738,518**	**22,207,186**	**–**	**29,634,248**	**8,660,582**	**185,061,410**
Reclassifications	**–**	**284,095,792**	**(1,997,425)**	**–**	**(1,221,706)**	**–**	**1,997,425**	**–**	**(282,874,086)**	**–**	**–**	**–**	**–**
Lease termination/modification (see Note 29)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,842,960**	**(1,606,850)**	**(117,605)**	**4,118,505**
Disposal	**–**	**–**	**(15)**	**(2)**	**–**	**–**	**–**	**(543)**	**–**	**–**	**–**	**–**	**(560)**
Depreciation and amortization (see Notes 24 and 26)	**–**	**(335,791,684)**	**(76,584,946)**	**(24,011,837)**	**(20,423,331)**	**(1,391,261)**	**(30,458,166)**	**(6,754,681)**	**–**	**(8,105,137)**	**(47,005,723)**	**(7,416,588)**	**(557,943,354)**
Balance at end of period	**₱3,392,351,300**	**₱5,715,373,328**	**₱158,442,081**	**₱41,980,063**	**₱23,240,374**	**₱1,544,710**	**₱39,236,559**	**₱18,007,902**	**₱27,661,428**	**₱122,558,699**	**₱116,369,390**	**₱15,749,657**	**₱9,672,515,491**
At June 30, 2022:													
Cost	**₱3,392,351,300**	**₱8,059,841,711**	**₱946,227,238**	**₱385,814,751**	**₱237,678,597**	**₱19,431,519**	**₱516,291,126**	**₱220,980,726**	**₱27,661,428**	**₱148,154,218**	**₱260,821,043**	**₱63,241,975**	**₱14,278,495,632**
Accumulated depreciation and amortization	**–**	**2,344,468,383**	**787,785,157**	**343,834,688**	**214,438,223**	**17,886,809**	**477,054,567**	**202,972,824**	**–**	**25,595,519**	**144,451,653**	**47,492,318**	**4,605,980,141**
Net book value	**₱3,392,351,300**	**₱5,715,373,328**	**₱158,442,081**	**₱41,980,063**	**₱23,240,374**	**₱1,544,710**	**₱39,236,559**	**₱18,007,902**	**₱27,661,428**	**₱122,558,699**	**₱116,369,390**	**₱15,749,657**	**₱9,672,515,491**

	June 30, 2021												
	Land	Buildings	Office and School Equipment	Office and School 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 (see Note 16)	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 (see Note 39)	–	–	717,716	153,987	135,323	–	–	55,865	–	–	–	–	1,062,891
Lease termination (see Note 29)	–	–	–	–	–	–	–	–	–	–	(19,095,588)	(2,592,066)	(21,687,654)
Disposal	–	–	(86)	(6,476)	–	–	(122,594)	(14)	–	–	–	(333,333)	(462,503)
Depreciation and amortization (see Notes 24 and 26)	–	(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

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,548.8 million and ₱1,392.1 million as at June 30, 2022 and 2021, respectively. There were no idle property and equipment as at June 30, 2022 and 2021.

Additions

Land. STI ESG purchased a parcel of land in Iloilo with an area of 2,615 square meters for ₱183.1 million on an installment basis, pursuant to a Deed of Absolute Sale executed by STI ESG and Heva Management and Development Corporation (HDMC) on April 23, 2021. Accordingly, STI ESG reclassified the related 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 June 30, 2022, the remaining construction in progress includes the costs of the major renovation of STI WNU's Engineering building amounting to ₱22.2 million and the construction of a pedestrian overpass to ensure the safety of the students of STI Las Piñas amounting to ₱5.5 million. The total contract costs of these projects aggregate to ₱36.9 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. These projects are expected to be completed in December 2022.

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 for STI Training Academy's 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 project. The related construction costs for STI Legazpi and STI Training Academy were reclassified to building as part of "Property and equipment" as at June 30, 2022.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱2.8 million and ₱0.01 million for the year ended June 30, 2021 and the three-month period ended June 30, 2020 (nil for the year ended June 30, 2022). The average interest capitalization rates were 5.62% and 5.90% for the year ended June 30, 2021 and the three-month period ended June 30, 2020, respectively, which were the effective rates of the borrowings.

Collaterals

iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and building, and all other facilities, machineries, equipment and improvements therein (see Note 18). As at June 30, 2022 and 2021, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,396.8 million and ₱1,444.2 million, respectively.

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at June 30, 2022 and 2021 (see Note 29). The net book value of these equipment amounted to ₱15.7 million and ₱14.6 million as at June 30, 2022 and 2021, respectively.

12. **Investment Properties**

	June 30, 2022				
	Land	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Construction In-Progress**	**Total**
Cost:					
Balance at beginning of year	**₱308,726,258**	**₱636,233,550**	**₱133,183,838**	**₱–**	**₱1,078,143,646**
Additions	**88,242,000**	**76,632,000**	**–**	**86,671,554**	**251,545,554**
Disposal	**(44,226,000)**	**(9,724,000)**	**–**	**–**	**(53,950,000)**
Balance at end of year	**352,742,258**	**703,141,550**	**133,183,838**	**86,671,554**	**1,275,739,200**
Accumulated depreciation:					
Balance at beginning of year	**–**	**202,596,069**	**29,475,112**	**–**	**232,071,181**
Depreciation (see Note 26)	**–**	**26,978,606**	**13,100,049**	**–**	**40,078,655**
Disposal	**–**	**(648,267)**	**–**	**–**	**(648,267)**
Balance at end of year	**–**	**228,926,408**	**42,575,161**	**–**	**271,501,569**
Net book value	**₱352,742,258**	**₱474,215,142**	**₱90,608,677**	**86,671,554**	**₱1,004,237,631**

	June 30, 2021			
	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 10)	(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 (see Note 26)	–	30,844,485	13,100,050	43,944,535
Reclassification to noncurrent asset held for sale (see Note 10)	–	(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

As at June 30, 2022 and 2021, investment properties primarily include buildings of the Group which are held for office or commercial lease.

Investment properties also include parcels of land and land improvements located in Davao City currently held by the Parent Company for capital appreciation and are not used in business. These properties (including the Quezon City dacion properties discussed in Note 10) were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 34) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 34). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

As discussed in Note 10, on June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties. Consequently, the carrying value of these properties amounting to ₱1,020.7 million was reclassified to "Noncurrent asset held for sale" under current assets (see Note 10).

Description of valuation techniques used and key inputs to valuation of investment properties
The fair values of the Group's investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land
Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sale of similar or substitute properties and related market data and establishes a value estimate by a process involving comparison. Listings and offerings may also be considered. Sales price of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at June 30, 2022 and 2021, the following shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

	2022	2021
Fair value of Davao properties	**₱421,932,000**	₱341,564,000
Valuation date	**September 9, 2022**	June 17, 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter, location, size, depth, influence, and time element**	Net price per square meter, location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

	2022	2021
Fair value of STI ESG's land	**₱178,303,600**	₱134,287,000
Valuation date	**May 10, 2022/March 31, 2020**	March 31, 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

Condominium Units and Buildings
Level 3 fair values of STI ESG's condominium units and buildings have also been derived using the market approach.

Using the latest available valuation report as at June 30, 2022 and 2021, the following table shows the valuation technique used in measuring the fair value of STI ESG's buildings, as well as the significant unobservable inputs used:

	2022	2021
Fair value	**₱1,529,746,000**	₱1,462,838,000
Valuation date	**May 10, 2022/March 31, 2020**	March 31, 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

The highest and best use of the Davao properties is institutional land development, while the highest and best use of STI ESG's land, condominium units and buildings is commercial utility.

Land and Buildings Acquired through Extrajudicial Foreclosure. As at June 30, 2022, investment properties include land and buildings acquired through extrajudicial foreclosure (see Note 16).

As discussed in Note 16, the receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property), and (b) a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 15, 2022, the extrajudicial foreclosure sale for the Tanay Property was completed and STI ESG was declared as the winning bidder. On April 11, 2022, the Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the certificate of sale and the same was annotated on May 5, 2022. Consequently, STI ESG recognized the said property as part of land and building, under “Investment properties” at appraised values amounting to ₱44.1 million and ₱66.9 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱26.1 million was recognized as part of “Gain on settlement of receivable” for the year ended June 30, 2022 (see Note 16).

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under “Investment properties” at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of “Gain on settlement of receivable” for the year ended June 30, 2022 (see Note 16).

STI Tanay was given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from “Investment properties” to “Noncurrent asset held for sale” in view of the expected redemption upon actual receipt of the redemption price (see Note 10).

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the “Agreement”) for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (discussed above); 2) payment of the ₱19.0 million for the redemption of the Pasig property (see Note 10); (3) assignment of STI Tanay’s rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG (future collections to be applied to receivable for educational services from STI Tanay); (4) assignment of STI Tanay’s rights to the use of the name of “STI College Tanay”; and (5) change of corporate name of STI Tanay.

On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago (the “Deed”) to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million.

Right-of-use Asset - Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for the building along Sen. Gil J. Puyat Avenue for a period of 15 years and three months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three years or the average of the Consumer Price Index for the last three years, whichever is higher. iACADEMY subleases the building to third parties.

Investment Property under Construction. As at June 30, 2022, the construction-in-progress account pertains substantially to the renovation of office condominium units owned by STI ESG. This includes mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and management services. The related contract costs amounted to ₱88.0 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. This project is intended to complete the office fit-out requirements for a new lease agreement. The renovation works for the said office condominium units were completed in August 2022.

Rental

Rental income earned from investment properties amounted to ₱66.1 million, ₱110.7 million and ₱46.5 million for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 amounted to ₱11.6 million, ₱9.9 million, and ₱2.6 million, respectively.

13. Investments in and Advances to Associates and Joint Venture

	June 30, 2022	June 30, 2021
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(8,159,640)**	(3,556,050)
Equity in net losses of associates and joint venture	**(20,242,197)**	(4,603,590)
Balance at end of year	**(28,401,837)**	(8,159,640)
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of year	**329,306**	329,306
	18,490,878	38,733,075
Advances (see Note 31)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱18,490,878	₱38,733,075

Movements in allowance for impairment in value of investments in and advances to associates and joint venture are as follows:

	June 30, 2022	June 30, 2021
Balance at beginning of year	**₱48,134,540**	₱37,868,986
Provision for impairment loss (see Note 26)	**–**	10,265,554
Balance at end of year	**₱48,134,540**	₱48,134,540

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

	June 30, 2022	June 30, 2021
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
GROW	**14,289,422**	13,513,225
STI Alabang*	**–**	20,970,887
Joint venture - PHEI (see Note 14)	**4,201,456**	4,248,963
	66,625,418	86,867,615
Allowance for impairment loss	**48,134,540**	48,134,540
	₱18,490,878	₱38,733,075

**The share in equity of these associates for the years ended June 30, 2022 and 2021 is not material to the consolidated financial statements.*

As at June 30, 2022 and 2021, the carrying amount of the investments in STI Marikina, Synergia and STI Accent amounted to nil.

Information about the associates is discussed below:

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

The aggregate financial information of individually immaterial associates follows:

	June 30, 2022	June 30, 2021	June 30, 2020
Current assets	**₱192,276,126**	₱194,050,957	₱174,217,900
Noncurrent assets	**40,302,973**	41,929,742	39,855,675
Current liabilities	**(201,489,565)**	(154,859,791)	(109,629,086)
Noncurrent liabilities	**(16,855,871)**	(17,953,621)	(15,610,013)
Equity	**₱14,233,663**	₱63,167,287	₱88,834,476

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Revenues	**₱286,407,241**	₱172,522,598	₱46,707,334
Expenses	**(316,911,622)**	(186,048,513)	(52,037,224)
Total comprehensive loss	**(₱30,504,381)**	(₱13,525,915)	(₱5,329,890)
Share in total comprehensive loss	**(₱20,242,197)**	(₱4,603,590)	(₱1,361,267)

STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2022 and 2021, allowance for impairment loss on STI ESG's investment in STI Accent and related advances amounted to ₱48.1 million. STI ESG recognized provision for impairment in its advances to STI Accent amounting to ₱10.3 million for the year ended June 30, 2021 (nil for the year ended June 30, 2022 and the three-month period ended June 30, 2020).

Terms and conditions relating to advances to associates and joint venture are disclosed in Note 31 to the consolidated financial statements.

14. Interest in Joint Venture

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

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

a. STI ESG shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics, with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as the campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and

c. STI ESG will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

The cost of STI ESG's investment in PHEI amounted to ₱5.0 million while its carrying value amounted to ₱4.2 million as at June 30, 2022 and 2021.

The Group's share in the net losses of its joint venture amounted to ₱0.05 million and ₱0.1 million for the years ended June 30, 2022 and 2021, respectively, while share in the net earnings amounted to ₱0.8 million for the three-month period ended June 30, 2020, which are all individually immaterial.

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

	June 30, 2022	June 30, 2021
Quoted equity shares	**₱4,800,312**	₱5,285,174
Unquoted equity shares	**65,388,463**	63,862,558
	₱70,188,775	₱69,147,732

a. Quoted Equity Shares

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

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 ₱30.5 million and ₱29.0 million as at June 30, 2022 and 2021.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.8 million each year for the years ended June 30, 2022 and 2021 and nil for the three-month period ended June 30, 2020.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	June 30, 2022	June 30, 2021
Balance at beginning of year	**₱12,310,264**	₱11,141,040
Unrealized fair value adjustment on equity instruments at FVOCI	**1,141,043**	1,169,224
Balance at end of year (see Note 21)	**₱13,451,307**	₱12,310,264

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

	June 30, 2022	June 30, 2021
Goodwill	**₱243,555,353**	₱247,361,526
Intangible assets (see Note 39)	**49,174,773**	47,476,586
Rental and utility deposits (see Note 29)	**34,500,378**	36,756,267
Advances to suppliers	**19,112,618**	36,978,001
Deferred input VAT	**13,755,760**	20,989,671
Receivable from STI Tanay	**–**	75,478,724
Deposits for acquisition of shares of stock	**–**	11,974,596
Others (see Note 6)	**4,823,112**	4,823,114
	₱364,921,994	₱481,838,485

Goodwill

As at June 30, 2022 and 2021, the Group's goodwill acquired through business combinations have been allocated to select schools which are considered as separate CGUs:

	June 30, 2022	June 30, 2021
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches (see Note 20)	**21,803,322**	21,803,322
NAMEI	**21,231,234**	21,231,234
STI Bacolod	**15,681,232**	15,681,232
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216

(Forward)

	June 30, 2022	June 30, 2021
STI Naga	**₱2,305,368**	₱2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
STI Calbayog (see Note 39)	**1,325,721**	1,325,721
STI Dumaguete (see Note 39)	**604,237**	604,237
STI Iloilo	**–**	3,806,173
	₱243,555,353	₱247,361,526

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 12.9% to 13.9% and from 10.41% to 10.76% as at June 30, 2022 and 2021, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 2022 and 2021. The management used forecasted revenue increase ranging from 6.83% to 42.52% and 0.59% to 137.6% in June 2022 and 2021, respectively, for the next five years except for select CGU with forecasted revenue decrease ranging from 6.83% to 13.32% in the next two years, considering the impact of COVID-19 pandemic are reasonable. The Group recognized a provision for impairment on goodwill under general and administrative expenses amounting to ₱3.8 million for the year ended June 30, 2022 (see Note 26). No impairment was recognized for the year ended June 30, 2021 and the three-month period ended June 30, 2020.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors. Revenue forecast of each CGU is primarily dependent on the number of students enrolled and tuition fee rates, which vary for each school.

- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest and income tax expenses. It is the difference between operating revenues and operating expenses. Earnings before tax differ for each CGU and are based on historical data and future plans for each CGU which may be affected by expected capital expenditures and number of projected students.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC. The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to assumption that the CGUs will exist beyond ten (10) years.

- Long-term growth rate - Rates are based on published industry research.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school and related agreements which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired by STI ESG. Such intangible assets with indefinite useful life, representing the fair value of the license and agreements, amounted to ₱31.6 million and ₱27.6 million as at June 30, 2022 and 2021, respectively.

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

The rollforward analyses of this account follow:

	June 30, 2022	June 30, 2021
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱47,476,586**	₱41,963,660
Additions (see Note 39)	**3,133,013**	6,350,096
Amortization (see Notes 24 and 26)	**(1,434,826)**	(837,170)
Balance at end of year	**₱49,174,773**	₱47,476,586
Cost	**₱112,550,903**	₱109,417,890
Accumulated amortization	**63,376,130**	61,941,304
Net carrying amount	**₱49,174,773**	₱47,476,586

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

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

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

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 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 (see Notes 10 and 12).

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 were incurred up to the dates of the extrajudicial foreclosure sale of the mortgaged real estate properties situated in Pasig City and Tanay, Rizal. STI ESG recognized as interest income 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 up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans (see Note 23).

The Pasig Property and Tanay Property were foreclosed on March 16, 2021 and March 15, 2022, respectively, with STI ESG as the highest bidder. The certificates of sale for the Pasig Property and Tanay Property were issued on July 14, 2021 and April 11, 2022, respectively, and were annotated on August 5, 2021 and May 5, 2022, respectively. Consequently, STI ESG recognized the foreclosed properties as part of "Investment properties" at an aggregate appraised value of ₱164.9 million, derecognized the receivable from STI Tanay with a carrying value aggregating to ₱119.8 million at the time of derecognition, and recognized gain on settlement of receivable amounting to ₱45.1 million (see Note 12). Gain on settlement of receivable, net of provision for impairment of noncurrent asset held for sale as discussed in Note 10, amounted to ₱10.8 million. Receivable from STI Tanay amounted to ₱75.5 million as at June 30, 2021.

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% of the outstanding capital stock (see Note 21).

17. Accounts Payable and Other Current Liabilities

	June 30, 2022	June 30, 2021
Accounts payable (see Note 31)	**₱446,952,008**	₱464,212,251
Dividends payable (see Note 21)	**26,411,518**	25,934,641
Nontrade payable (see Notes 1 and 34)	**17,000,000**	67,000,000
Accrued expenses:		
School-related expenses	**48,064,848**	30,604,440
Contracted services	**40,669,786**	42,072,232
Salaries, wages and benefits	**33,329,119**	29,152,557
Interest	**26,583,874**	33,505,531
Utilities	**10,400,798**	9,647,443
Advertising and promotion	**7,624,460**	4,346,613
Rent (see Note 29)	**4,637,426**	4,295,441
Others	**5,441,782**	6,104,115
Statutory payables	**27,438,037**	23,356,254
Student organization fund	**14,012,993**	10,004,360
Network events fund	**12,785,275**	9,525,376
Current portion of refundable deposits (see Note 20)	**680,495**	3,273,940
Current portion of advance rent (see Note 20)	**346,370**	7,154,403
Current portion of payable to STI Diamond (see Note 19)	**–**	24,140,773
Others	**13,696,181**	12,707,010
	₱736,074,970	₱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. Dividends payable pertains to dividends declared which are unclaimed as of reporting date and are due on demand.

c. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The Parent Company and the Agustin family decided to amicably settle ₱50.0 million of the nontrade payable by (a) executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and (b) 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 ₱50.0 million, which is the subject of the cases filed by the Agustin family (see Note 17). On September 14, 2021, the Parent Company paid ₱25.0 million to the Agustin family. Accordingly, the Parent Company recognized other income on derecognition of contingent consideration amounting to ₱25.0 million. As at June 30, 2022, the remaining balance of nontrade payable amounting to ₱17.0 million pertains to the portion of the contingent consideration to be released upon collection of STI WNU's trade receivables guaranteed as collectible by the Agustin family. As part of the Compromise Agreement, the parties also agreed to review the financial records of STI WNU to determine the status of collection (see Note 34).

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

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

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

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

h. Payable to STI Diamond as at June 30, 2021 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. STI Novaliches has settled the obligation in full as at June 30, 2022.

i. Terms and conditions of payables to related parties (recorded under "Accounts payable") are disclosed in Note 31 to the consolidated financial statements.

18. Interest-bearing Loans and Borrowings

	June 30, 2022	June 30, 2021
Term loan facilities[(a)]	**₱1,272,392,785**	₱1,710,111,915
Corporate Notes Facility[(b)]	**245,666,028**	248,144,353
Landbank ACADEME Program[(c)]	**12,538,573**	21,989,678
	1,530,597,386	1,980,245,946
Less current portion	**239,135,979**	208,812,671
Noncurrent portion	**₱1,291,461,407**	₱1,771,433,275

(a)Net of unamortized debt issuance costs of ₱7.2 million and ₱9.2 million as at June 30, 2022 and 2021, respectively.
(b)Inclusive of unamortized premium of ₱5.7 million and ₱8.1 million as at June 30, 2022 and 2021, respectively.
c)Net of unamortized debt issuance costs of ₱56 thousand and ₱0.2 million as at June 30, 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 11). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date). The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

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

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

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

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 shall be 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%. On March 29, 2022, iACADEMY made a payment in the amount of ₱40.0 million.

Breakdown of iACADEMY's Term Loan follows:

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

On September 29, 2022, iACADEMY paid the ₱40.0 million regular amortization. The loan balance of ₱280.0 million was repriced at an interest rate of 5.6699% on September 28, 2022.

Interest expense for the years ended June 30, 2022 and 2021 amounted to ₱12.9 million and ₱22.1 million, respectively.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the EIR method. These are presented as a contra-liability account in the consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱1.6 million and ₱2.7 million as at June 30, 2022 and 2021, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱1.0 million, ₱0.8 million and ₱0.2 million for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, 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 (DSCR) and debt-to-equity (D/E) ratios. The required financial ratios are:

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

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

As at June 30, 2022 and 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 shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender’s commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31%. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% effective September 20, 2020. As at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. 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 consolidated financial statements as at and for the period ending December 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. Debt-to-equity ratio of not more than 1.50x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

The D/E ratios of STI ESG are 0.88x and 0.94x as at June 30, 2022 and 2021, respectively. DSCRs as at June 30, 2022 and June 30, 2021 are 1.80x and 1.42x, respectively. As at June 30, 2022 and 2021, STI ESG has complied with the said covenants.

China Bank approved the temporary waiver of the DSCR requirement covering the period ended June 30, 2021 (see discussion on Waivers of Certain Covenants in this note).

Breakdown of STI ESG's Term Loan follows:

	June 30, 2022	June 30, 2021
Balance at beginning of year	**₱1,200,000,000**	₱800,000,000
Proceeds	**–**	400,000,000
Repayments	**(240,000,000)**	–
Balance at end of year	**960,000,000**	1,200,000,000
Unamortized debt issuance costs	**(5,972,120)**	(7,231,055)
Balance at end of year	**954,027,880**	1,192,768,945
Less current portion	**120,000,000**	120,000,000
Noncurrent portion	**₱834,027,880**	₱1,072,768,945

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

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

On September 16, 2021, ChinaBank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million to be applied to the existing ₱1,200.0 million Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. Further, ChinaBank 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, including the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022, according to the repayment schedule shown above.

The revised repayment schedule, after the application of the principal prepayment made in September 2021, 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

On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19-23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

The revised repayment schedule, after the application of the principal prepayment in September 2022, are as follows:

Fiscal Year	Amount
2023	₱–
2024	120,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱720,000,000

Corporate Notes Facility
On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Bank granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

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

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

STI ESG has made payments totaling to ₱120.0 million for the year ended June 30, 2021, (nil for the year ended June 30, 2022).

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 by STI WNU for the year ended June 30, 2021, ₱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 debt-to-equity and debt service cover ratios. STI ESG and STI WNU were required to maintain a debt-to-equity ratio of not more than 1.00:1.00 and debt service cover ratio of not less than 1.10:1.00.

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

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

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

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

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 March 31, 2021 and September 30, 2020 for STI ESG and STI WNU, respectively (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 June 30, 2022 and 2021, STI ESG has complied with the above covenants.

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

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from March 19, 2023;

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

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

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

The above modification of terms and conditions resulted in the recognition of 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 ₱5.7 million and ₱8.1 million as at June 30, 2022 and 2021, respectively. Amortization of loan premium amounting to ₱2.4 million and ₱0.2 million for the years ended June 30, 2022 and 2021, respectively, were recognized as a reduction of interest expense in the consolidated statements of comprehensive income.

Breakdown of the Group's Credit Facility Agreement follows:

	June 30, 2022	June 30, 2021
Balance at beginning of year	**₱240,000,000**	₱399,400,000
Payments	**–**	(159,400,000)
	240,000,000	240,000,000
Unamortized premium on corporate notes	**5,666,028**	8,144,353
Balance at end of year	**245,666,028**	248,144,353
Less current portion	**30,000,000**	–
Noncurrent portion	**₱215,666,028**	₱248,144,353

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

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

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested China Bank for the waivers of certain covenants in its Term Loan Agreement and Corporate Notes Facility Agreement in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and

- Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

b. On July 23, 2020, China Bank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ending June 30, 2021.

c. On August 15, 2022, ChinaBank approved the request of STI ESG for waiver of the DSCR requirement for the periods ending June 30, 2023 and December 31, 2023.

d. 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 of STI WNU of LandBank's ACADEME Lending Program.

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

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

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

   China Bank 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.

e. 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 of 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. As at June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility with LandBank an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

Short-term Loans

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

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

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 years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 amounted to ₱89.8 million, ₱110.3 million and ₱26.5 million, respectively (see Note 23).

19. Bonds Payable

	June 30, 2022	June 30, 2021
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	**19,484,936**	26,917,125
	₱2,980,515,064	₱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 PDEx, with interest payable quarterly and were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated ‘PRS Aa’ by the Philippine Rating Services Corporation (PhilRatings) in 2017. 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 June 30, 2022	Carrying Value June 30, 2021	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,168,699,028**	₱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	**₱811,816,036**	₱810,389,786	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,980,515,064**	₱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 consolidated financial statements.

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

	June 30, 2022	June 30, 2021
Total liabilities[a]	**₱5,166,220,433**	₱5,441,261,355
Total equity	**5,892,251,942**	5,802,472,205
Debt-to-equity ratio	**0.88:1.00**	0.94:1.00

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

	June 30, 2022	June 30, 2021
EBITDA[b]	**₱868,421,984**	₱628,477,871
Total interest-bearing liabilities[c]	**486,932,495**	444,004,514
Debt service cover ratio	**1.80:1.00**	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 June 30, 2022 and 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, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- 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, provided that this DSCR shall be waived up to June 30, 2023.

Bond Issuance Costs
STI ESG incurred costs related to the issuance of the bonds in 2017 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 ₱19.5 million and ₱26.9 million as at June 30, 2022 and 2021, respectively. Amortization of bond issuance costs amounting to ₱7.4 million, ₱7.0 million and ₱1.8 million for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, respectively, were recognized as part of the "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱186.3 million, ₱185.9 million and ₱46.6 million for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, respectively (see Notes 11 and 23).

20. Other Noncurrent Liabilities

	June 30, 2022	June 30, 2021
Advance rent - net of current portion (see Notes 17 and 29)	**₱11,498,775**	₱4,417,107
Refundable deposits - net of current portion (see Notes 17 and 29)	**10,399,880**	7,248,762
Deferred lease liability	**1,295,273**	924,829
Deferred output VAT	**162,108**	370,674
	₱23,356,036	₱12,961,372

Current portion of advance rent and refundable deposits are presented and disclosed in Note 17.

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

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

21. **Equity**

Capital Stock
Details as at June 30, 2022 and 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 June 30, 2022 and 2021, the Parent Company has a total number of shareholders on record of 1,262 and 1,265, respectively.

Cost of Shares Held by a Subsidiary
This account represents 500,433,895 STI Holdings shares owned by STI ESG as at June 30, 2022 and 2021 amounting to ₱498.1 million which are treated as treasury shares in the consolidated statements of financial position.

Dividends received by STI ESG related to these shares amounting to ₱5.0 million and ₱1.9 million for the years ended June 30, 2022 and 2021, respectively, (nil for the three-month period ended June 30, 2020) were offset against the dividends declared as shown in the consolidated statements of changes in equity.

Other Comprehensive Income and Non-controlling Interests

	June 30, 2022		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss) (see Note 28)	**₱27,664,542**	**(₱360,105)**	**₱27,304,437**
Fair value changes in equity instruments at FVOCI (see Note 15)	**13,255,113**	**196,194**	**13,451,307**
Share in associates' cumulative actuarial gain (see Note 13)	**321,569**	**7,853**	**329,422**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	**(114)**	**(2)**	**(116)**
	₱41,241,110	**(₱156,060)**	**₱41,085,050**

	June 30, 2021		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱19,277,239	(₱360,105)	₱18,917,134
Fair value changes in equity instruments at FVOCI (see Note 15)	12,149,020	161,244	12,310,264
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱31,747,714	(₱191,010)	₱31,556,704

	June 30, 2020		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱3,803,874	(₱360,105)	₱3,443,769
Fair value changes in equity instruments at FVOCI (see Note 15)	10,998,066	142,974	11,141,040
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱15,123,395	(₱209,280)	₱14,914,115

Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱2.0 million and ₱0.5 million for the years ended June 30, 2022 and 2021, respectively (nil for the three-month period ended June 30, 2020).

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

As at June 30, 2021, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale was reclassified to retained earnings and other equity reserve amounting to ₱89.9 million and ₱0.7 million, respectively, following the disposal of STI ESG's 20% share in the ownership of Maestro Holdings (see Note 10).

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

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

<u>Retained Earnings</u>

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.

   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.

   As at June 30, 2022 and 2021, unclaimed dividends amounted to ₱12.2 million and ₱12.1 million, respectively are recognized as "Dividends payable" under "Accounts payable and other current liabilities" account in the consolidated statements of financial position (see Note 17).

b) Consolidated retained earnings include undeclared retained earnings of subsidiaries and share in net earnings of associates amounting to ₱2,933.4 million and ₱2,702.8 million as at June 30, 2022 and 2021, respectively. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,616.5 million and ₱1,530.0 million as at June 30, 2022 and 2021, respectively.

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

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

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

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

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

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

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 consolidated financial statements.

22. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods for years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Tuition and other school fees	**₱2,436,975,046**	₱1,882,717,358	₱165,626,597
Educational services	**125,387,103**	107,311,098	21,182,148
Royalty fees	**12,386,738**	10,560,747	1,963,548
Sale of educational materials and supplies	**29,334,526**	24,904,944	998,130
Other revenues	**73,548,480**	58,569,796	7,009,855
Total consolidated revenues	**₱2,677,631,893**	₱2,084,063,943	₱196,780,278

Timing of Revenue Recognition

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Services transferred over time	**₱2,574,748,887**	₱2,000,589,203	₱188,772,293
Goods and services transferred at a point in time	**102,883,006**	83,474,740	8,007,985
	₱2,677,631,893	₱2,084,063,943	₱196,780,278

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the consolidated statements of financial position. Significant changes in the contract liabilities include the conduct of online classes in May 2020 up to July 2020 to complete the SY 2019-2020 that extended collection of tuition and other school fees after June 30, 2020 and the shift in the school calendar of SHS and tertiary students from June 2019 to March 2020 and from July 2019 to April 2020, respectively, to September 2020 to up to June 2021 for SY 2020-2021 for both STI ESG and STI WNU, while in the case of iACADEMY, the school calendars for SY 2019-2020 for SHS and tertiary levels were from August 2019 to May 2020 and July 2019 to June 2020, respectively, to August 2020 to up to May 2021 and August 2020 to July 2021 in SY 2020-2021 for SHS and tertiary levels, respectively, that resulted to the change in the timing of revenue recognition (see Note 2).

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱101.8 million, ₱117.7 million and ₱248.9 million for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2020, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2020.

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

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 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 30 days from delivery.

As at June 30, 2022 and 2021, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱116.8 million and ₱101.7 million, respectively. These pertain to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within 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.

23. Interest Income and Interest Expense

Sources of interest income are as follows:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Past due receivables (see Notes 6 and 16)	**₱34,952,813**	₱946,940	₱326,858
Cash and cash equivalents (see Note 5)	**3,108,065**	4,569,663	1,598,409
Others	**–**	175,106	23,815
	₱38,060,878	₱5,691,709	₱1,949,082

Sources of interest expense are as follows:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Bonds payable (see Note 19)	**₱186,337,411**	₱185,890,324	₱46,550,147
Interest-bearing loans and borrowings (see Note 18)	**89,839,830**	110,332,251	26,465,065
Lease liabilities (see Note 29)	**31,373,303**	35,529,424	9,581,130
Others	**5,789,039**	5,313,916	1,846,603
	₱313,339,583	₱337,065,915	₱84,442,945

24. Cost of Educational Services

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Depreciation and amortization (see Notes 11, 12 and 16)	**₱372,600,174**	₱382,310,903	₱94,980,562
Faculty salaries and benefits (see Notes 27 and 28)	**359,442,565**	286,086,335	51,292,165
Student activities and programs	**88,514,478**	57,094,748	7,202,296
Internet connectivity assistance	**69,967,107**	66,389,266	–
Software maintenance	**25,828,391**	19,774,986	4,426,628
Rental (see Note 29)	**20,894,547**	23,469,936	5,917,068
School materials and supplies	**5,069,829**	3,581,520	948,715
Courseware development costs	**997,224**	1,818,376	1,017,868
Others	**12,195,277**	11,675,735	453,284
	₱955,509,592	₱852,201,805	₱166,238,586

25. Cost of Educational Materials and Supplies Sold

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Educational materials and supplies	**₱21,025,868**	₱18,060,810	₱31,608
Promotional materials	**3,145,198**	2,013,287	432,921
	₱24,171,066	₱20,074,097	₱464,529

26. General and Administrative Expenses

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Salaries, wages and benefits (see Notes 27 and 28)	**₱317,771,243**	₱309,025,450	₱76,479,443
Depreciation and amortization (see Notes 11, 12 and 16)	**226,856,661**	232,088,162	64,398,682
Provision for:			
Expected credit losses (see Note 6)	**112,657,925**	41,784,612	6,320,669
Impairment of goodwill (see Note 16)	**3,806,174**	–	–
Inventory obsolescence (see Note 7)	**2,018,596**	790,579	–
Impairment of investments in and advances to associates and joint venture (see Note 13)	**–**	10,265,554	–
Professional fees	**83,929,578**	80,430,921	16,498,403
Outside services	**82,208,118**	71,003,211	19,137,072
Light and water	**75,314,030**	51,736,303	13,336,415
Advertising and promotions	**38,044,909**	53,110,317	3,158,064
Taxes and licenses	**32,598,434**	33,404,656	7,050,092
Transportation	**28,992,570**	26,360,918	4,415,258
Repairs and maintenance	**24,587,811**	17,007,289	1,276,570
Meetings and conferences	**18,493,792**	16,594,573	3,762,951
Insurance	**17,694,309**	18,830,946	3,812,816
Entertainment, amusement and recreation	**11,797,222**	11,783,780	2,629,371
Communication	**11,383,618**	12,635,668	3,081,210
Rental (see Note 29)	**10,382,988**	11,742,923	2,989,259
Office supplies	**7,125,420**	6,628,701	1,443,240
Software maintenance	**5,696,056**	3,706,757	783,919
Association dues	**1,907,658**	1,438,254	357,558
Others	**16,073,729**	14,714,561	1,619,173
	₱1,129,340,841	₱1,025,084,135	₱232,550,165

27. **Personnel Costs**

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Salaries and wages (see Notes 24 and 26)	**₱589,063,558**	₱516,256,441	₱111,147,495
Pension expense (see Note 28)	**16,772,554**	15,835,887	4,508,181
Other employee benefits	**71,377,696**	63,019,457	12,115,932
	₱677,213,808	₱595,111,785	₱127,771,608

28. **Pension Plans**

Defined Benefit Plans

The Group (except iACADEMY, De Los Santos-STI College and STI QA) has a separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by a trustee bank under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 and the net pension assets/liabilities recognized in the consolidated statements of financial position as at June 30, 2022 and 2021:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Notes 2 and 40)
Pension expense (recognized under the "Salaries, wages and benefits" account):			
Current service cost	**₱12,121,771**	₱11,699,365	₱3,329,276
Net interest cost	**4,650,783**	4,136,522	1,178,905
	₱16,772,554	₱15,835,887	₱4,508,181

	June 30, 2022	June 30, 2021	June 30, 2020
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱186,297,728**	₱186,305,635	₱208,183,187
Fair value of plan assets	**(77,642,301)**	(80,896,171)	(92,780,346)
	₱108,655,427	₱105,409,464	₱115,402,841

The Group offsets its pension assets and pension liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Changes in the present value of defined benefit obligations:			
Balance at beginning of period	**₱186,305,635**	₱208,183,187	₱202,456,804
Current service cost	**12,121,771**	11,699,365	3,329,276
Interest cost	**8,170,086**	7,805,168	2,397,107
Settlement gain	**–**	(549,826)	–
Benefits paid	**(9,172,562)**	(26,822,868)	–
Actuarial loss (gain) on obligations:			
Deviations of experience from assumptions	**2,477,632**	(4,326,241)	–
Financial assumptions	**(13,604,834)**	(8,982,910)	–
Demographic assumptions	**–**	(700,240)	–
Balance at end of period	**₱186,297,728**	₱186,305,635	₱208,183,187

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Changes in the fair value of plan assets:			
Balance at beginning of period	**₱80,896,171**	₱92,780,346	₱99,044,521
Interest income	**3,519,303**	–	–
Contributions	**2,492,754**	8,346,028	–
Benefits paid	**(9,093,156)**	(26,960,112)	–
Net transfer	**2,315,225**	–	–
Actuarial gain (losses) on plan assets	**(2,487,996)**	3,061,264	69,662
Actual returns (losses) on plan assets	**–**	3,668,645	(6,333,837)
Balance at end of period	**₱77,642,301**	₱80,896,171	₱92,780,346

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

	June 30, 2022	June 30, 2021	June 30, 2020
Discount rate	**5.03%-6.52%**	4.29%-5.03%	4.91%-5.03%
Future salary increases	**4.00%-5.00%**	3.00%-5.00%	3.00%-5.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	June 30, 2022	June 30, 2021	June 30, 2020
Cash and cash equivalents	**8%**	2%	6%
Short-term fixed income	**55%**	58%	63%
Investments in equity securities	**31%**	34%	23%
Investments in debt securities	**6%**	6%	8%
	100%	100%	100%

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

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	June 30, 2022	June 30, 2021
Cash	**₱6,371,560**	₱1,546,344
Short-term fixed income	**42,651,127**	46,899,343
Investments in:		
Equity securities	**23,887,726**	27,214,177
Government securities	**4,733,879**	5,236,307
Others	**(1,991)**	–
	₱77,642,301	₱80,896,171

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to STI ESG's Retirement Fund investment in the shares of the Parent Company which has a fair value of ₱0.34 and ₱0.39 per share as at June 30, 2022 and 2021, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱11.2 million and ₱7.7 million as at June 30, 2022 and 2021, respectively.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from 1 to 25 years and bear interest rates ranging from 2.38% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

Management performs Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 55.0% of short-term fixed income, 31.0% of equity instruments, 6.0% of debt securities and 8.0% of cash and cash equivalents.

The average duration of the defined benefit obligation of the entities in the Group as at June 30, 2022 ranges from 12 to 21 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2022 and June 30, 2021:

	June 30, 2022	June 30, 2021
Less than one year	**₱6,983,586**	₱45,295,853
More than one year to five years	**104,380,465**	65,698,479
More than five years to ten years	**98,089,566**	82,711,399
More than ten years to fifteen years	**113,177,988**	102,480,194
More than fifteen years to twenty years	**180,076,470**	135,167,530
More than twenty years	**220,447,413**	157,514,668

The expected contribution of the Group in 2023 is ₱7.7 million.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Define Benefit Obligation		
	June 30, 2022	June 30, 2021	June 30, 2020
Discount rates			
Increase by 1%	**(₱9,340,032)**	(₱13,440,669)	(₱13,743,092)
Decrease by 1%	**14,089,707**	15,915,189	16,200,531
Future salary increases			
Increase by 1%	**14,345,858**	15,972,824	14,887,610
Decrease by 1%	**(12,594,429)**	(13,964,240)	(14,332,801)
Employee turnover			
Increase by 10%	**1,528,582**	(1,163,092)	1,895,235
Decrease by 10%	**(1,528,582)**	1,163,092	(1,895,235)

Defined Contribution Plans

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

De Los Santos-STI College and STI QA's contributions consist of future service cost and past service cost. Future service cost is equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost is equal to 5.00% of the employees' average monthly salary for a 12 month period, immediately preceding the date of De Los Santos-STI College and STI QA's participation in CEAP, multiplied by the number of years of past service amortized over ten (10) years. Future service refers to the periods of covered employment on or after the date of De Los Santos-STI College and STI QA's participation in CEAP. Past service refers to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI QA as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI QA give the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI QA then provide an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitors compliance with RA No. 7641. As at June 30, 2022 and 2021, the Group is in compliance with the requirements of RA No. 7641.

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

As at June 30, 2021, De Los Santos-STI College and STI QA have excess contributions to CEAP amounting to ₱2.3 million. These excess contributions are classified as a prepaid expense. In May 2022, after settling the retirement obligations to its employees, the retirement funds from CEAP aggregating to ₱6.1 million have been transferred to the trustee bank that administers the retirement funds of the Group (see Note 8).

Total pension expense recognized in profit or loss follows:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Defined benefit plans	**₱16,772,554**	₱15,825,755	₱4,497,818
Defined contribution plans	**–**	10,132	10,363
	₱16,772,555	₱15,835,887	₱4,508,181

29. **Leases**

As Lessor

The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods ranging from 2 to 10 years. Certain leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of the Group's properties primarily used for school operations such as auditorium, classrooms and gymnasiums.

Total rental income for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 amounted to ₱71.0 million, ₱116.8 million, and ₱48.4 million, respectively (see Notes 12 and 31).

The Group receives refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements and advanced rental payment which will be applied on the last months of the lease. The current and noncurrent portion of deposit liabilities are recorded under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" account, respectively, in the consolidated statements of financial position. These pertain to the advances and refundable deposits made by the lessees to iACADEMY and STI ESG (see Notes 17 and 20).

Future minimum rental receivable for the remaining lease terms as at June 30, 2022 and 2021 follows:

	June 30, 2022	June 30, 2021
Within one year	**₱162,295,861**	₱56,554,073
After one year but not more than five years	**289,339,409**	65,654,275
Total	**₱451,635,270**	₱122,208,348

As Lessee

The Group leases land and building spaces, where the corporate office and schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate. Certain transportation equipment were acquired under lease agreements with varying terms and periods ranging from 3 to 5 years.

Total rental expense charged to operations for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 amounted to ₱31.3 million, ₱35.2 million, and ₱8.9 million, respectively (see Notes 24 and 26).

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

The following are the amounts recognized in the consolidated statement of comprehensive income:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Depreciation expense of right-of-use assets included in property and equipment and investment properties (see Notes 11 and 12)	**₱75,627,498**	₱77,290,816	₱20,910,537
Interest expense on lease liabilities (see Note 23)	**31,373,303**	35,529,424	9,581,130
Expenses relating to short-term leases (see Notes 24 and 26)	**29,664,075**	33,670,036	8,899,010
Variable lease payments (see Notes 24 and 26)	**1,373,709**	1,181,467	7,317
	₱138,038,585	₱147,671,743	₱39,397,994

As a consequence of the COVID-19 pandemic, some lessors of the Group provided rent concessions for the year ended June 30, 2022 and 2021 (none for the three-month period ended June 30, 2020) such as discounts ranging from 25.0% to 50.0% of rental payments, waiver of rent for a certain month, or deferral of rental over six to twelve months, among others. The Group applied the practical expedient provided by the amendments to PFRS 16 for rent concessions granted to the Group that meet the aforementioned criteria resulting in recognition of income from rent concessions aggregating to ₱6.1 million and ₱39.7 million recognized under "Other income (expenses) - net" for the years ended June 30, 2022 and 2021 in the consolidated statements of comprehensive income.

The Group had negotiated several rent concessions with the lessors that affected payments and were accounted as lease modifications, as they were not eligible for the application of practical expedient. Lease modification amounted to ₱4.2 million during the year ended June 30, 2022.

For the year ended June 30, 2021, the Group exercised termination option for some operating leases resulting in the reversal of the ROU assets and lease liabilities amounting to ₱22.8 million and ₱24.0 million, respectively. The net effect of the reversal amounting to ₱1.2 million was recognized as other income under "Other income (expenses) - net" in the June 30, 2021 consolidated statement of comprehensive income.

The rollforward analysis of lease liabilities as at June 30, 2022 and 2021 are as follows:

	June 30, 2022	June 30, 2021
Balance at beginning of year	**₱484,817,384**	₱552,590,291
Additions (see Note 11)	**37,329,614**	34,994,849
Lease termination/modification	**4,236,109**	(23,969,027)
Rent concessions (see Note 2)	**(6,054,606)**	(39,727,038)
Interest expense (see Note 23)	**31,337,880**	34,841,143
Payments	**(78,349,815)**	(73,912,834)
Balance at end of year	**473,316,566**	484,817,384
Less current portion	**109,244,620**	75,745,111
Non-current portion	**₱364,071,946**	₱409,072,273

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

	June 30, 2022	June 30, 2021
Within one year	**₱104,087,437**	₱100,673,123
After one year but not more than five years	**288,414,103**	278,088,895
More than five years	**222,078,041**	299,636,494
Total	**₱614,579,581**	₱678,398,512

30. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporations - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.0%) on its taxable income.

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

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 which 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 net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations and resident foreign corporations are subject to 25.0% income tax. Said reductions are effective July 1, 2020.

- MCIT rate 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 of 1997 which includes among others the merger and consolidation.

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

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

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 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 fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The components of recognized net deferred tax assets and net deferred tax liabilities are as follows:

	June 30, 2022	June 30, 2021
Deferred tax assets:		
Lease liabilities	**₱39,804,933**	₱38,069,525
Allowance for expected credit losses	**10,264,656**	6,202,256
Pension liabilities	**6,857,435**	6,629,626
Excess of cost over net realizable value of inventories	**1,728,277**	1,649,612
NOLCO	**1,199,522**	13,449,469
Advance rent	**938,736**	107,609
Unearned tuition and other school fees	**761,032**	875,486
Unamortized loan premium	**182,281**	430,114
Impairment of noncurrent asset held for sale	**159,666**	–
	61,896,538	67,413,697
Deferred tax liabilities:		
Right-of-use assets	**(29,079,013)**	(28,550,847)
Intangible assets	**(2,762,187)**	(2,762,187)
Excess of fair value over derecognized STI Tanay receivables	**(2,565,139)**	–
Unamortized debt issue costs	**(626,835)**	(967,465)
Unrealized foreign exchange gain	**(445,651)**	(6,800)
Excess of rental under operating lease computed on a straight-line basis	**(341,267)**	(283,640)
Unamortized deposit discount	**(39,635)**	(39,785)
Accrued rent income under PFRS 16	**(20,803)**	(21,292)
	(35,880,530)	(32,632,016)
Net deferred tax assets	**₱26,016,008**	₱34,781,681

	June 30, 2022	June 30, 2021
Deferred tax liabilities -		
Excess of fair values over carrying values of net assets acquired in business combination	**(₱120,879,944)**	(₱120,957,403)
Deferred tax assets:		
Allowance for expected credit losses	**5,105,119**	5,063,933
Pension liabilities	**1,991,367**	492,354
Unamortized past service cost	**531,545**	452,330
Unearned tuition and other school fees	**202,317**	27,419
Net deferred tax liabilities	**(₱113,049,596)**	(₱114,921,367)

Certain deferred tax assets of the Group were not recognized as at June 30, 2022 and 2021 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO and MCIT for which no deferred tax assets were recognized:

	June 30, 2022	June 30, 2021
NOLCO	**₱262,285,346**	₱241,894,762
Allowance for impairment of advances to associates	**48,134,540**	48,134,540
MCIT	**895,355**	1,103,962
	₱311,315,241	₱291,133,264

The Group has incurred NOLCO before the taxable year 2020 (i.e., fiscal years ending before July 31, 2020) which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2020	2021-2023	₱191,305,715	(₱148,444,418)	₱–	₱42,861,297
2019	2020-2022	49,525,901	–	(49,525,901)	–
		₱240,831,616	(₱148,444,418)	(₱49,525,901)	₱42,861,297

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group has incurred NOLCO for the years ended June 30, 2022 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act as follows:

Period	Availment Period	Amount	Applied	Expired	Amount
2022	2023-2027	₱104,684,005	₱–	₱–	₱104,684,005
2021	2022-2026	241,638,264	(53,034,320)	₱–	188,603,944
		₱346,322,269	(₱53,034,320)	₱–	₱293,287,949

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

Year Incurred	Expiry Date	Amount
2022	2025	₱193,518
2021	2024	196,696
2020	2023	99,300
2020	2023	405,841
2019	2022	402,125
		1,297,480
Less expired		402,125
		₱895,355

The reconciliation of the provision for (benefit from) income tax on income (loss) before income tax computed at the effect of the applicable statutory income tax rate to the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Provision for (benefit from) income tax at statutory income tax rate	**₱106,760,911**	₱6,213,223	(₱71,340,923)
Income tax effects of:			
Equity in net losses of associates and joint venture	**5,060,549**	1,150,898	943,316
Nondeductible expenses	**1,617,450**	7,268,238	108,609
Income on derecognition of contingent consideration	**(6,250,000)**	–	–
Royalty fees subjected to final tax	**(3,096,685)**	(2,640,187)	(490,887)
Interest income already subjected to final tax	**(777,016)**	(1,422,927)	(479,521)
Dividend income	**(301,707)**	(199,631)	(1,660)
Gain on sale of noncurrent asset held for sale	**–**	(3,865,200)	–
Difference in income tax rates and others	**(92,213,253)**	(83,381,994)	54,900,738
Provision for (benefit from) income tax	**₱10,800,249**	(₱76,877,580)	(₱16,360,328)

Others include income tax effect of change in unrecognized deferred tax assets and expired NOLCO and MCIT.

31. Related Party Transactions

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

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

	Amount of Transactions during the Period			Outstanding Receivable (Payable)			
Related Party	**June 30, 2022 (One Year)**	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	**June 30, 2022**	June 30, 2021	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱–**	₱10,265,554	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW							
Rental income and other charges	**998,101**	1,099,024	150,123	**5,383,871**	4,285,040	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**–**	–	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Alabang							
Educational services and sale of educational materials and supplies	**9,757,814**	8,817,268	1,510,534	**21,729,896**	13,775,359	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina							
Educational services and sale of educational materials and supplies	**7,733,087**	7,892,475	1,333,914	**280,544**	230,760	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Facility sharing and other charges	**12,871,190**	11,089,313	3,364,512	**1,389,786**	1,382,699	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**1,912,465**	15,100,177	3,780,532	**–**	(760,690)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**129,496**	–	–	**(1,950,480)**	(1,820,984)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	**–**	80,715	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Phils First Insurance Co., Inc.							
Utilities and other charges	**14,247**	224,924	–	**10,741**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental and other charges	**4,624,020**	4,455,441	1,085,027	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**15,642,703**	20,247,122	2,632,610	**(752,170)**	(277,142)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues and other charges	**10,030,475**	8,860,618	2,854,461	**(268,641)**	(3,454)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Facility sharing, utilities and other charges	**13,444,826**	12,854,647	5,067,737	**2,450,756**	4,232,133	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**558,035**	395,232	–	**(2,627)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	**129,496**	–	–	**(1,950,480)**	(1,820,984)	Refundable upon end of contract	Unsecured

(Forward)

	Amount of Transactions during the Period			Outstanding Receivable (Payable)			
Officers and employees							
Advances for various expenses	**₱19,976,248**	₱16,003,768	₱4,070,013	**₱20,156,347**	₱20,875,796	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Facility sharing and other charges	**313,181**	300,000	75,000	**1,350,565**	1,449,223	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**772,581**	767,366	100,000	–	(141,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
				₱95,864,431	₱89,442,829		

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

Related party receivables and payables are generally settled in cash.

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

	June 30, 2022	June 30, 2021
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Educational services (see Note 6)	**22,010,440**	14,006,119
Advances to officers and employees (see Note 6)	**20,156,347**	20,875,796
Rent, utilities and other related receivables (see Note 6)	**10,585,719**	11,349,095
Accounts payable (see Note 17)	**(5,022,615)**	(4,922,721)
	₱95,864,431	₱89,442,829

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

	Amount of Transactions during the Period			Outstanding Receivable (Payable)			
Category	**June 30, 2022 (One Year)**	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	**June 30, 2022**	June 30, 2021	**Terms**	**Conditions**
Subsidiaries							
STI ESG							
Advisory fee	**₱14,400,000**	₱14,400,000	₱3,600,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
Reimbursements	**27,879**	16,938	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends paid	**5,004,328**	1,851,602	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured
Dividend received	**152,031,152**	39,464,558	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU							
Advisory fee	**3,600,000**	3,600,000	900,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend received	**24,964,635**	–	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured

Category	Amount of Transactions during the Period June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)	Outstanding Receivable (Payable) June 30, 2022	June 30, 2021	Terms	Conditions
AHC							
Payable to AHC	**₱–**	₱–	₱–	**(₱63,778,000)**	(₱63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY							
Advisory fee	**510,000**	722,500	255,000	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

The Parent Company executed Surety Agreements in relation to its subsidiaries' loan facilities with China Bank and LandBank (see Notes 18 and 34).

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Short-term employee benefits	**₱64,417,303**	₱63,364,230	₱15,096,413
Post-employment benefits	**5,453,649**	3,992,478	1,286,325
	₱69,870,952	₱67,356,708	₱16,382,738

Material Related Party Transactions Policy

The Parent Company's BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10.0%) 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.

32. Basic and Diluted Earnings (Loss) 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 (loss) per share:

	June 30, 2022 (One Year)	June 30, 2021 (One Year)	June 30, 2020 (Three Months - see Note 2)
Net income (loss) attributable to equity holders of STI Holdings (a)	**₱414,028,434**	₱102,820,252	(₱220,359,761)
Common shares outstanding at beginning and end of period (b) (see Note 21)	**9,904,806,924**	9,904,806,924	9,904,806,924
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of STI Holdings (a)/(b)	**₱0.042**	₱0.010	(₱0.022)

The basic and diluted earnings (loss) per share are the same for the years ended June 30, 2022 and 2021, and the three-month period ended June 30, 2020 as there are no dilutive potential common shares.

33. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of STI ESG approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI ESG to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

STI ESG is planning to amend the terms of the GOKs to conform with future business strategies. As at October 10, 2022, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

34. Contingencies and Commitments

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

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

Consequently, the Parent Company recognized the Davao properties as “Investment properties”, and on June 24, 2021, the Parent Company’s BOD approved the sale of the Quezon City dacion properties to a potential buyer and reclassified as noncurrent asset held for sale as these properties have not been used in business since its receipt (see Notes 10 and 12).

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

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

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

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.

After receiving the Notice of Arbitration and being informed that the required fees have not been paid by the Claimant, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the Claimant should be compelled to pay said fees before the arbitration proceedings can proceed.

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 October 10, 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 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.

After the Court of Appeals required the parties to file their respective Comment to the said Motion for Reconsideration, the Parent Company filed its Comment/Opposition on May 23, 2022.

As of October 10, 2022, the Court of Appeals has not issued any resolution on this matter.

(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 Transfer Certificate of Title (TCT) No. T-129545 registered under the name of the former situated along University Ave and Richardo, Matina, Davao City being used as a parking area (the "Subject Premises") by the latter.

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

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

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

After a failed Court-Annexed Mediation, the parties continued the discussion on the possibility of an amicable settlement.

On July 1, 2022, the parties filed the Joint Motion for Approval of Compromise Agreement. Based on the Compromise Agreement, the Parent Company allowed PWC-Davao to use the Subject Premises for one (1) year or until June 29, 2023. In the event that the Parent Company needs to proceed with its plans over the Subject Premises, it will serve a written notice to vacate and/or turn-over of the Subject Premises to PWC-Davao sixty (60) calendar days before the intended day to vacate or turn-over.

On September 30, 2022, the Parent Company received the Decision dated July 4, 2022 issued by the Trial Court adopting the Compromise Agreement as the decision in this case.

With the issuance of said Decision, the case is deemed terminated.

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 governed 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 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 terminated 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 17).

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.*

Considering the aforesaid settlement and the Amended Decision, all cases and issues related thereto are deemed terminated.

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. During the same conference, both parties agreed that the former employee should receive separation pay in lieu of reinstatement. Consequently, the former employee would receive only a monetary award arising from the SC Decision.

Pursuant to STI ESG’s computation of said award, 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. Consequently, the former employee 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% 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 on 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 also did not follow the rules in filing a Petition for Certiorari before the Court of Appeals.

After the Court of Appeals required the parties to file their respective Memoranda, STI ESG filed its Memorandum on August 30, 2022.

The case is deemed submitted for resolution.

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

The labor arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the labor arbiter’s decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. 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 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 10-30, 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 of the complainant on November 12, 2018.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018.

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

As at October 10, 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), respectively, of STI Davao, until they were separated from service effective June 23, 2009.

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

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. Unfortunately, through a Resolution dated August 19, 2015, the Supreme Court denied the Petition. STI Davao's Motion for Reconsideration was likewise denied by the Supreme Court.

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 October 10, 2022, STI ESG is yet to receive the Entry of Final Judgement.

(iv) This is a case for constructive illegal dismissal filed by a former probationary faculty member of STI College Legazpi. In a decision dated July 18, 2020, the Labor Arbiter dismissed the complaint for lack of merit. However, the Labor Arbiter directed the payment of holiday pay covering complainant's period of employment, salary and other benefits covering the period of November 18, 2019 up to date of the decision as backwages during the period of preventive suspension beyond the 30-day period and 10% of the total monetary award as attorney's fees, amounting to a total of ₱0.2 million.

STI ESG filed a partial appeal of the decision of the Labor Arbiter with the NLRC and in the Decision dated 10 March 2021, the NLRC granted the partial appeal of STI ESG and modified the Decision of the Labor Arbiter by deleting the monetary award in the total amount of ₱0.2 million. Thereafter, complainant filed a petition for certiorari with the Court of Appeals.

In a Resolution dated July 29, 2022 received on August 17, 2022, the Court of Appeals directed STI ESG to file its Comment to the Petition for Certiorari of the complainant within ten (10) days from notice without necessarily giving due course to the said petition. On August 30, 2022, STI ESG filed its Comment to the Petition for Certiorari of complainant.

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 BOD, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

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

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of six percent (6.0%) 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 October 10, 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 of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15.0% 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.

After the parties filed their respective briefs, the Court of Appeals promulgated its Decision on July 12, 2022. In the Decision, the Court of Appeals affirmed the order of the Trial Court.

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022.

Unless the parties required additional pleadings, said Motion for Reconsideration 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.

On August 4, 2022, the City Prosecutor of Taguig City issued the Resolution, which recommended the filing of Information against the former supervisor/accountant for qualified theft.

Unless a Motion for Reconsideration was filed and the filing of the Information was suspended pending the said Motion, a criminal case for qualified theft shall be filed with the appropriate Regional Trial Court of Taguig. A warrant of arrest can be issued against the former supervisor/accountant.

STI ESG and/or its representative shall receive the appropriate notice(s) of hearing for this criminal case.

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

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

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

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

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

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

STI ESG, through counsel, will file the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law. 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 June 30, 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.

No Motion for Reconsideration was filed by the complainant.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in a related case, this case 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.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in the Complaint for annulment of Extrajudicial Foreclosure Proceedings, the Tanay Property was conveyed/assigned to STI ESG while the Pasig Property was redeemed by the Plaintiffs.

ii. *Complaint for Annulment of Extrajudicial Foreclosure Proceedings.* 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, 2022.

After the pre-trial conference, the case was referred to Judicial Dispute Resolution upon motion by the parties.

After several negotiations for settlement, the parties entered into a Memorandum of Agreement on July 29, 2022. Based on the Memorandum of Agreement, the parties agreed to settle all liabilities by (a) assigning and conveyance of the Tanay Property and (b) redemption of the Pasig Property by the Plaintiffs. Other commercial terms and conditions were agreed upon by the parties to terminate all pending cases and release of any other claims against each other.

Upon motion by the parties, the aforesaid Agreement was submitted for approval by the parties.

Considering the foregoing circumstances, the case is deemed terminated due to the amicable settlement by the parties.

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 continuation of the pre-marking of evidence is scheduled on October 20, 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 BOD 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 consolidated financial position as well as in the results of their operations.

Commitments

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 June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

STI ESG has a ₱115.0 million domestic bills purchase lines from various local banks as at June 30, 2022 and 2021, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

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.

On January 31, 2021, STI WNU's outstanding long-term loan amounting to ₱39.4 million was fully settled. The ₱5.0 million credit line has never been availed and has not been renewed.

b. Capital Commitments

As at June 30, 2022 and 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 June 30, 2022 and 2021.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱38.9 million and ₱7.1 million as at June 30, 2022 and 2021, respectively. Of these, ₱28.8 million and ₱5.4 million have been paid as at June 30, 2022 and 2021, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal Campus totaling ₱1,059.6 million as at June 30, 2022 and 2021. Of these, ₱982.9 million have been paid as at June 30, 2022 and 2021.

c. Others

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

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

   The equity sharing in the Joint Venture Company would be 60.0%, 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 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 in the economy, the parties decided to hold the project in abeyance. In the meantime, STI Tanauan remains as a wholly-owned subsidiary of STI ESG and is continuing its operations.

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

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

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

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

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

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50.0% 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 5.00% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1.00% variable compensation for every 1,000 enrollees while RAFT shall receive 5.00% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1.00% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

With the current developments in the economy and in the industry, STI ESG and RAFT have started discussing the terms of the agreement and updating the provisions to be aligned with the practices considering the adjustments made in the industry as a result of the pandemic.

35. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group's BOD and management reviews and agrees on the policies for managing each of these risks as summarized below.

Liquidity Risk

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

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

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to associates and joint venture with credit terms of thirty (30) days.

As at June 30, 2022 and 2021, the Group's current assets amounted to ₱3,421.6 million and ₱3,249.6 million, respectively, while current liabilities amounted to ₱1,201.8 million and ₱1,193.4 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings, the debt service cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank and the STI ESG bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00. DSCR as at June 30, 2022 and 2021 is 1.95:1.00 and 1.50:1.00, respectively (see Notes 18 and 19).

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

	June 30, 2022				
	Due and Demandable	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱1,568,718,083**	**₱–**	**₱–**	**₱–**	**₱1,568,718,083**
Receivables*	**220,457,833**	**17,924,264**	**136,491,591**	**135,978,151**	**510,851,839**
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	**–**	**–**	**806,459**	**34,076,497**	**34,882,956**
Equity instruments at FVPL	**9,610,000**				**9,610,000**
Equity investments designated at FVOCI	**–**	**–**	**–**	**70,188,775**	**70,188,775**
	₱1,798,785,916	**₱17,924,264**	**₱137,298,050**	**₱240,243,423**	**₱2,194,251,653**
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	**₱598,095,703**	**₱10,536,614**	**₱80,870,459**	**₱2,134,158**	**₱691,636,934**
Nontrade payable	**17,000,000**	**–**	**–**	**–**	**17,000,000**
Bonds payable:					
Principal	**–**	**–**	**–**	**3,000,000,000**	**3,000,000,000**
Interest	**–**	**–**	**178,905,220**	**335,744,980**	**514,650,200**
Interest-bearing loans and borrowings:					
Principal	**–**	**39,591,226**	**199,544,753**	**1,293,050,204**	**1,532,186,183**
Interest	**–**	**38,156,988**	**49,558,869**	**136,728,869**	**224,444,726**
Lease liabilities	**11,025,000**	**36,616,881**	**56,250,779**	**510,686,921**	**614,579,581**
Other noncurrent liabilities***	**–**	**–**	**–**	**10,399,880**	**10,399,880**
	₱626,120,703	**₱124,901,709**	**₱565,130,080**	**₱5,288,745,012**	**₱6,604,897,504**

	June 30, 2021				
	Due and Demandable	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,470,503,591	₱–	₱–	₱–	₱1,470,503,591
Receivables*	76,612,040	142,695,422	118,784,664	127,282,974	465,375,100
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	–	62,720	1,057,575	36,004,867	37,125,162
Equity investments designated at FVOCI	–	–	–	69,147,732	69,147,732
	₱1,547,115,631	₱142,758,142	₱119,842,239	₱232,435,573	₱2,042,151,585
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	₱606,321,260	₱22,441,871	₱80,763,592	₱–	₱709,526,723
Nontrade payable	67,000,000	–	–	–	67,000,000
Bonds payable:					
Principal	–	–	–	3,000,000,000	3,000,000,000
Interest	–	–	178,905,220	514,650,200	693,555,420
Interest-bearing loans and borrowings:					
Principal	–	39,267,918	169,544,753	1,773,177,007	1,981,989,678
Interest	–	45,495,747	50,155,467	241,452,156	337,103,370
Lease liabilities	–	32,006,061	66,871,922	579,520,529	678,398,512
Other noncurrent liabilities***	–	–	–	7,248,762	7,248,762
	₱673,321,260	₱139,211,597	₱546,240,954	₱6,116,048,654	₱7,474,822,465

**Excluding advances to officers and employees amounting to ₱20.2 million and ₱20.9 million as at June 30, 2022 and 2021, respectively.*
*** Excluding taxes payable, SSS, Philhealth, Pag-ibig benefits payable and advance rent amounting to ₱25.6 million and ₱30.5 million as at June 30, 2022 and 2021, respectively.*
****Excluding advance rent, deferred lease liability and deferred output VAT amounting to ₱10.4 million and ₱5.7 million as at June 30, 2022 and 2021, respectively.*

As at June 30, 2022 and 2021, the Group's current ratios are as follows:

	June 30, 2022	June 30, 2021
Current assets	**₱3,421,552,726**	₱3,249,627,165
Current liabilities	**1,201,849,386**	1,193,439,529
Current ratios	**2.85:1.00**	2.72:1.00

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity instruments at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2022 and 2021, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	June 30, 2022		June 30, 2021	
	Gross Maximum Exposure(1)	**Net Maximum Exposure(2)**	Gross Maximum Exposure(1)	Net Maximum Exposure(2)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱1,469,235,742**	**₱1,443,987,688**	₱1,469,235,742	₱1,443,987,688
Receivables*	**465,375,100**	**465,057,001**	465,375,100	465,057,001
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**37,125,162**	**37,125,162**	37,125,162	37,125,162
	₱1,971,736,004	**₱1,946,169,851**	₱1,971,736,004	₱1,946,169,851

* *Excluding advances to officers and employees amounting to ₱20.2 million and ₱20.9 million as at June 30, 2022 and 2021, respectively.*

(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*

(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Group's credit rating system as at June 30, 2022 and 2021:

	June 30, 2022			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,552,164,948**	**₱402,560,402**	**₱–**	**₱1,954,725,350**
Class B	**–**	**240,651,380**	**–**	**240,651,380**
Class C	**–**	**228,560,935**	**16,188,663**	**244,749,598**
Gross carrying amount	**1,552,164,948**	**871,772,717**	**16,188,663**	**2,440,126,328**
ECL	**1,220,931**	**296,195,834**	**14,967,732**	**312,384,497**
Carrying amount	**₱1,550,944,017**	**₱575,576,883**	**₱1,220,931**	**₱2,127,741,831**

	June 30, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱1,620,662,348	₱365,687,253	₱–	₱1,986,349,601
Class B	–	121,759,900	–	121,759,900
Class C	–	116,662,322	6,369,483	123,031,805
Gross carrying amount	1,620,662,348	604,109,475	6,369,483	2,231,141,306
ECL	1,220,931	201,902,316	6,369,483	209,492,730
Carrying amount	₱1,619,441,417	₱402,207,159	₱–	₱2,021,648,576

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A – *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.

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

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

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
June 30, 2022	**₱222,970,790**	**₱67,117,208**	**₱12,768,069**	**₱310,606,268**	**(₱296,195,834)**	**₱317,266,501**
June 30, 2021	230,314,817	63,513,953	5,074,879	178,311,827	(201,902,317)	275,313,159

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. While the Group's long term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG's bonds are, however, fixed for the 7-year and the 10-year tenors.

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**June 30, 2022 (One Year)**	June 30, 2021 (One Year)	June 30, 2020 (Three months)
+100 bps/+300 bps	**(₱45,495,216)**	(₱46,282,060)	(₱12,227,722)
-100 bps/+300 bps	**45,495,216**	46,282,060	12,227,722

<u>Capital Risk Management Policy</u>

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

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

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, 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.

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

	June 30, 2022	June 30, 2021
Capital stock	**₱4,952,403,462**	₱4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Retained earnings	**4,485,334,148**	4,165,349,454
	₱10,058,721,990	₱9,738,737,296

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

	June 30, 2022	June 30, 2021
Total liabilities*	**₱5,966,116,544**	₱6,478,565,318
Total equity	**8,494,964,642**	8,181,159,938
Debt-to-equity ratio	**0.70:1.00**	0.79:1.00

**Excluding unearned tuition and other school fees of ₱116.8 million and ₱101.8 million as at June 30, 2022 and 2021, respectively.*

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

	June 30, 2022	June 30, 2021
Total assets	**₱ 14,577,923,503**	₱14,761,480,093
Total equity	**8,494,964,642**	8,181,159,938
Asset-to-equity ratio	**1.72:1.00**	1.80:1.00

No changes were made in the objectives, policies or processes for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020.

36. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint venture, 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.

There are no material unrecognized financial assets and liabilities as at June 30, 2022 and 2021.

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

	June 30, 2022				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost -					
Rental and utility deposits	**₱34,882,956**	**₱34,882,956**	**₱–**	**₱–**	**₱34,882,956**
Equity instruments designated at FVOCI	**70,188,775**	**70,188,775**	**4,900,312**	**54,661,405**	**10,627,058**
	₱105,071,731	**₱105,171,731**	**₱4,900,312**	**₱54,661,405**	**₱45,610,014**
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	**₱11,080,375**	**₱10,157,541**	**₱–**	**₱–**	**₱10,157,541**

	June 30, 2021				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost -					
Rental and utility deposits	₱37,125,162	₱37,298,468	₱–	₱–	₱37,298,468
Equity instruments designated at FVOCI	69,147,732	69,147,732	5,285,174	53,488,420	10,374,138
	₱106,272,894	₱106,446,200	₱5,285,174	₱53,488,420	₱47,672,606
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	₱10,522,702	₱10,771,173	₱–	₱–	₱10,771,173

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 ranging from 1.43% to 6.68% and 1.61% to 4.97% as at June 30, 2022 and 2021, respectively 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. Interest rates used in discounting cash flows was 6.38% and 5.68% as of June 30, 2022 and 2021, respectively.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 1.90% to 5.11% and 1.26% to 2.66% as at June 30, 2022 and 2021, respectively adjusted for 2.0% credit spread rate that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In June 30, 2022 and 2021, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37. Note to Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱38.3 million and ₱36.7 million for the years ended June 30, 2022 and 2021, respectively (nil for the three-month period ended June 30, 2020) (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱4.3 million, ₱16.9 million and ₱59.3 million as at June 30, 2022, June 30, 2021 and June 30, 2020, respectively. Unpaid progress billing for construction-in-progress presented under "Investment properties" amounted to ₱52.4 million as at June 30, 2022 (nil as at June 30, 2021 and June 30, 2020) (see Notes 11 and 12).

c. Additions to land and buildings under "Investment properties" upon foreclosure of mortgaged properties for STI Tanay receivables amounted to ₱164.9 million for the year ended June 30, 2022 (nil for the year ended June 30, 2021 and the three-month period ended June 30, 2020) (see Note 12).

d. Reclassification from investment properties to noncurrent asset held for sale amounted to ₱53.3 million in view of the expected redemption upon actual receipt of the redemption price (see Notes 10 and 12).

e. Reclassification from "Other noncurrent assets" to "Property and equipment" amounting to ₱21.3 million during the year ended June 30, 2022.

38. Changes in Liabilities Arising from Financing Activities

			Noncash Movements									
	July 1, 2021	**Cash Flows**	**Unamortized Loan Premium**	**Income on Rent Concessions (see Note 29)**	**Reclassified as Current (see Notes 18 and 29)**	**Reclassified as Noncurrent**	**Effect of Lease Termination/ Modifications (see Notes 11 and 29)**	**New Leases (see Note 29)**	**Capitalized Borrowing Cost (see Note 11)**	**Interest Expense (see Note 23)**	**Dividends Declared (see Note 21)**	**June 30, 2022**
Current portion of interest-bearing loans and borrowings	**₱208,812,671**	**(₱449,544,753)**	**₱–**	**₱–**	**₱479,544,753**	**₱–**	**₱–**	**₱–**	**₱–**	**₱323,308**	**₱–**	**₱239,135,979**
Bonds payable	**2,973,082,875**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,432,189**	**–**	**2,980,515,064**
Interest-bearing loans and borrowings - net of current portion	**1,771,433,275**	**–**	**–**	**–**	**(479,544,753)**	**–**	**–**	**–**	**–**	**(427,115)**	**–**	**1,291,461,407**
Lease liabilities	**484,817,384**	**(78,349,815)**	**–**	**(6,054,606)**	**–**	**–**	**4,236,109**	**37,329,615**	**–**	**31,337,879**	**–**	**473,316,566**
Dividends payable	**25,934,641**	**(95,665,835)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96,142,712**	**26,411,518**
Interest payable	**33,505,531**	**(281,594,979)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**274,673,322**	**–**	**26,583,874**
	₱5,497,586,377	**(₱905,155,382)**	**₱–**	**(₱6,054,606)**	**₱–**	**₱–**	**₱4,236,109**	**₱37,329,615**	**₱–**	**₱313,339,583**	**₱96,142,712**	**₱5,037,424,408**

			Noncash Movements									
	July 1, 2020	Cash Flows	Unamortized Loan Premium (see Note 18)	Income on Rent Concessions (see Note 29)	Reclassified as Current (see Notes 18 and 29)	Reclassified as Noncurrent	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New Leases (see Note 29)	Capitalized Borrowing Cost (see Note 11)	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2021
Current portion of interest-bearing loans and borrowings	₱358,566,076	(₱229,855,247)	₱–	₱–	₱319,276,921	(₱240,000,000)	₱–	₱–	₱–	₱824,921	₱–	₱208,812,671
Bonds payable	2,966,097,772	–	–	–	–	–	–	–	–	6,985,103	–	2,973,082,875
Interest-bearing loans and borrowings - net of current portion	1,432,045,165	409,426,874	8,298,501	–	(319,276,921)	240,000,000	–	–	2,776,224	(1,836,568)	–	1,771,433,275
Lease liabilities	552,590,291	(73,912,834)	–	(39,727,038)	–	–	(23,969,027)	34,994,849	–	34,841,143	–	484,817,384
Dividends payable	25,930,201	(35,327,186)	–	–	–	–	–	–	–	–	35,331,626	25,934,641
Interest payable	35,221,629	(297,967,414)	–	–	–	–	–	–	–	296,251,316	–	33,505,531
	₱5,370,451,134	(₱227,635,807)	₱8,298,501	(₱39,727,038)	₱–	₱–	(₱23,969,027)	₱34,994,849	₱2,776,224	₱337,065,915	₱35,331,626	₱5,497,586,377

			Noncash Movements									
	April 1, 2020	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Reclassified as current	Reclassified as noncurrent	Lease Termination	New Leases	Capitalized Borrowing Cost	Interest Expense (see Note 23)	Dividends Declared	June 30, 2020
Current portion of interest-bearing loans and borrowings	₱358,550,269	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱15,807	₱–	₱358,566,076
Bonds payable	2,964,418,162	–	–	–	–	–			–	1,679,610	–	2,966,097,772
Interest-bearing loans and borrowings - net of current portion	1,431,473,032	–	–	–	–	–	–	–	13,769	558,364	–	1,432,045,165
Lease liabilities	562,803,960	(19,601,709)	–	–	–	–	–	–	–	9,388,040	–	552,590,291
Dividends payable	25,934,637	(4,436)	–	–	–	–	–	–	–	–	–	25,930,201
Interest payable	9,330,735	(46,910,230)	–	–	–	–	–	–	–	72,801,124	–	35,221,629
	₱5,352,510,795	(₱66,516,375)	₱–	₱–	₱–	₱–	₱–	₱–	₱13,769	₱84,442,945	₱–	₱5,370,451,134

39. **Business Combinations**

On December 3, 2020, STI ESG acquired the net assets of STI Calbayog and STI Dumaguete, which were owned and operated by the former franchisees, for ₱2.7 million and ₱2.3 million, respectively. The transactions were accounted for as business combinations. The purchase price consideration was allocated to the net assets based on provisional fair values at the date of acquisition resulting in excess of consideration aggregating to ₱1.9 million. The Group is likewise assessing the value of the intangible assets acquired.

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

STI Calbayog

Assets	
Receivables	₱589,782
Inventories	21,508
Property and equipment (see Note 11)	798,020
Other noncurrent asset	190,000
	1,599,310
Liabilities	
Accounts payable and other current liabilities	225,031
Total identifiable net assets at provisional fair values	1,374,279
Purchase consideration transferred	2,700,000
Goodwill (see Note 16)	₱1,325,721

STI Dumaguete

Assets	
Receivables	₱1,482,130
Inventories	12,835
Property and equipment (see Note 11)	38,891
Other noncurrent asset	264,872
	1,798,728
Liabilities	
Accounts payable and other current liabilities	102,965
Total identifiable net assets at provisional fair values	1,695,763
Purchase consideration transferred	2,300,000
Goodwill (see Note 16)	₱604,237

40. **Voluntary Presentation of Comparative Statement of Comprehensive Income**

As discussed in Note 2, the amounts reflected in the June 30, 2020 consolidated statement of comprehensive income are for a three-month period only. Accordingly, they are not comparable with the amounts in the June 30, 2022 and 2021 consolidated statements of comprehensive income.

Set out below is a voluntary disclosure of consolidated statement of comprehensive income for the year ended June 30, 2020 for the purpose of comparability.

	Amount
REVENUES	
Sale of services:	
Tuition and other school fees	₱2,257,562,504
Educational services	121,820,529
Royalty fees	11,518,869
Others	59,722,935
Sale of goods -	
Sale of educational materials and supplies	76,309,179
	2,526,934,016
COSTS AND EXPENSES	
Cost of educational services [(a)]	918,178,053
Cost of educational materials and supplies sold	55,931,934
General and administrative expenses [(b)]	1,214,085,457
	2,188,195,444
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	338,738,572
OTHER INCOME (EXPENSES)	
Interest expense	(341,541,030)
Provision for impairment of noncurrent asset held for sale	(297,470,664)
Rental income	197,399,878
Interest income	10,764,580
Dividend income	1,780,301
Equity in net earnings (losses) of associates and joint venture	(169,650)
Foreign exchange loss	(630)
	(429,237,215)
LOSS BEFORE INCOME TAX	(90,498,643)
PROVISION FOR (BENEFIT FROM) INCOME TAX	
Current	41,048,681
Deferred	(14,068,843)
	26,979,838
NET LOSS *(Carried Forward)*	(117,478,481)

	Amount
NET LOSS *(Brought Forward)*	(₱117,478,481)
OTHER COMPREHENSIVE INCOME (LOSS)	
Items not to be reclassified to profit or loss in subsequent years:	
Remeasurement loss in pension liability	(17,225,685)
Income tax effect	1,732,821
Unrealized fair value adjustment on equity instruments designated at FVOCI	7,601,130
OTHER COMPREHENSIVE LOSS, NET OF TAX	(7,891,734)
TOTAL COMPREHENSIVE LOSS	(₱125,370,215)
Net Loss Attributable To	
Equity holders of the Parent Company	(₱107,252,556)
Non-controlling interests	(10,225,925)
	(₱117,478,481)
Total Comprehensive Loss Attributable To	
Equity holders of the Parent Company	(₱115,029,091)
Non-controlling interests	(10,341,124)
	(₱125,370,215)
Basic/Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company	(₱0.011)

[a] Cost of educational services account consists of:

	Amount
Depreciation and amortization	₱397,447,224
Faculty salaries and benefits	348,494,060
Student activities and programs and connectivity expenses	95,477,119
Rental	22,694,267
Software maintenance	19,786,105
School materials and supplies	13,936,662
Courseware development costs	11,223,921
Others	9,118,695
	₱918,178,053

(b) General and administrative expenses account consists of:

	Amount
Salaries, wages and benefits	₱352,238,109
Depreciation and amortization	248,430,695
Light and water	120,954,874
Outside services	118,785,953
Professional fees	85,001,937
Provision for:	
Expected credit losses	54,662,958
Inventory obsolescence	4,805,445
Taxes and licenses	38,278,071
Transportation	29,789,469
Advertising and promotions	27,744,878
Repairs and maintenance	22,091,982
Meetings and conferences	18,304,489
Insurance	17,957,028
Entertainment, amusement and recreation	14,693,767
Office supplies	13,810,161
Rental	13,255,654
Communication	12,284,709
Software maintenance	2,988,585
Association dues	1,416,567
Others	16,590,126
	₱1,214,085,457

41. Events after Reporting Period and Other Matters

a. On July 14, 2022, the BOG of iACADEMY approved the operation and the related budget for the Cebu campus. iACADEMY Cebu will be located at Filinvest Cyberzone Tower Two Building, Lahug, Cebu City.

b. On July 29, 2022, STI ESG received the full payment for the redemption of the Pasig Property (see Note 10).

c. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date (see Note 1).

d. On August 15, 2022, ChinaBank approved the request of STI ESG for waiver of the DSCR requirement for the periods ending June 30, 2023 and December 31, 2023 (see Note 18).

e. In a letter dated August 25, 2022, the Maritime Industry Authority (MARINA) informed STI Training Academy that the latter's application for accreditation as a Maritime Training Institution (MTI) is granted. This will enable STI Training Academy to start offering training courses that are tailor-fit to certain shipping lines or industries (see Note 1).

f. On August 31, 2022, STI WNU made advance payment amounting ₱70.5 million for the design and construction of a 3-storey School of Basic Education building which will house the pre-elementary, elementary, junior high school and senior high school students of the university beginning SY 2023-2024.

g. On October 1, 2022, STI ESG acquired two parcels of land located at Brgy. Saluysoy, Meycauayan, Bulacan for ₱55,000 per square meter or an aggregate cost of ₱135.2 million with a total area of 2,459.0 square meters. The location is intended to be the future site of STI Academic Center Meycauayan.

h. 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 each cities and municipalities in different levels of community quarantine 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 to its financial position, performance and cash flows as at and for the year ended June 30, 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 SHS students beginning February 2022 and April 2022, 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.

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, included in this Form 17-A, and have issued our report thereon dated October 10, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 8854336, January 3, 2022, Makati City

October 10, 2022

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020, included in this Form 17-A, and have issued our report thereon dated October 10, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021 and the three-month period ended June 30, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
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SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 8854336, January 3, 2022, Makati City

October 10, 2022

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

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

SCHEDULE A – FINANCIAL ASSETS
June 30, 2022
(Amount in Pesos)

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

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued

The Group's financial asset at FVPL is less than 5% of total consolidated current assets, thus, schedule of financial assets is not applicable.

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2022
(Amount in Pesos)

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period

The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above One Million Pesos (P1 Million) or 1% of total assets, whichever is less, as at June 30, 2022.

SCHEDULE C – AMOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2022
(Amount in Pesos)

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

Name of debtor and description	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period	Description
Receivable of AHC from STI Holdings	63,778,000			63,778,000	-	63,778,000	Assignment of receivable from Unlad Resources Development Corporation
Receivable of AHC from STI Holdings	64,000,000			-	64,000,000	64,000,000	Subscription
Receivable of STI Holdings from STI ESG	-	14,400,000	14,400,000	-	-	-	Advisory fees
Receivable of STI ESG from STI Holdings	-	27,879	27,879	-	-	-	Advances
Receivable of STI Holdings from iACADEMY	-	510,000	510,000	-	-	-	Advisory fees
Receivable of STI ESG from iACADEMY	-	1,846,532	1,846,352	-	-	-	Advances
Receivable of STI ESG from STI WNU	1,523,522	5,332,698	4,343,181	2,513,039	-	2,513,039	Advances
Receivable of STI ESG from STI WNU	9,422,783	17,663,297	17,570,439	9,515,641	-	9,515,642	Educational services, school materials sold, other charges
Receivable of STI Holdings from STI WNU	-	3,600,000	3,600,000	-	-	-	Advisory fees

SCHEDULE D – LONG-TERM DEBT
June 30, 2022
(Amount in Pesos)

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

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of interest-bearing loans and borrowings" in related Statement of Financial Position	Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position
China Banking Corporation - Corporate notes facility Maturity Date / Interest Rate July 31, 2021 / 4.75%*	3,000,000,000	30,000,000	215,666,028
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively**	5,000,000,000	-	2,980,515,064
China Banking Corporation - Term loan: Maturity Date / Interest Rate September 19, 2026 / 5.81% to 6.31% ***	1,200,000,000	120,000,000	834,027,880
LandBank ACADEME Program: Maturity Date / Interest Rate August 2022 and January 2023 / 3% ****	22,139,710	9,544,753	2,993,820
China Banking Corporation - Term Loan Maturity Date / Interest Rate September 29, 2027 / 3.2068%*****	800,000,000	79,591,226	238,773,679

**presented inclusive of unamortized premium on corporate notes of ₱5.7 million in the Consolidated Statements of Financial Position*
***presented net of bond issue costs with carrying value of ₱19.5 million in the Consolidated Statements of Financial Position*
****presented net of issuance costs with carrying value of ₱6.0 million in the Consolidated Statements of Financial Position*
*****presented net of issuance costs with carrying value of ₱0.1 million in the Consolidated Statements of Financial Position*
******presented net of issuance costs with carrying value of ₱1.6 million in the Consolidated Statements of Financial Position*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2022
(Amount in Pesos)

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

Name of Related Party	Balance at beginning of period	Balance at end of period

The Group has no long-term loans from related parties as at June 30, 2022

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2022
(Amount in Pesos)

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

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

The Group does not have guarantees of securities of other issuing entities as at June 30, 2022

SCHEDULE G – CAPITAL STOCK
June 30, 2022
(Amount in Pesos)

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

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors, officers and employees	Number of shares held by Others
Common Stock	10,000,000,000	9,904,806,924	-	4,915,189,999*	1,874,426,377**	3,115,190,548

*Related Parties:	
Prudent Resources, Inc.	1,621,085,049
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	795,918,934
Eujo Philippines, Inc.	806,157,130
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.	629,776,992
STI Education Services Group	500,432,895
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332
Philippines First Insurance Co., Inc.	65,262,000
Prime Power Holdings Corp.	189,666,667
TOTAL	4,915,189,999 *

**Directors, Officers, and Employees:	
Eusebio H.Tanco	1,644,183,444
Monico V. Jacob	33,784,057
Maria Vanessa Rose L. Tanco	22,808,001
Joseph Augustin L. Tanco	2,000,001
Martin K. Tanco	81,011,907
Paolo Martin O. Bautista	3,250,000
Jesli A. Lapus	6,000,000
Robert G. Vergara	1,000
Ma. Leonora V. De Jesus	1,000
Raymond N. Alimurong	1,000
Yolanda M. Bautista	5,000,001
Arsenio C. Cabrera, Jr.	6,500,000
STI Employees Retirement Plan	69,885,966
TOTAL	1,874,426,377 **

Number of Shares held by Others increased by 2% as of June 30, 2022 from the last Statement of Financial Position as of June 30, 2021.

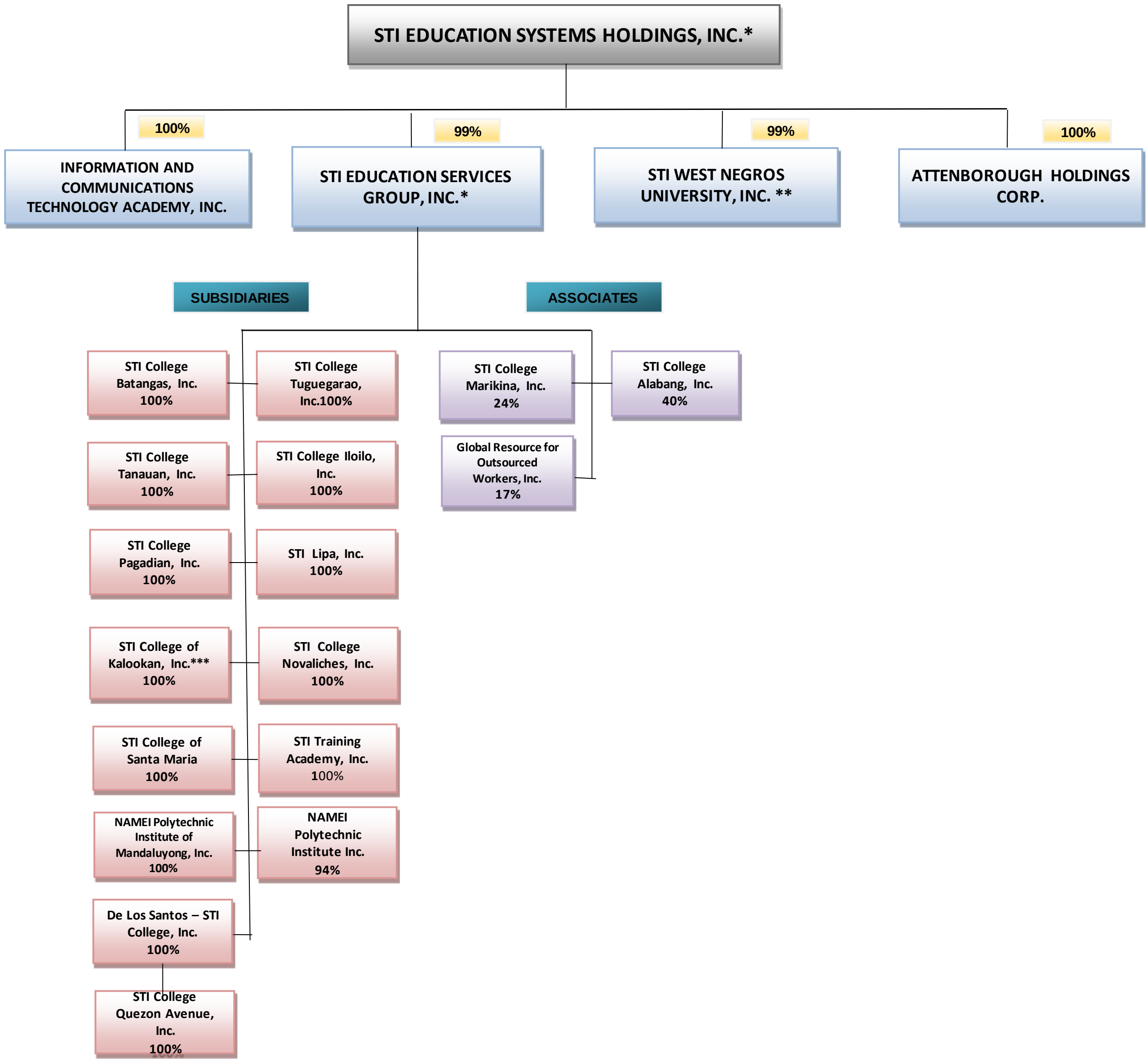
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of June 30, 2022
(Amount in Pesos)

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

Unappropriated Retained Earnings, beginning of the year		**1,712,918,470**
Adjustment: Effect of merger of subsidiaries in 2019	**(182,954,744)**	
Deferred tax asset	**(214,562)**	**(183,169,306)**
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		**1,529,749,164**
Add (deduct):		
Net income during the period closed to Retained Earnings	185,679,217	
Movement of deferred tax asset	152,812	
Dividend declarations during the period	(99,048,069)	86,783,960
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION		**1,616,533,124**

SCHEDULE I – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
June 30, 2022

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



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at June 30, 2022*
** *Formerly West Negros University Corp.*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2022

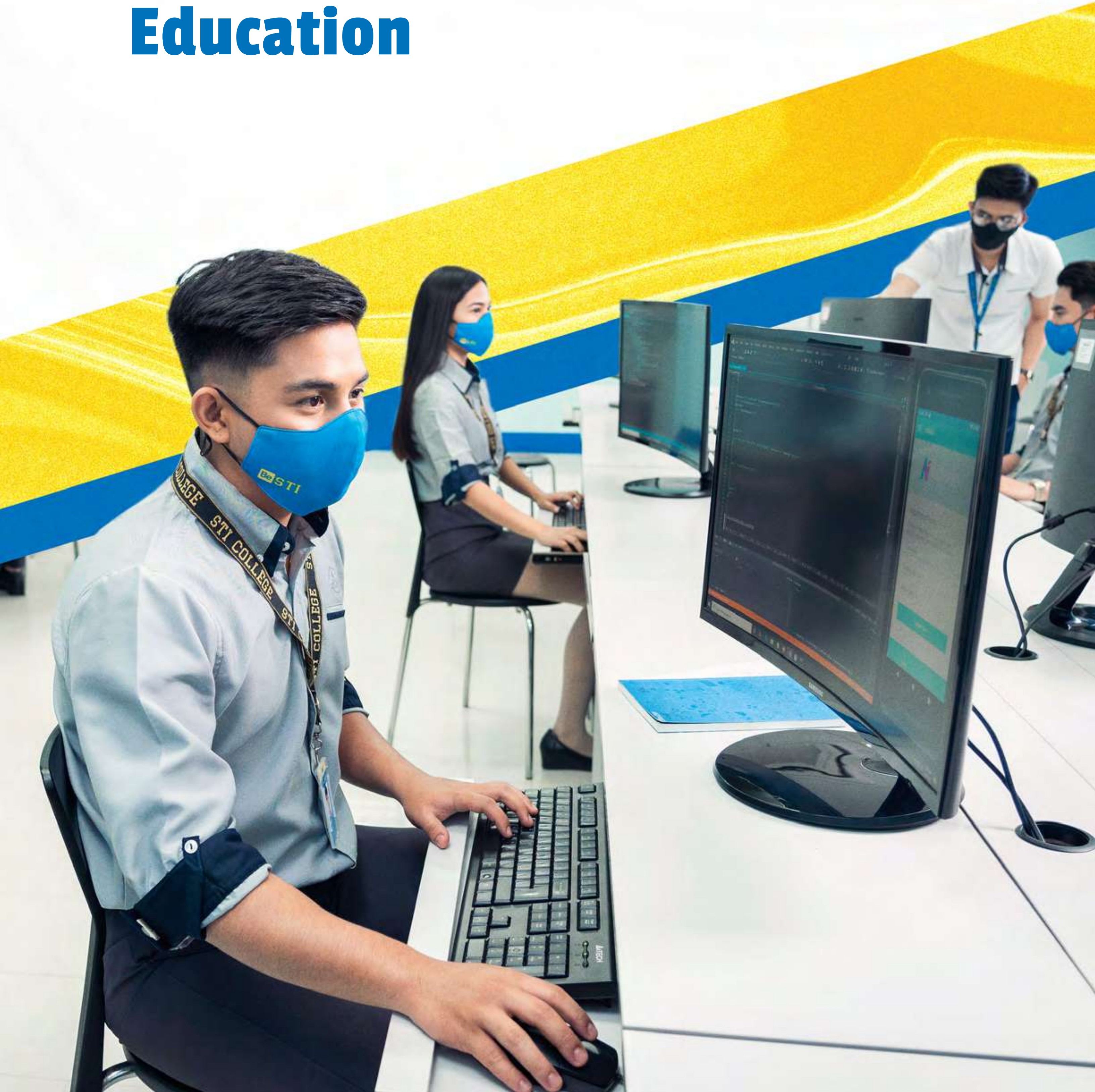
STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Ratio	Formula	June 30, 2022	June 30, 2021
Current ratio	Current assets / Current liabilities	2.85	2.72
Acid test ratio	Current assets less inventories, prepayments and noncurrent asset held for sale / Current liabilities	1.76	1.64
Solvency ratios			
Debt-to-equity ratio	Total liabilities less unearned tuition and other school fees / Total equity	0.70	0.79
Asset-to-equity ratio	Total assets / Total equity	1.72	1.80
Interest coverage ratio	Net income excluding interest expense and provision for income tax / Interest expense	2.36	1.07
Return on equity	Annualized net income (loss) attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	5%	1%
Return on assets	Annualized net income (loss) / Average total assets	3%	1%
Net profit margin	Net income (loss) after provision for income tax / Total revenues	16%	5%
Other ratios			
EBITDA margin	EBITDA * / Total revenues	42%	39%
Debt service cover ratio	EBITDA for the last twelve months / Total principal and interest due for the next twelve months	1.95	1.50

** EBITDA is earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, gain on settlement of STI Tanay receivable (net of provision for impairment of noncurrent asset held for sale), income on rent concessions, fair value loss on equity instruments at FVPL, gain on sale of noncurrent asset held for sale (net of capital gains tax), loss on loan modification and gain on derecognition of contingent consideration. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively*

STI EDUCATION SYSTEMS HOLDINGS | Sustainability Report 2022

Fostering a Sustainable Education



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GRI 102-48, 102-50, 102-52, 102-53, 102-54

ABOUT THIS REPORT

STI Education Systems Holdings, Inc. (STI Holdings or the Parent Company), through its subsidiaries STI Education Services Group, Inc. (STI ESG), STI West Negros University, Inc. (STI WNU), and Information and Communications Technology Academy, Inc. (iACADEMY), collectively referred to as the "Group," has established its place as one of the leading institutions in innovative and relevant education that nurtures individuals to become competent and responsible members of society. Guided by its core values, the Group constantly improves the delivery of education to its students in pursuit of sustainable development.

This year's report emphasizes the Group's commitment to promote sustainable education in the midst of the evolving demands of the times. As the world began to usher in a new normal, the Group remained focused on its mission — innovating its learning delivery models while successfully adapting to the changes brought about by the global health crisis.

Moreover, this report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option, covering the period July 1, 2021 to June 30, 2022. The disclosures in this report do not cover franchise schools and include only STI ESG-owned schools, STI WNU, and iACADEMY, unless otherwise stated.

To better understand the Group's sustainability plans, all stakeholders are encouraged to read this publication in conjunction with STI Holdings' annual report as of and for the year ended June 30, 2022, which is available on the website www.stiholdings.com. Readers may also email info@stiholdings.com.ph for feedback and queries about this report.

NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that present the Group's view of its risks and opportunities subject to the trends, projections, plans, and other information available as of the writing of the report. Statements describing the Group's outlook are meant to address the uncertainties posed by the ongoing and evolving COVID-19 pandemic and related regulations, but these do not present or guarantee the Group's future performance. While the Group believes that the disclosures are reasonable, risks and uncertainties beyond the Group's control may impact the Group's performance and outcomes may differ materially from those expressed or implied in this report. The Group does not assume any obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors which may affect these statements.

GRI 102-14

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

Dear Fellow Stakeholders,

This School Year 2021-2022, STI Holdings and the subsidiaries (the Group) continued to navigate through unchartered territories as the world found itself in the second year of the COVID-19 pandemic. With discipline and a great command of its competencies, however, the Group proved its enduring prowess in delivering quality education to its students.

The Group opened the school year equipped with the tools to fully support online learning through STI ESG and STI WNU's ONline and ONsite Education at STI (ONE STI) Learning Model and iACADEMY's Guided Online Autonomous Learning (GOAL). Through these learning models that the schools successfully introduced and implemented, students continued to receive education unimpeded in the comforts of their own homes. STI ESG and STI WNU also provided monthly internet connectivity assistance of up to 34GB. The Group, moreover, made online resources such as webinars and virtual consultation platforms available to students, parents, and guardians alike to help ensure their mental well-being.

The Group remained astute as the Philippine education sector started to shift to a "new normal" — a flexible blended learning mode that is a mix of online and face-to-face classes and

EUSEBIO H. TANCO
Chairman, STI Holdings

hands-on learning activities. In the spirit of inspired innovation, iACADEMY launched DRIVE or Design for Remote, Individualized, and Versatile Education, a pioneering homeschool program that aims to help senior high school students with unique learning preferences achieve their learning goals through self-paced, independent distance learning. The Group nevertheless recognizes the integral role of the in-person class setup in developing the students' skills that are vital to achieving their desired learning outcomes. In this regard, the Group started to implement limited face-to-face classes for high-stake tertiary courses and senior high school tracks in select schools beginning February 2022 and April 2022, respectively.

In its pursuit to produce graduates of good character who are effective communicators, change-adept and critical thinkers as well as Game Changers in their chosen fields of endeavor, the Group continued to provide education that would help them achieve a sustainable future not only for themselves but also for the society at large. This determination has thus allowed the Group to contribute to the United Nations Sustainable Development Goals (UN SDGs) such as Quality Education, Good Health and Well-being, and Decent Work and Economic Growth during the reporting period.

As we embrace the transition to the new normal, we bring with us the valuable lessons of the past two years while remaining agile to the evolving needs of the students, industry, and the communities to which we belong. By molding today's youth to innovate and promptly adapt to changes in our world, we hope to help build a nation of resilient and compassionate members of society.

MONICO V. JACOB
President and CEO, STI Holdings

GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6

OUR ORGANIZATION

STI EDUCATION SYSTEMS HOLDINGS, INC. (STI HOLDINGS)

STI Holdings is a leading education and investment corporation in the Philippines. It is recognized as one of the largest networks of schools in the country today. Its registered address and principal place of business is at the 7th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City.

STI Holdings began in 1928 when Theo H. Davies and Co., a Hawaiian corporation, established a branch office in the Philippines. In 1946, Jardine-Matheson group reincorporated the entity as a Philippine company. It was listed on the Philippine Stock Exchange on October 12, 1976. In March 2010, it became part of the Tanco Group of Companies. It is the holding company within the Tanco Group that drives investment in its education business. Today, it has investments in three large educational institutions — STI ESG, STI WNU and iACADEMY — and is also the owner of Attenborough Holdings Corporation (AHC).

STI EDUCATION SERVICES GROUP, INC. (STI ESG)

STI ESG is the largest subsidiary of STI Holdings. It was incorporated on June 2, 1983 and is involved in setting up, 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.

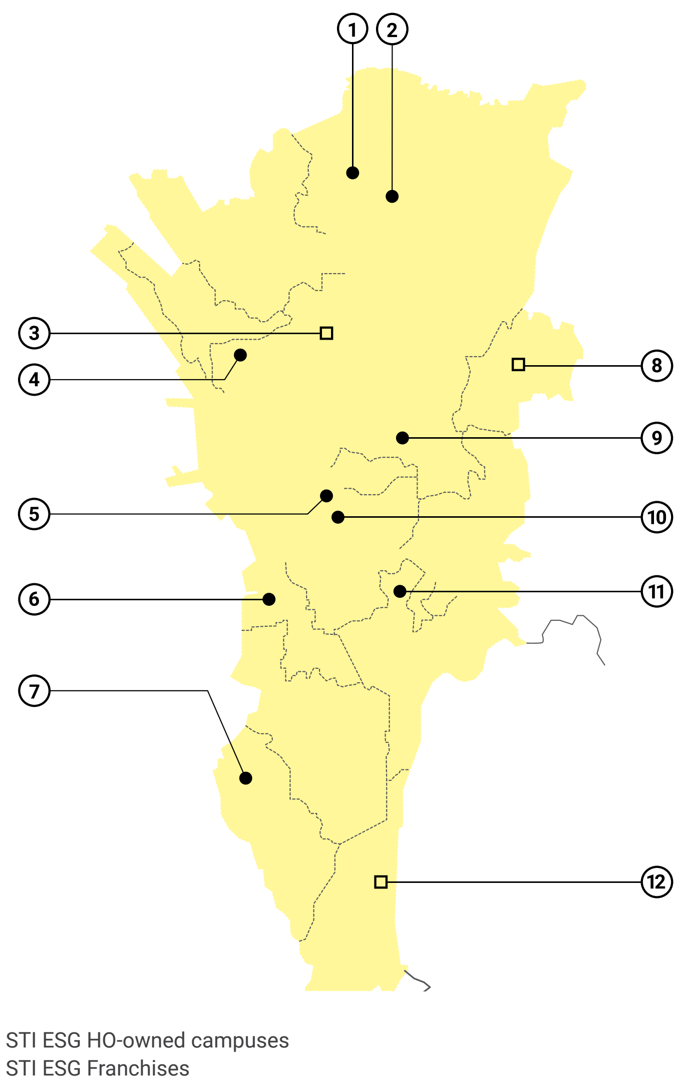
STI ESG began with the goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines.

At present, STI ESG offers secondary and tertiary programs as well as post-graduate and associate programs. The colleges of STI ESG grant Associate Degrees and Baccalaureate Degrees and offer Technical Courses, and Vocational Courses in the fields of Information and Communications Technology (ICT), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education.

These programs are accredited by the Commission on Higher Education (CHED) and/or the Technical Education and Skills Development Authority (TESDA). Also accredited by TESDA, the education centers of STI ESG offer technical/vocational courses for computer programming, computer technology, multimedia arts, and office administration, among others. In addition, all schools in the STI ESG network have been granted permit by the Department of Education (DepEd) to offer Senior High School (SHS).

STI ESG, whose head office is located in Cainta, Rizal, has a network of sixty-three (63) schools spread across Luzon, Visayas, and Mindanao. It is comprised of sixty (60) STI-Branded Colleges and three (3) STI-Branded Education Centers. Of the total number of schools, thirty-four (34) colleges and one (1) education center are owned while twenty-six (26) colleges and two (2) education centers are operated by franchisees.

Map 1: STI Campuses in Metro Manila



Metro Manila

1. Novaliches
2. Fairview
3. Muñoz-EDSA
4. Caloocan
5. Sta. Mesa
6. Pasay-EDSA
7. Las Piñas
8. Marikina
9. Cubao
10. NAMEI
11. Global City
12. Alabang

Northern Luzon

13. Laoag
14. Vigan
15. Cauayan
16. Baguio
17. Alaminos
18. Dagupan
19. San Jose
20. Tarlac
21. Malolos
22. Balagtas
23. Meycauayan
24. Angeles
25. San Fernando
26. Baliuag
27. Sta. Maria
28. San Jose Del Monte

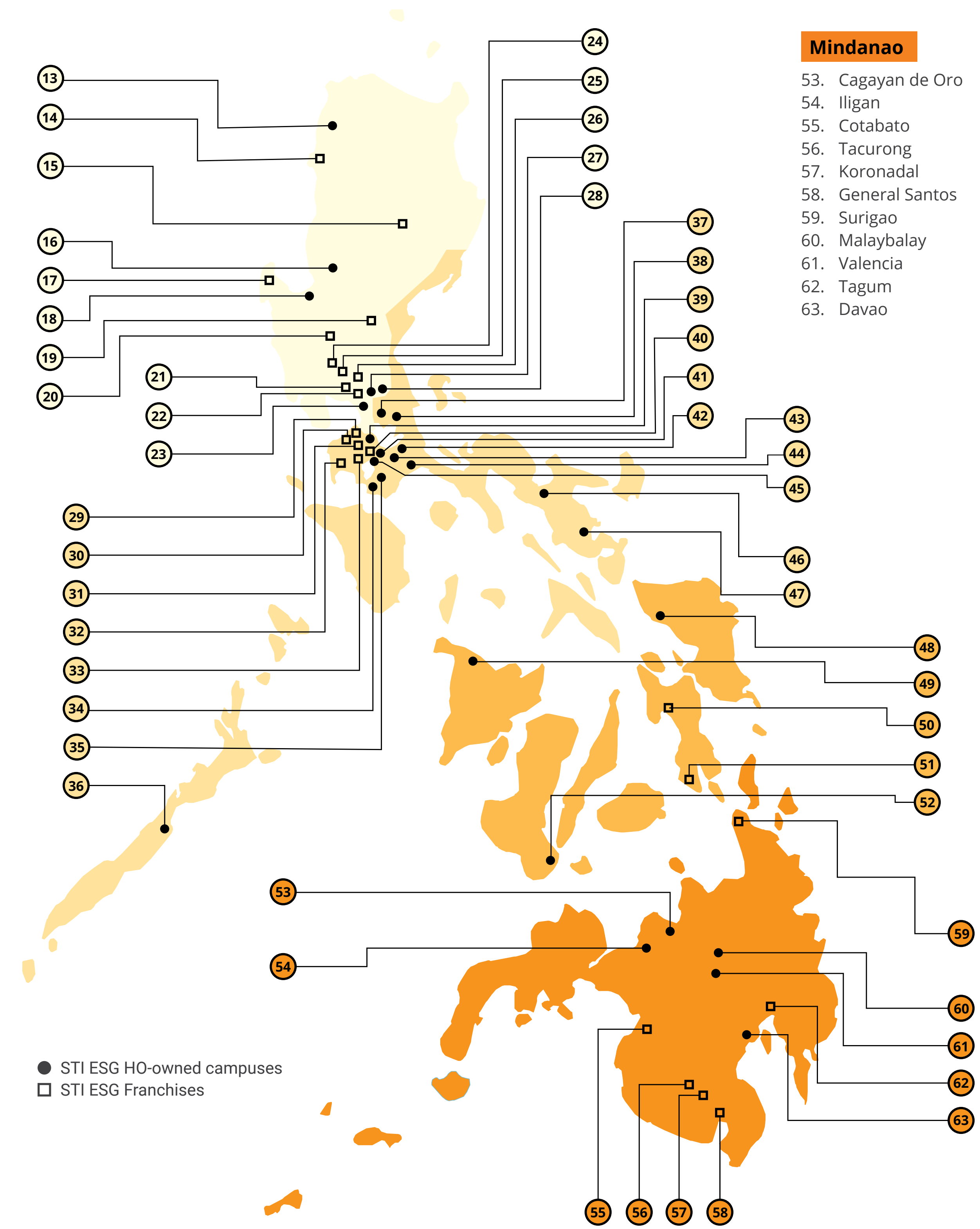
Southern Luzon

29. Bacoor
30. Rosario
31. Dasmariñas
32. Balayan
33. Tagaytay
34. Batangas
35. Lipa
36. Puerto Princesa
37. Ortigas-Cainta
38. Tanay
39. Carmona
40. Santa Rosa
41. Calamba
42. Sta. Cruz
43. San Pablo
44. Lucena
45. Tanauan
46. Naga
47. Legazpi

Visayas

48. Calbayog
49. Kalibo
50. Ormoc
51. Maasin
52. Dumaguete

Map 2: STI Campuses in Northern & Central Luzon, Southern Luzon, Visayas, and Mindanao



Mindanao

53. Cagayan de Oro
54. Iligan
55. Cotabato
56. Tacurong
57. Koronadal
58. General Santos
59. Surigao
60. Malaybalay
61. Valencia
62. Tagum
63. Davao

STI WEST NEGROS UNIVERSITY, INC. (STI WNU)

STI WNU, a leading university in the City of Bacolod in Negros Occidental, offers a wide variety of programs and complements the courses offered by the Parent Company's other subsidiary, STI ESG. The University offers pre-elementary, elementary, secondary including SHS, tertiary and post-graduate courses.

STI WNU was founded by three Baptist women leaders on February 14, 1948 when the city was still reeling from the aftermath of the Second World War. The school, then West Negros College, first operated as a sectarian educational institution offering six undergraduate programs that attracted 710 students handled by 33 faculty members. It has since gone through years of providing education that is responsive to the needs of the community and was granted the University Status by CHED in June 2008.

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. Since then, STI WNU's facilities have been continuously upgraded, catering to almost 8,000 students.

INFORMATION AND COMMUNICATIONS TECHNOLOGY ACADEMY, INC. (iACADEMY)

iACADEMY 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 has been providing 20 years of non-traditional, Game Changing education, pioneering specialized programs that are technology-focused, innovative and industry-relevant.

iACADEMY was established in 2002 as a wholly-owned subsidiary of STI ESG. The school became a wholly-owned subsidiary of STI Holdings through acquisition on September 30, 2016. iACADEMY's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City.

GRI 102-16

EDUCATIONAL PHILOSOPHY

The Group strongly promotes the learner-centered approach as its paradigm for teaching and learning. Hence, every student is nurtured holistically through technology-enhanced, student-centered active learning. The Group strives to provide innovative and relevant education that nurtures students to become competent and responsible members of the society.

GRI 102-40, 102-42, 102-43, 102-44

STAKEHOLDER ENGAGEMENT

The following stakeholders were identified based on influence, representation, contribution, responsibility, and dependency of the entities within the Group. For SY 2020-2021, engagement with stakeholders was primarily through different online platforms, especially with respect to changes in the learning delivery system and school operations.

STAKEHOLDER GROUP	FREQUENCY OF ENGAGEMENT	MODE OF ENGAGEMENT	KEY TOPICS RAISED	THE GROUP'S RESPONSE (REPORT REFERENCE)
Students	Regular basis	Online orientation program, eLearning Management System (eLMS), webinars, social media	Programs or courses, school facilities, campus life, teaching, tuition fees, safety	Quality and Affordable Education, Curriculum Development and Implementation, Student Affairs & Services, Academic Research, Inclusive Education, Customer Data & Privacy, Managing Health and Safety in Education, Learning Innovation
Faculty and Staff	Regular basis	Combination of face-to-face and online orientation program, online trainings, social media	Working arrangement, trainings, career advancement, salary and benefits, health & safety	Academic Research, Employment, Learning & Development, Customer Data & Privacy, Diversity & Inclusion, Safety and Well-being
Parents	Regular basis	Online orientation program, eLMS, webinars, website, media articles, social media	Quality of education, school facilities, teaching, grades, tuition fees, safety	Quality and Affordable Education, Curriculum Development and Implementation, Student Affairs & Services, Academic Research, Inclusive Education, Customer Data & Privacy, Managing Health and Safety in Education
Alumni	Annual or as required	Online career fairs, webinars, website, social media	Employment	Student Affairs & Services, Community Relations & Strategic Partnerships, Customer Data & Privacy
Board of Directors	Quarterly or as needed	Board meetings	Plans and strategies, risks, results of operations	Economic Performance, Governance, Diversity & Inclusion, Risk Management, Ethics and Transparency, Managing Health and Safety in Education
Stockholders and Investors	Quarterly, Annual, or as needed	Annual stockholders' meeting, reports, website, media articles	Overall performance of STI Holdings, results of operations, company updates	Economic Performance, Governance, Managing Health and Safety in Education
Industry Partners	As required	Meetings, webinars, trainings, website, media articles, social media	Collaboration opportunities, curriculum design, graduates, employment, virtual on-the-job training	Community Relations & Strategic Partnerships, Risk Management, Ethics and Transparency, Managing Health and Safety in Education
Regulators	Monthly or as needed	Meetings, online workshops, online seminars	Collaboration opportunities, access to education, curriculum, compliance requirements	Quality and Affordable Education, Curriculum Development and Implementation, Economic Performance, Governance, Energy & Emissions, Customer Data & Privacy, Managing Health and Safety in Education, Risk Management, Ethics and Transparency
Suppliers and Service Providers	As needed	Bidding process, meetings, email	Quotation and estimates, production and delivery, progress, completion	Supply Chain, Managing Health and Safety in Education
Local Community	As required	Website, media articles, social media	Community engagement, safety	Climate Change, Community Relations & Strategic Partnerships, Managing Health and Safety in Education

The Group collaborates with various stakeholders for compliance, strategy, information, and involvement. Stakeholders are engaged through a variety of ways, including direct dialogue, surveys, meetings or forums, social media, and sharing of information. The frequency and nature of the engagement likewise vary depending on the need and/or issues encountered.

GRI 102-46, 102-47

MATERIALITY

The Group aims to address all stakeholder concerns and attend to areas of its operations where it has the most material impacts. Following the guidelines and principles set by the SEC, GRI Standards, and the Sustainability Accounting Standards Board (SASB) Standards, the Group conducted its materiality assessment this year by examining external trends, global issues, and internal documents, in addition to addressing the key topics raised by its stakeholders. It considered the prevalent issues within the education sector by benchmarking against its peers, scanned media mentions related to the Group, checked advocacies of global non-governmental organizations related to education, and reviewed relevant internal policies and corporate strategies to inform its materiality assessment process.

The Group carefully assessed the results and determined to include the following economic, environmental, social, and governance topics among its material sustainability topics.

System-wide Development

- Quality and Affordable Education
- Curriculum Development and Implementation
- Student Affairs and Services
- Inclusive Education
- Academic Research
- Managing Health and Safety in Education
- Learning Innovation

Social Commitment

- Safety and Well-being
- Customer Data and Privacy
- Diversity and Inclusion
- Community Relations and Strategic Partnerships
- Learning and Development
- Employment

Environmental Initiatives

- Energy and Emissions
- Climate Change

Economic Value and Governance

- Economic Performance
- Risk Management
- Ethics and Transparency

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDGs highlight the extent of today's social, economic, environmental, and governance issues and have set clear goals that governments, private sectors, and civil societies should strive to achieve by 2030. Educational institutions, in this regard, play a vital role as they educate the youth on the importance of delivering these goals and values to the society, and eventually achieve a better and more sustainable future for all.

The Group supports the principles of the SDGs and strives to maximize its contribution through the following activities, measures and strategies aligned with the various SDGs.

SDG 3: Good Health and Well-being

- Health insurance policy covering teachers and full-time administrative staff
- To protect the students, faculty, and other personnel's health and safety, the Group implemented measures to mitigate the transmission of COVID-19 such as but not limited to the implementation of flexible learning models, disinfection of facilities, provision of sanitizers/alcohol within the premises

SDG 4: Quality Education

- Scholarships or alternative form of financial assistance for over 14,600 students within the whole STI network
- Senior High School Qualified Voucher Recipients and beneficiaries of the Tertiary Education Subsidy and CHED-Tulong Dunong financial assistance aggregating to over 26,000 students
- Competitive program offerings that are industry and market-driven
- Career orientation and internship programs for senior high school and college students
- Centralized courseware development to ensure the standard delivery of courses across the network of schools
- Continuity of education amidst community quarantine using digital tools and online technology
- The Group provided trainings and webinars to its employees, with each receiving an average of 4 training hours

SDG 5: Gender Equality

- The Group's workforce consisted of 48% male and 52% female, wherein 47% are under 30 years old, 44% are 30 to 50 years old, and 9% are over 50 years old
- Equal employment opportunity

SDG 8: Decent Work and Economic Growth

- PhP677M paid to employees in the form of wages and benefits
- PhP44M paid in taxes to the government
- 96.6% of procurement budget spent on local suppliers
- 580 new employee hires within the Group
- Over 20,700 skilled graduates contributing to the supply of human capital, not just across the country but also to the global industry

SDG 16: Peace, Justice, and Strong Institutions

- Compliance with laws, rules and regulations, policies, and standards of governing bodies covering the Group's operations
- No complaints, substantiated or otherwise, or reports of a data leak or loss of customer data were received from regulatory bodies, students, employees and/or other stakeholders.

GRI 102-10

MANAGING HEALTH AND SAFETY IN EDUCATION

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

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

Following the implementation of quarantine measures in March 2020, STI ESG and STI WNU's tertiary students were given three options to finish the second semester of SY 2019-2020, namely: (1) online learning where those who are willing to and can go online may finish all their lessons via the eLearning Management System (eLMS); (2) offline learning for those who are willing to continue and finish all their lessons but cannot go online, in which case handouts were provided to the students; or (3) face-to-face for those who cannot go online and opt to wait until STI ESG and STI WNU could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Classes of students who opted for online and offline studies resumed in the third week of May 2020 and were completed as at July 30, 2020, while those who opted for face-to-face classes later took their classes online and completed the same during the first term of SY 2020-2021.

Classes for iACADEMY's SHS and tertiary students were likewise suspended in March 2020. SHS modular classes of those who opted for online and offline studies resumed in April 2020 and were completed in June 2020. For tertiary, online classes resumed in April 2020. The school year was completed in July 2020.

For SY 2021-2022, as in the previous school year, STI ESG and STI WNU started classes in September, with classes in all schools ending by June of the following year. iACADEMY's school calendar started in August for all levels and ended in May and July of the following year for SHS and tertiary level, respectively. During this school year, however, the Group began 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 in 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 continues to adhere to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), Commission on Higher Education (CHED), Department of Education (DepEd), local government units (LGUs), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

The Group expects that the IATF, CHED, and DepEd will continue to implement measures mitigating the varied effects of the pandemic as deemed necessary. The Group recognizes that the nature of the pandemic continues to evolve and will cause economic disruptions and other consequences. In this light, the Group will continue to prioritize the health and well-being of its students, employees, and other personnel as it pursues innovative and efficient ways to ensure the delivery of quality education.

GRI 413-1

COMMUNITY SERVICES

In SY 2021-2022, aside from the ongoing community pantries organized by various STI campuses nationwide, the STI Mobile School was also utilized as a *bakuna* bus. STI College Cotabato partnered with the City of Cotabato and the City Health Office for the mobile vaccination program called "Mobile *Bakuna* Bus. " Through the STI Mobile School, the bus reached out to individuals with no access to vaccination hubs in the region. During the pilot run, the *bakuna* bus visited the city's old market where the citizens, mostly vendors who cannot leave their stores, received their first dose of vaccines. Since then, the bus has reached four areas within the city and more than 800 of its citizens have been vaccinated. The Mobile *Bakuna* Bus targets to reach strategic areas such as public markets, groceries, supermarkets, malls, schools, and barangay halls in Cotabato City.

STUDENT FINANCIAL AID AND OTHER PROGRAMS

As part of the Group's ongoing efforts to support more Filipino youth in gaining access to quality education amid the economic impact of the COVID-19 pandemic, the Group partnered with other institutions and provided rebates and discounts to students through different programs including the following:

DBP RISE

STI ESG executed a memorandum of agreement (MOA) with the Development Bank of the Philippines (DBP) on March 17, 2021 for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021; and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022.

Pag-IBIG - STI Education Assistance Program social media post

PAG-IBIG – STI Educational Assistance Program

STI ESG and STI WNU strengthened their partnership with Pag-IBIG Fund to ensure that students from all walks of life will have the opportunity to receive quality education. Through the Pag-IBIG – STI Educational Assistance Program, Pag-IBIG Loyalty and Loyalty Plus cardholders, and their qualified dependents within the second degree of consanguinity and/or affinity, availed of a 10% partial scholarship grant on tuition fees (excluding miscellaneous and other school fees). Furthermore, an additional 10% scholarship grant was offered to student applicants during SY 2021-2022. Qualified applicants were entitled to an aggregate of 20% scholarship grant on tuition fees in any STI campus nationwide.

Reduction of Other School Fees and/or Miscellaneous Fees

STI ESG, STI WNU and iACADEMY, to provide further support to students and parents in relation to the impact of the COVID-19 pandemic, reduced laboratory fees and other school or miscellaneous fees of both tertiary and senior high school students for SY 2020-2021 and SY 2021-2022.

Tanging Yaman Scholarship Program

Tanging Yaman Foundation, Inc. is a conduit foundation that raises resources in support of organizations that build and nurture local communities, bridging the generosity of countless Filipinos to serve the vital needs of fellow citizens.

Anna Raiza Dela Cruz of STI College Naga graduates Magna Cum Laude with the help of Prestone's Anak ng Mekaniko Scholarship Program

ATI Scholarship social media post

ATI Scholarship Program

Asian Terminals, Inc. (ATI) also actively pursued its role as a good corporate citizen through its sustainable Corporate Social Responsibility programs anchored on health, education and environment. In partnership with STI, ATI supports deserving dependents of employees under ATI's Scholarship Program.

Anak ng Mekaniko Scholarship Program

In celebration of the 90th Anniversary of its brand, Prestone, Clorox International Phils. aimed to give back to its loyal clients by providing quality education through its "Anak ng Mekaniko Scholarship Program."

SYSTEM-WIDE DEVELOPMENT

The educational entities in the Group endeavor to transform lives through education, empower the students to reach their full potential, provide opportunities for social inclusion, and look forward to a society where individuals can use their abilities, experience, and talents to make a positive difference.

QUALITY AND AFFORDABLE EDUCATION

The Group firmly believes that education is the best investment that a student can make for his or her future and therefore remains committed to providing quality and affordable education to its students, so that they can be competitive in the global economy. The Group has delivered the following contributions for SY 2021-2022:

82,629
students*

20,727
graduates*

**across the network*

The Group offers tuition installment plans to facilitate a more affordable payment scheme. Also, to ensure that more Filipino youth have access to quality education, the Group provides scholarship grants to academically deserving students, siblings of existing students, dependents of employees and/or alumni, and varsity players, among others. The Group likewise accepts students with Tertiary Education Subsidy (TES), CHED-Tulong Dunong financial assistance, and Senior High School DepEd Vouchers. These scholarship grants and subsidies assist students in financing their educational journey. Also, to further support its students in these challenging times, the Group partnered with other institutions and provided rebates and discounts to students for SY 2021-2022.

GRI 102-48

14,600+
Number of students with scholarship/ financial assistance

20,400+
DepEd Vouchers

5,600+
CHED Scholarship Grants

Student Retention and Migration Rates

The commitment to provide quality and affordable education complements STI's Mission of delivering superior learning systems and its Vision of producing graduates that are competent and responsible members of society.

The Group monitors the Retention Rate* and Migration Rate** in each subsidiary. Retention Rates are at 99% and above while Migration Rates are at 92% and above for SY 2021-2022.

** Retention Rate refers to the percentage of students that are able to complete the semester*
*** Migration Rate refers to the percentage of students that continue from the previous semester*

GRI 102-12

CURRICULUM DEVELOPMENT AND IMPLEMENTATION

By constantly adapting to industry changes and trends, the Group stays true to its commitment of providing students with real-life education by strengthening its curriculum and equipping the students with the right knowledge and training. The Group conducts regular market studies and frequent discussions with industry partners so that its programs are constantly reviewed and updated to meet government regulatory requirements.

To further streamline its program curricula, STI ESG adopts a centralized courseware development process and ensures the standard delivery of courses across its network of campuses. The standardized curriculum and courseware materials lead to economies of scale for schools within the STI ESG network, including STI WNU, as a single course could reach thousands of students.

STI ESG continued to update the courseware materials for online modality in SY 2021-2022. These online courseware materials are still aligned with the outcome-based education (OBE), together with the assessment tools, rubric, and performance tasks. The Group also maintains its strong relationship with the leaders in different industries and global brands like Huawei, SAP, Junior Achievement Philippines, Gatessoft, Amadeus, Rajah Travel Corporation, Linux Professional Institute, Python Institute, Dolby Atmos, Avid, Alibaba Business School, and other companies. These industry partners share the Group's vision of infusing learning content and in-demand trends and technology from the industry, and blending such with the online classes, training programs, workshops, seminars for students and faculty members, and online on-the-job trainings of students nationwide.

In August 2021, iACADEMY launched DRIVE or Design for Remote, Individualized, and Versatile Education, its pioneering homeschool program, to allow flexible learning arrangements for SHS students with unique learning preferences and enable academic continuity through self-paced, independent distance learning.

While completely asynchronous, the program offers a maximum of 30 hours of consultation per subject and per academic year to ensure students are guided accordingly and learning outcomes are met. DRIVE Homeschool Program also makes use of interactive platforms like Gathertown and gamified classes to allow students to experience a virtual school despite being at home.

The establishment, operation, administration, and management of schools within the Group are subject to the existing laws, rules, and regulations, policies, and standards of appropriate regulatory bodies – DepEd, TESDA, and CHED.

STI ESG Programs

Basic Education
- Junior High School (Grades 7 to 10)*

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics
- General Academic Strand

Technical-Vocational-Livelihood Track
- ICT Strand with specializations in:
  - Computer Programming
  - Animation
  - Illustration
  - Computer Systems Servicing
- Home Economics Strand with specializations in:
  - Commercial Cooking
  - Cookery
  - Bartending
  - Food and Beverage Services
  - Bread and Pastry Production
  - Local Guiding Services
  - Travel Services
  - Tourism Promotions Services
  - Front Office Services
- Industrial Arts Strand with specialization in:
  - Electronic Products Assembly and Servicing

Tertiary
- BS in Information Systems
- BS in Computer Science
- BS in Information Technology
- BS in Accountancy
- BS in Management Accounting
- BS in Accounting Information System
- BS in Business Administration major in Operations Management
- BS in Retail Technology and Consumer Science
- BS in Hospitality Management
- BS in Culinary Management
- BS in Tourism Management
- BS in Computer Engineering
- BA in Communication
- Bachelor of Multimedia Arts
- BS in Marine Engineering**
- BS in Marine Transportation**
- BS in Naval Architecture and Marine Engineering**
- Master in Information Technology
- 3-year Hotel and Restaurant Administration
- 2-year Information Technology Program
- 2-year Associate in Computer Technology
- 2-year Hospitality and Restaurant Services
- 2-year Tourism and Events Management
- 2-year Associate in Retail Technology

**Junior High School is available only at STI College Balagtas and NAMEI Polytechnic Institute of Mandaluyong, Inc.*
***These maritime programs are offered only to students of NAMEI Polytechnic College, Inc.*

STI WNU Programs

Basic Education
- Pre-Elementary (Nursery, Kinder 1 and Kinder 2)
- Elementary (Grades 1 to 6)
- Junior High School (Grades 7 to 10)

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics

Technical-Vocational-Livelihood Track
- Maritime Specialization Strand
- ICT Strand
- Home Economics Strand

Tertiary
- BS in Hospitality Management
- BS in Tourism Management
- BS in Criminology
- BS in Information Technology
- BS in Computer Science
- BS in Accountancy
- BS in Business Administration major in Marketing Management
- BS in Business Administration major in Financial Management
- BS in Management Accounting
- BS in Retail Technology and Consumer Science
- Bachelor of Early Childhood Education
- Bachelor of Physical Education
- Bachelor of Secondary Education major in English, Filipino and Values Education
- Bachelor of Elementary Education
- BS in Psychology
- BS in Mathematics
- BA in Communication
- BA in English Language
- Teacher Certificate Program
- BS in Electrical Engineering
- BS in Civil Engineering
- BS in Mechanical Engineering

School of Graduate Studies (SGS)
- Doctor of Philosophy in Educational Management
- Doctor in Public Administration
- Master of Arts in Education
- Master in Business Administration
- Master in Public Administration

iACADEMY Programs

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics (Robotics)

Technical-Vocational-Livelihood Track
- ICT Strand with specializations in:
  - Computer Programming (Software Development)
  - Animation
  - Mobile App Development
  - Graphic Illustration
- Home Economics Strand with specialization in:
  - Fashion Design

Arts and Design Track
- Media and Visual Arts (Multimedia Arts)
- Music (Audio Production)

Senior High School (Homeschool Program)
Academic Track
- Accountancy, Business and Management

Technical-Vocational Track
- ICT Strand with specializations in:
  - Computer Programming (Software Development)
  - Animation

Arts and Design Track
- Multimedia Arts

Tertiary
School of Computing
- BS in Computer Science (Software Engineering)
- BS in Computer Science (Cloud Computing)
- BS in Computer Science (Data Science)
- BS in Entertainment and Multimedia Computing (Game Development)
- BS in Information Technology (Web Development)

School of Business and Liberal Arts
- BS in Business Administration major in Marketing Management
- BS in Business Administration major in Financial Management
- BS in Real Estate Management
- BA in Psychology
- BS in Accountancy

School of Design
- BS in Animation
- BA in Multimedia Arts and Design
- BA in Fashion Design and Technology
- BA in Film and Visual Effects
- BA in Music Production and Sound Design

Accreditations

STI ESG's Learning Delivery System (LDS) was awarded by the ISO certifying body TÜV Rheinland Philippines, Inc. with the ISO 9001:2008 certification on February 5, 2015 and the ISO 9001:2015 certification on February 5, 2018. STI ESG was recertified on February 5, 2022 and was lauded by the ISO certifying body TÜV Rheinland Philippines, Inc. for the enhancements in developing engaging instructional learning materials for the students, for using the data visualization app Tableau in analyzing the Senior High School Assessment Monitoring Report 2021-2022, and for the job matching and analysis to determine job fitness.

The LDS covers courseware development, faculty training and certification, student development program, and job placement assistance. The ISO certification ensures that STI ESG's LDS is relevant, responsive, and learner-centered with a strong focus on continual improvement and quality assurance.

STI WNU has accredited programs duly certified by various accrediting agencies. The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) ensures that the University's academic programs continuously adhere to its objectives and maintain academic excellence. The University reached a remarkable milestone when it achieved the highest level of accreditation – Level IV – for the following programs in January 2022: Bachelor in Elementary Education, Bachelor in Secondary Education, Liberal Arts and Bachelor of Science in Business Administration.

Meanwhile, before the close of SY 2021-2022, the College of Information and Communications Technology and College of Hospitality and Tourism Management were also awarded with Level I and Candidate Accreditation status, respectively.

Additionally, the Computer Science program of iACADEMY was granted Level I Formal Accredited Status for the period July 2021 to July 2024 by the PACUCOA on July 3, 2022.

STUDENT AFFAIRS AND SERVICES

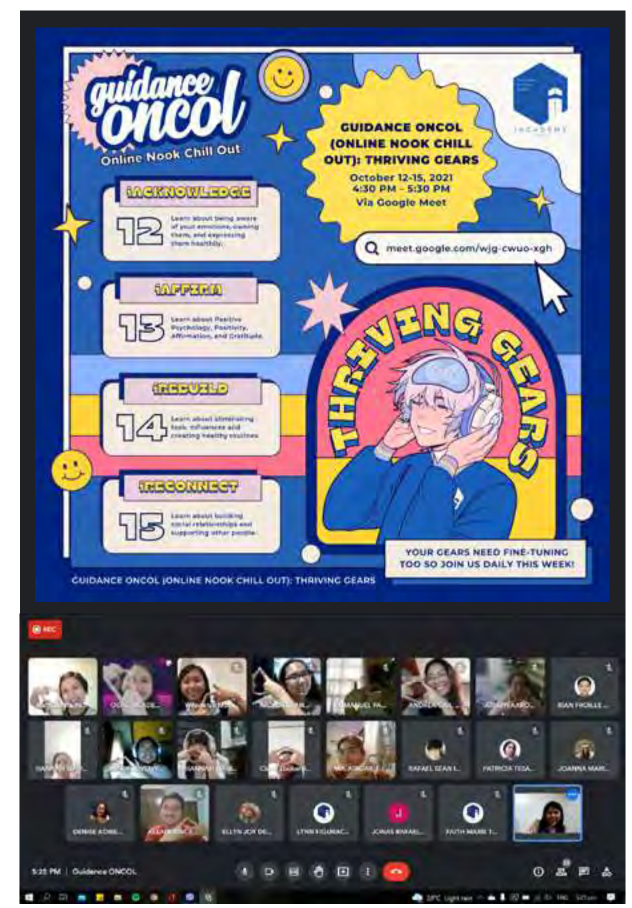
The Group believes that students should be empowered to realize their educational goals and potentials through holistic development experiences in the school. Students will have an enriched learning experience as they interact with other students outside the classroom setting, receive counseling on mental health and career pathing, and get involved with various advocacies.

Due to government restrictions brought by the pandemic, on-campus activities with large gatherings were strictly prohibited during SY 2021-2022. Student-related activities were then implemented online, mostly on social media platforms.

STUDENT SERVICES

Guidance and Counseling Services

The Guidance and Counseling Office of STI ESG and the Guidance Services Center of STI WNU assist the students in making the best out of their school life. Through these offices, online individual and group counseling services were extended during SY 2021-2022 to help students deal with various personal, emotional, career and school-related concerns, especially those related to their mental health and struggles in adjusting to online learning. Students may reach out to their Guidance Counselor through MS Teams, Outlook, eLMS, Facebook Messenger, or phone. They may also be referred by their professors, peers, school physician, or even their parents.



iACADEMY's Guidance ONCOL (Online Nook Chill Out Link)

Guidance and DigiPeer ONCOL

iACADEMY's Guidance ONCOL (Online Nook Chill Out Link), initiated by the Guidance and Counseling Office, is an online activity link that students can access during their midterms and finals week. The DigiPeer ONCOL is led by students trained by Guidance Counselors. Guidance Counselors, together with the DigiPeer Facilitators, help students ease the tension brought by the examination week by facilitating relaxing activities during the ONCOL sessions.

Telehealth Consultation

iACADEMY made its clinic available to all of its students and employees for non-emergency consultations. These consultations are conducted over Google Meet so that a visual assessment can be performed. The sessions are not recorded but notes are kept as part of a student's medical record.

Job Placement Assistance Services

STI ESG's Job Placement Assistance Services group and STI WNU's Job Placement Office conduct employment preparation activities and present employment opportunities to graduating students and alumni. STI ESG successfully conducted six virtual career fairs, namely: Harnessing the Power of Opportunities for Holistic Growth/Data Analytics with Accenture on May 12, 2022; IT Management Trainee Program Qualifying Test with Metrobank on May 25, 2022; Serverless Framework and Agile Methodology with Digiteer on June 3, 2022; Developing Communication Skills with VXI on June 9, 2022; Anatomy of a Digital Talent: Upskilling with UBP Xcellerator with Unionbank on June 15, 2022; and Advice on Tech Tracks and Creating a Tech CV that Stands Out/Recruitday on Metaverse with Recruitday on June 23, 2022. These virtual career fairs were held exclusively for STI ESG and STI WNU and also served as online recruitment activities that were attended by almost 2,700 students across the STI ESG and STI WNU network.

STI ESG and STI WNU also held the annual National Job Placement Month (NJPM) 2.0, a redesigned placement program that consists of online employment preparation seminar and virtual recruitment activities through the eLMS,

from April to June 2022. The program aims to prepare the graduating students on how the "new normal" has changed the employment landscape and, at the same time, provide tips on entrepreneurship opportunities. For SY 2021-2022, 7,385 graduating students joined the online seminars and 400 employers participated in the virtual recruitment.

Career Planning Program (CPP)

CPP is a six-stage program comprised of a series of activities intended to help STI ESG's Senior High School students explore and evaluate a variety of career options and guide them in making a well-informed educational and career decision. The one-on-one career planning consultation continued to be conducted online via MS Teams in SY 2021-2022.

Student Governments and Organizations

The educational entities of the Group provide the students with opportunities to organize themselves and experience relevant activities through student organizations. The student councils aim to provide a fun environment conducive to student development while governed by the rules set forth by the School Administration.

Student Personal Accident Insurance

One of the top concerns of the Group is the safety and well-being of its students. Despite the absence of face-to-face classes and on-campus activities, STI ESG and STI WNU continued to provide student insurance coverage to its students to ensure their welfare amidst the global health crisis.

Student Handbook Development

The Student Handbook Development Committee is tasked to create a mechanism that will continually develop and update the handbook for student use. It aims to make the handbook available in accessible formats (such as but not limited to electronic and print media) for dissemination, information, and guidance of students and stakeholders.

Survey on Students Problems and Needs

From January 4 to 7, 2022, SHS and tertiary students of STI WNU participated in a "Survey on Students Problems and Needs." This served as a tool to reach out to students and help them attain their goals. The results of the survey will be utilized in planning, designing and improving the programs on addressing the students' problems and training needs.

Psychological Support Talk and Administration of OLSAT, GAD-7, PHQ-9, BDI & Stress Questionnaire among Club Presidents & Student Leaders

The Psychological Support Talk and Administration of OLSAT, GAD-7, PHQ-9, BDI & Stress Questionnaire among Club Presidents & Student Leaders of STI WNU was conducted on June 2, 2022. The activity aimed to provide the students with basic knowledge about mental health and awareness of the importance of seeking psychological help from their counselor, introduce them to the services offered by the Guidance Services Center and equip them with basic skills in providing psychosocial support to their peers.

Career Interest Survey

The Career Interest Survey was conducted among junior high school, senior high school and first year college students of STI WNU from February 21 to 25, 2022. The survey aimed to evaluate the students' personal attributes such as expertise, interests, motivations, and personality traits and eventually help them find a suitable career. The Career Interest Survey will serve as one of the bases for the career guidance interventions that will be given to the students.

STUDENT CO-CURRICULAR ACTIVITIES

Virtual College Fair and Symposium

In SY 2021-2022, STI ESG launched the College Fair and Symposium that was conducted virtually from January 10 to 22, 2022. The event, consisting of the virtual exhibit and the virtual symposium, served as a suitable platform for the graduating tertiary students from different disciplines to showcase and demonstrate their projects and research outputs.

Alternative On-the-Job (OJT) Training

In SY 2021-2022, STI ESG introduced the alternative OJT program to chosen students in the network. Select BS in Business Administration students underwent the Introduction to Data Visualization and Storytelling where they were taught to think like data scientists, build program-solving skills, and discover how to look at new data in new ways to deliver business insights and make intelligent data-driven decisions. At the end of the program, the students should be able to analyze the relationship of data science, digital marketing, and data storytelling. Moreover, as the final requirement, they will develop a comprehensive infographic using analytics and storytelling in a sales and marketing context.

Meanwhile, ICT and Computer Engineering students completed online courses and attended webinars from Huawei where they learned about cloud service and internet of things (IoT). The students were also given free Huawei certification exam vouchers wherein 269 students have been certified.

STI students with their Huawei certificates

SOAR 2021: Command + N "Command your Future NOW!" (SHS SOAR 2021; SHS SOAR DRIVE 2021) (College SOAR 2021)

The annual Student Orientation and Registration (SOAR) for incoming Grade 11 and Freshmen College students of iACADEMY was conducted on a virtual platform. The event is composed of an Academic and Student Life and Services orientation followed by games and activities for each team

using the platform Google Meet. The SHS SOAR and College SOAR were conducted on July 23, 2021 and in August 2021, respectively. Lastly, an online concert that served as a ceremonial welcome party for the new Game Changers was held on August 28, 2021 and was streamed live via the iACADEMY FB page. Among the invited student performers were CTRL, Rhythm, Octave, the bands from the Audio Production and main band guests, Plus 2, Any Name's Okay and She's Only Sixteen.

iACADEMY Org Drive 2021: Aeternus

This event, held from September 20 to 24, 2021, was composed of online activities intended to help students get acquainted with the school's accredited student organizations. It also served as a venue for member recruitment and possible networking for future activities, workshops and events.

Discover Game Changers, HEROES Unleashed iACADEMY Foundation

As iACADEMY celebrated its 20th Foundation Anniversary from January 31 to February 12, 2022, the school honored members of the faculty, non-teaching staff, partners, alumni, parents and students. Through the collaboration between the academics team and various student organizations, different activities were organized to promote school spirit, showcase students' talents and strengthen the spirit of family in school.

KASADYAHAN

Kasadyahan, an annual showcase of "Sinadya," is held at the end of every school year to celebrate the students' hard work. In SY 2021-2022, the Kasadyahan was held from February to June 2022 with its goal of providing a holistic approach to student development. With CHED's approval of gradual resumption of face-to-face activities, a combined online and, at the latter part of the school year, skill-based face-to-face sports competition including dribbling and 3-point shot events was held by STI WNU .

SUPPORT WEBINARS

Student Webinars

In SY 2021-2022, STI ESG's student webinar series kicked off with the "Guide to Responsible Netizenship" held on August 26, 2021. The webinar featured Coach Lyqa Maravilla, a YouTube EduCreator, who guided the students on how to deal with fake news, toxic arguments (along with toxic positivity), and cancel culture.

Student Webinar: Guide to Responsible Netizenship

8,000	84,000	98,000
engagement*	visibility*	impressions*

*approximately

To help the students cope with overwhelming situations, STI ESG invited licensed mental health professional Dr. Francine Rosa Bofill to share her expertise through the "Stress Tolerance and Management" webinar, which was held on October 8, 2021.

The third webinar in the series, "Entrepreneurial Mindset," was held on November 10, 2021. Jason dela Rosa, entrepreneur, author, and founder of Bounce Back Network, was invited to share his practical wisdom and guide the students in developing a future-proof entrepreneurial mindset.

As more and more students get into online gaming, STI ESG invited esports experts — BrenPro's COO Jab Escutin and The Nationals Commissioner Ren Vitug — to share their insights on "Responsible Gaming" on January 21, 2022.

STI ESG also partnered with Bayan Mo, iPatrol Mo (BMPM) to deliver a series of webinars about voters' education, citizen journalism, election reporting, and fact-checking. Throughout the four-part webinar series, the students listened to meaningful discussions from the BMPM Head, Rowena Paraan; BMPM Campaign and Training Officer, Dabet Panelo; Project Director of Legal Network for Truthful Elections (LENTE), Brizza Rosales; Networking and Advisory Officer of LENTE, Antonette Eduardo; ABS-CBN News Reporter, Jervis Manahan; and Star Magic Election Ambassador, Aya Fernandez.

Mental Health Webinars

In celebration of the Mental Health Month every October, STI WNU's Guidance Services Center conducted a series of webinars for the students and teachers. A webinar entitled "COVID-19 and the Impact on Youth Mental Health" was conducted on October 21 and 22, 2021 among the University's SHS and college students. This webinar aimed to promote awareness on mental health issues and explored the methods that could help ensure the mental health of our students.

On December 9 and 10, 2021, a series of webinars namely "Students and Anxiety" and "Teachers and Anxiety" was presented to the faculty of STI WNU. This webinar aimed to raise awareness and provide access and support to students.

Wellness Webinars

iACADEMY's Office of the Student Affairs conducted Wellness Webinars that were designed to meet the different needs of the students and employees concerning their mental health and the many different ways to cope with stress. Most webinars are programs developed by the guidance counselors while in some, subject matter experts are invited as guest speakers.

DE-Talks: Online talk show about anxiety and school-life management

STUDENT-LED ACTIVITIES

M.U.L.A.T. (Move to Understand, Lead, Act and Trailblaze)

As iACADEMY transitioned to online learning, the Central Student Organization's Commission of Elections organized different activities to promote student leadership and also scout for potential leaders of the student body. These series of activities aimed to instill the values, skills and qualities of being a leader. The activities that were held from August to September 2021 included a Leadership Webinar, a campaign to scout for candidates, screening and orientation of the candidates, Miting de Avance, Election Day and Oath Taking.

M.U.L.A.T. (Move to Understand, Lead, Act and Trailblaze)

iCON Roundtable Talk

The Central Student Organization (CSO) and the Filmmakers Society of iACADEMY (FSi) collaborated to produce a recorded online talk show, the iCON Roundtable Talk that featured iACADEMY students (Emman Riñoza and Judith Nara) and alumna (Jeanne Harn) to talk about their game-changing moments in iACADEMY, practicing the school's Core Values, advocacies and many more. They were asked to give advice to their fellow iACADEMY students. The show was streamed via the CSO's FB page on February 9, 2022.

Battle League

Battle League was a two-week long Valorant competition among iACADEMY students that was held from February 1 to 11, 2022. Sixteen groups of five competed until the last two remaining teams vied for the championship. The event was streamed over iACADEMY's Twitch account.

Anime Habu Cosplay Challenge

Anime Habu organized a contest for iACADEMY SHS students wherein they were asked to Costume Play (Cosplay) various anime characters and present on February 4, 2022 at the Habu official Facebook page. This activity promoted the creativity and inventiveness of the SHS Game Changers.

PRIMA Blue Challenge

The College Fashion Design Organization of iACADEMY held its most-awaited annual design competition with the theme of the Y2K nostalgia on February 7, 2022. This activity aims to unleash the talents and creativity of the Fashion Design students, and promote the fashion department of iACADEMY. With the help of FSi, the contestants created a short video documentary to showcase the design pieces and share a brief commentary.

STUDENT ACHIEVEMENTS AND RECOGNITIONS

31st Southeast Asian Games

STI College Ortigas-Cainta student David Emmanuel "yjyyyyyyyyyy" Tapang was one of the five League of Legends (LoL) PC players who brought home the silver medal for the Philippines from the 31st Southeast Asian Games in Hanoi, Vietnam. Tapang, a Grade 11 Accounting, Business, and Management (ABM) student, and his West Point Esports squad represented the country under the moniker "Sibol" and placed second in the final round of the LoL PC event on May 22, 2022.

Huawei ICT Academy

After high-placing performances in the Philippine and Asia-Pacific (APAC) round, Mharjon Abante (from STI College Ortigas-Cainta), Roy Molod, Jr. (from STI College Santa Rosa), and Renante Burgos, Jr. (from STI College Vigan) won second place in the Network Track of the global Huawei ICT competition held from June 17 to 18, 2022.

Under the guidance of STI ESG's IT Courseware Development Head Beronika Peña, the trio became the first Filipinos to achieve such a remarkable feat since the competition first

commenced in 2015. During the national round held in September 2021, the three students achieved their first victory after emerging on top of fellow local schools in the Network Track. The win handed the trio tickets to the regional round six months later where they continued to display their prowess, finishing third among the 21 Asia Pacific (APAC) candidates on the same track.

Local Competitions

STI College Vigan student Ernest Carlo Guiuntab earned second place at the United Nations (UN) Philippines' short film competition *CineSilip: Mga Kwento ng Pag-Asa sa Gitna ng Pandemya*. The winners were announced during the UN Day celebration on October 25, 2021. Guiuntab's video entry, *Jared: Ang Batang Sabik sa Signal*, portrayed the determination of young learners to continue their education in places with poor internet connection.

Four STI College Pasay-EDSA students made history as the first STIers to top the Junior Achievement (JA) Philippines' Business Skills Pass (BSP) Business Plan competition 2021-2022. Grade 11 ABM students Eliona Loureyn Hernandez, Michelle Ann Pogoso, Jade Anne Panaligan, and Jenyll Sofia Quintal capped a huge milestone in the Be Entrepreneurial program as part of STI's partnership with JA Philippines.

The four students' innovative product "Isonitize," an indigenous-themed cellular phone case built with an alcohol container at the back, bested entries from other schools nationwide. Hygieia Co., the group's mini-company, was selected to represent STI along with 20 mini-companies from STI campuses in Calamba, Caloocan, Cubao, Las Piñas, Muñoz-Edsa, Novaliches, Ortigas-Cainta, San Jose Del Monte, Sta. Mesa, and STI West Negros University.

STI College Muñoz-EDSA's BS in Computer Engineering students took home the 2nd runner-up spot in the Institute of Computer Engineers of the Philippines (ICpEP) – Student Edition – NCR Quiz Bowl Competition. Representing the school were Keepner Bermoy, Sean Mark Rey Teja, Mark Joseph Bosegro, and Angel Dominic Kynnt Calixtro.

International Conferences and Competitions

In August 2021, iACADEMY students Irma De Jesus and Hannah Felix represented iACADEMY as one of the eight delegates from the Philippines at the Asia Student Leadership Conference 2021 hosted by Smile Asia Organization in Singapore.

In November 2021, Sofia Santillan, one of the students of iACADEMY DRIVE under the Software Development strand, competed in the ASEAN-Australia Strategic Youth Leadership as a young leader to collaborate with peers and other students across ASEAN-Australia countries and develop new ideas that promote equitable economic growth through education.

On April 26, 2022, iACADEMY SHS Software Development student Arla Jan Patrick Sagun bagged the gold award in the Hongkong International Computing Olympiad (HKICO) Heat Round 2022.

In May 2022, iACADEMY BS in Information Technology with Specialization in Web Development student Lance Ocampo was selected as part of the Philippine National Football Team (Azkals) to represent the country at the Southeast Asian Games (SEA Games).

Also in May 2022, pioneering members of iACADEMY Vision Creative Unit Alma Ramos, Faith Ann Moreno, and Zoe Samantha Panganiban headlined the news as the only students from Asia and the Philippines to qualify as finalists

in the Negative Space Comic Book Writing Competition along with top design schools such as Savannah College of Arts and Design and Northern Michigan University, USA.

In June 2022, the entry of iACADEMY FSi Student Organization representatives Brijette Ann San Jose, Ernesto De Guzman, and Steffi Andre Allen entitled *Malamig Ang Apoy* was chosen as finalist at the recently concluded #riseASEAN short video contest on countering infodemics.

Board Examination

In April 2022, iACADEMY landed among the top 10 schools with the highest number of passers in the Real Estate Licensure Exam conducted by the Professional Regulation Commission (PRC), producing 30 licensed real estate brokers.

Marketing Management Competition

In November 2021, iACADEMY Marketing Management students Geoffrey Allen T. Tan, Kurt Symoun E. Boquiren, Nina Jean S. Comanda, Jullian Denise H. Febrar, Nicolas Gabriel C. Villapando, and Sean Ethan Sebastian D.G. Valdez landed 2^{nd} place in the competition for the Best Marketing Students of the Year having presented comprehensive and well-thought case studies on marketing during the Agora Marketing Competition - Brilliance Still Shines at the 41^{st} AGORA Youth Awards.

Online Programming Competition

In December 2021, iACADEMY Grade 12 Software Development student Danielle B. Meer, was ranked 1^{st} in Stack League Philippines, the largest online programming competition in the Philippines.

Animation Competitions

In July 2021, experimental short film "Let Our Response Be" by iACADEMY Multimedia Arts and Design student Ruka Azuma was listed as a finalist at the 2021 *Gawad CCP Para Sa Alternatibong Pelikula at Video.*

In February 2022, the film by iACADEMY graduates Max Lubansky and Adelaide Go entitled "Until I Forget" was shortlisted as part of the official selection at Cinema Rehiyon '14, the flagship project of the National Committee on Cinema, National Commission for Culture and the Arts.

In March 2022, Jethro Ian Lacson, an iACADEMY alumnus under the Multimedia Arts program was listed as one of the 25 most promising individuals in the local art scene under the Arts and Design category in Preview PH's Creative 25 list.

ACADEMIC RESEARCH

As the foundation of knowledge, research opens discourse on certain issues or topics currently prevalent in society such as cultural norms, health, education, and technology. This consequently leads to the development of new ideas, methods, or technology.

The following are research papers and creative output from some of the faculty members of the Group as well as students, a number of which was presented either in local or international conferences and seminars during the reporting period:

- "Teachers at Lock-Down: Generalized Anxiety Disorder and Attitude Towards E-Learning amidst COVID-19 Era" – STI College Global City's Assistant Principal Carlo Patricio and faculty member Wilfredo Uriarte, Jr. co-authored and published their online research study in the European Journal of Interactive Multimedia and Education on October 20, 2021. Their research study examines the attitude of teachers toward e-learning as the new learning modality and the possible development of general anxiety disorder among teachers amidst the pandemic.
- "The Effectiveness of Mobile Aided Instruction Application in Teaching Mathematic" – STI College Alabang's Academic Head Ricson Ricardo presented his paper on December 12, 2021 at the 5^{th} Gen TEFL International Hybrid Conference. It was published on December 30, 2021 by the Global Educators Network Inc., an organization affiliated to International Association of TESOL, Union of International Organizations, and Junior Chamber International, among others.
- "Web-based Patient Record Management and Appointment System for CHAMP Pasig Wellness and Renal Center" – STI College Sta. Mesa's Academic Head Richard Santos presented his research study at the Luminary International Conference on February 12, 2022 and the Philippine Council of Deans and Educators in Business (PCDEB) 5^{th} ASEAN Research Conference on March 4, 2022. Santos was also recognized as the Best Research Presenter in both conferences. The research aims to develop an online platform for CHAMP clinic to provide efficient and quality service to its clients.
- "An Online Events Monitoring System for STI College Sta. Mesa" – IT faculty member from STI College Sta. Mesa, Gabby Vargas, presented his research paper at the Luminary International Conference on February 12, 2022 and the Association of Training Institutions for Foreign Trade in Asia and the Pacific 16^{th} Global Business Conference on April 23, 2022. Vargas' research focused on developing an online platform for STI College Sta. Mesa to provide effective and efficient flow of transaction pertaining to events monitoring.
- Four faculty members from STI College Sta. Maria also joined the Luminary International Conference on February 13, 2022 and the 5^{th} ASEAN Research Conference on March 4, 2022: Program Head Alfie Benito presented his research study, "Alumni Website with Academic Credential Request System for STI College Sta. Maria;" Marjon Alarcon discussed his research titled "Development of a Virtual Hub for Online Seller of Sta. Maria, Bulacan with Real-time Customer Monitoring Android-based System;" Jennilyn Silva presented her research paper "A Web-based Appointment and Queuing System for STI College Sta. Maria;" and Reynaldo Merced presented his research study "Online Student Clearance and Pre-advising System for STI College Sta. Maria."

- "Employability of Software Engineering Graduates from 2016 to 2020: A Tracer Study" – iACADEMY faculty members Mitch Andaya, Jay R San Pedro, and Bennett Tanyag presented during the 1st DALTA Research Conference 2021 from August 7 to 8, 2021 and the 4th International Conference on Open and Distance Learning from October 13 to 15, 2021. The study was included in the iCODEL books of abstracts.

- "Progressive Anticipation: A Forecast Methodology in Decision-Making among School Administrators" – This research by iACADEMY faculty member Paolo Antonio Noceda was published in the International Journal of Scientific and Research Publications, Volume XII, Issue IV in April 2022.

- "Examining the Culture of Excellence (CoE) in a Philippine Private Higher Education Institution amidst the Pandemic COVID-19" – iACADEMY faculty members and administrative personnel Mitch Andaya, Hamil Buyco, Danica Cabo, Rheal Dayrit, Jean Duenas, Weena Espardinez, John Bryan Ferraro, Margey Oriel, Jay R San Pedro, and Benjamin Tan completed this research paper in January 2022.

- "COVIDagli" – Art direction was provided by iACADEMY faculty member Ralph Anthony Cacal for this e-book written by Beverly W. Siy and published by Isang Balangay Media Productions in August 2021.

- *Bida ang Pinoy?: Isang Panimulang Pagsasalarawan ng Pinoybaiting sa YouTube* – This research by iACADEMY faculty member Gian Carlo Alcantara was published in the December 2021 issue of Plaridel Journal (A Philippine Journal of Communication, Media, and Society).

- "Challenges in a Remote Virtual Accreditation of a Philippine Private Higher Educational Institution: Perspectives from Delegative Leaders" – iACADEMY faculty member Jay R San Pedro completed this research paper in February 2022.

- "Harmonizing General Education Courses through a Guided Online Autonomous Learning (GOAL) Integrated Output in a Philippine Private Higher Education Institution" – iACADEMY faculty members Abraham Andrew Lumbang and Jay R San Pedro completed this research paper in May 2022.

Faculty members of the STI WNU School of Graduate Studies

- Select faculty members of the STI WNU School of Graduate Studies presented the following research studies during the 9th International Conference of Huachiew Chalermprakiet University in Bangphli District, Samutprakarn, Thailand on July 1, 2022 (via e-conference on Zoom), with the theme "Research to Serve Society" under the Liberal Arts, Humanities and Social Sciences: Jake Lauren S. Mercado presented "School-based Management: School Heads' Commitment, Compliance, and Challenges;" Monijean F. Espeleta and Luisito P. Servinas discussed "The Effects of Group Chat on Learners' English Proficiency;" Cherry Mae B. Praico presented "Teachers' Organizational Commitment and Job Satisfaction in the New Normal;" and Yasmin Pascual-Dormido, MPA discussed "Preference and Utilization of Media Channels as Communication Instruments of Local Public Administrators in Bacolod City, Negros Occidental."

- Several students from the STI WNU School of Graduate Studies likewise presented their research at the aforementioned conference: Bryan Fidel C. Tirol, PhD1 presented "The Effects of Inquiry-based Approach on Pupils' Performance and Motivation in Science;" Danilo V. Sumbi Jr. discussed his work entitled "Teachers' Awareness and Effectiveness in Values Integration Program in a High School in Silay City, Negros Occidental;" and Dr. Lyka Kymm Garcia presented "Implementation of the Infection Control Program in CoViD-19 Management in a District Hospital in Negros Occidental."

- "Foreign Language Anxiety Among Korean Students at Keimyung College University in Daegu, South Korea" – This research work by STI WNU faculty members Zherry Antoinette P. Jacela, MAEd, Dr. Rey T. Eslabon and Dr. Randolf Asistido, LPT of the College of Education and School of Graduate Studies was published in Kalamboan Journal 2021 (Volume 1, October 2021, Page 72).

- "Job Resiliency, Work-Life Balance, and Work Values of the Employees in a Catholic College" – This research by Geff B. Sagala of the College of Liberal Arts and Sciences of STI WNU was published in the Philippine Social Science Journal (Volume 5, No. 2, Page 19) in June 2022.

- "Research Exposure and Competence of Senior High School Teachers in Relation to Learners' Performance" – This work by Dr. Dioscoro Marañon of the College of Engineering of STI WNU was published in Kalamboan Journal 2021 (Volume 1, October 2021, Page 115).

- "Solar-Powered Automatic Watering System" – This research by Dr. Erlyn Mae Getino-Desamparado, ECE, Dean of the College of Engineering of STI WNU, was published in Kalamboan Journal 2021 (Volume 1, October 2021, Page 133).

- "Perceived Self-Efficacy, Workplace, Well-being, and Workforce Engagement of School Department Heads" – This research by May Bautista and Reyan Balleso of STI WNU's School of Graduate Studies was published in Global Scientific Journals (Volume 10, Issue 6, Page 811) in June 2022.

- "Academic Expectancy Stress and Mental Toughness of Senior High School Students in a Catholic School" – This research work by Carmelo Renault B. Matutino of the College of Liberal Arts and Sciences of STI WNU was published in the Philippine Social Science Journal (Page 141) in June 2022.

- "Influencing Variables and Implications in the Teacher-Student Relationships" – This research by Dr. Randolf Asistido, LPT and Dr. Mary Jonie Villanueva of STI WNU was published in the European Journal of Educational Research (Page 1,317) in July 2021.

- "Imperatives evident in the EVP's special message during the General Assembly and Alumni Homecoming of 2018" – This research by Dr. Randolf L. Asistido, LPT and Dr. Wilfredo O. Hermosura of STI WNU was published in Kalamboan (Page 58) in October 2021.

- "Academic and on the job training performance of Business Administration students of STI West Negros University" – This work by Dr. Mima M. Villanueva, Edna Maricon Arca, MBA and Dr. Salvador S. Sigaya Jr. of the College of Business Management and Accountancy of STI WNU was published in Kalamboan (Page 103) in October 2021.

INCLUSIVE EDUCATION

The Group values diversity and inclusion and firmly believes that having a diverse and inclusive community will help its students become socially responsible individuals. The differences in age, religion, ethnicity, sexual orientation, physical ability, and background will promote creativity, improve collaborations, and help the students thrive in an exponentially diverse environment.

Moreover, the Group recognizes the importance of a gender-responsive education and society. In support of the CHED Memorandum Order 01 series of 2015 or "Establishing the Policies and Guidelines on Gender and Development in the Commission on Higher Education and Higher Education Institutes (HEIs)," the Group practices gender sensitivity in the academe by educating and informing various sectors of society on the need to recognize and respect the rights of individuals, regardless of gender.

STI ESG also promotes gender awareness by appointing the Guidance Counselors and Guidance Associates as the Gender and Development focal persons in each school to pursue and implement programs, projects, and activities that will contribute to the achievement of women empowerment and gender equality.

Meanwhile, the school facilities of the Group are provided with access for persons with disabilities (PWD) and learners with special needs. Ramps and railings, elevators, and PWD restrooms are available in various campuses.

ENROLLMENT

As the world started to shift to a new normal amidst the pandemic, Group-wide enrollment increased to 82,629 students in SY 2021-2022 from the registered enrollment of 70,223 students in SY 2020-2021.

The 18% improvement was bolstered by the robust increase of 40% in enrollment in CHED-regulated programs in the same period.

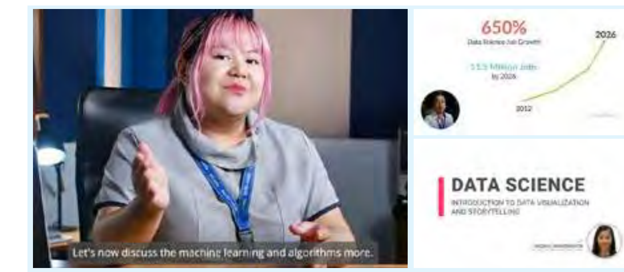
LEARNING INNOVATION

Learning Models

STI ESG and STI WNU introduced the ONline and ONsite Education at STI (ONE STI) Learning Model while iACADEMY introduced the Guided Online Autonomous Learning (GOAL) in SY 2020-2021 as these institutions transitioned to full online learning. These models, which continue to be implemented in SY 2021-2022, use 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 this setup, all activities or modules are delivered 100% online through eLearning Management System (eLMS), Google Meet, and/or Microsoft Teams.

Point-of-Sale (POS) Web Application Simulator

Airline Cabin Simulator



The Group employs eLMS, a world-class and award-winning learning management system used by schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others.

The schools in the network have been implementing a blended learning model for the past seven years, which has allowed the students to continue their studies at home uninterrupted despite physical classroom disruptions.

In SY 2021-2022, STI ESG also introduced various applications to make learning more interesting and experiential for the students: Point-of-Sale (POS) Web Application Simulator, a complete and functioning web-based POS application designed to teach key retail store operations wherein the student outputs are stored in a database and can be easily accessed and reviewed by their teachers; On-demand videos in which the handouts were converted into video materials and were designed for self-paced learning for students taking up the Data Storytelling and Visualization course; and Airline Cabin Simulator, a web-based virtual reality (VR) application, which is run on both desktop and mobile devices, that allowed the Tourism Management students to explore the cabin of a Boeing 777.

Moreover, STI ESG and STI WNU provided internet connectivity assistance to the students through a monthly data plan of up to 34GB to help them get connected to their online classes.


Eusebio H. Tanco
Chairman of the Board


Monico V. Jacob
President and Chief Executive Officer


Joseph Augustin L. Tanco
Vice President, Investor Relations


Maria Vanessa Rose L. Tanco
Director

ECONOMIC VALUE AND GOVERNANCE

The Group aims to maximize the organization's long-term success and create sustainable value for its stockholders, other stakeholders, and the nation. The Group adheres to the principles and practices of good corporate governance and conducts its business in accordance with the highest level of accountability, transparency, and integrity.


Paolo Martin O. Bautista
Vice President and
Chief Investment and Risk Officer


Jesli A. Lapus
Independent Director


Ma. Leonora V. De Jesus
Independent Director


Martin K. Tanco
Director


Robert G. Vergara
Independent Director


Raymond N. Alimurung
Independent Director


Atty. Arsenio C. Cabrera, Jr.
Corporate Secretary and
Corporate Information Officer


Yolanda M. Bautista
Treasurer and Chief Finance Officer

GRI 102-7, 102-45, 201-1

ECONOMIC PERFORMANCE

The economic impact of the Group goes beyond its financial performance. Its network of schools has produced great talents and contributed to the supply of human capital, not just across the country but also to the global industry. The Group's impact on employment, both direct and indirect, contributed to the country's economic growth and development.

Of the economic value distributed for SY 2021-2022, a significant portion was composed of employee wages and benefits and operating costs covering payments to local suppliers.

PhP2,879.31M
*Economic value generated

PhP2,558.73M
*Economic value distributed

PhP320.58M
*Economic value retained

PhP1,299.85M
*Operating costs

PhP677.21M
*Employee wages and benefits

PhP98.94M
*Payments to suppliers, other operating costs

PhP43.81M
*Taxes given to government

PhP409.01M
*Dividends given to stockholders and interest payments to loan providers

The ongoing COVID-19 pandemic has affected not only the Group but also the global economy. Similarly, the economic uncertainty and the adverse impact of the community quarantine have affected the education sector. Despite this, economic performance improved in SY 2021-2022 brought about by the notable increase in the number of enrollees and improvement in the enrollment mix of the Group. The economic performance disclosures cover STI Holdings and its subsidiaries.

Detailed information about the Group's financial performance, including its operations, net sales, total capitalization, quantity of products and services provided, and entities included in the consolidated financial statements can be found in its Annual Report (SEC Form 17-A), which is available on the website **www.stiholdings.com.**

GRI 102-9

SUPPLY CHAIN

The Group adopts a policy that aims to provide standards and guidelines in ensuring that its supply chain transactions will result in the best value for money in the acquisition of goods and services and to promote openness, transparency, fairness, and equity to all suppliers.

The entities within the Group follow an accreditation program for its contractors and suppliers to ensure that their vendors are capable of delivering goods and/or services with technical, commercial, and financial capability, adequate equipment and facilities, good service performance, or any measure that will safeguard quality and reliability. Some suppliers are sourced within the locality, province, or region where the school is located.

The Group has cut down on its spending and deferred certain projects as part of the cost control measures that it has implemented in response to the impact of the COVID-19 pandemic.

July 1, 2021 to June 30, 2022

96.6%
of purchases paid to local suppliers

GRI 102-11, 102-18

GOVERNANCE

Corporate Governance

The Board of Directors (BOD) and Management of STI Holdings believe that corporate governance is a necessary component of what constitutes sound strategic business management and therefore undertake every effort necessary to create awareness within the organization.

The current BOD is composed of the Chairman, the President and Chief Executive Officer, the Vice President for Investor Relations, the Vice President and Chief Investment and Risk Officer, and six other Board members which include four independent directors. The current Executive Committee appointed by the BOD consists of the Chairman, the President and Chief Executive Officer, the Treasurer, and one Board member.

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of all documents, records and information essential to the conduct of his/her duties and responsibilities to the Parent Company as set out in the By-Laws.

The Parent Company exerts all efforts to further strengthen compliance to principles and practices of good corporate governance through the organization of corporate governance seminars and use of various assessment tools.

Risk Management

The Group adopts what it considers as conservative financial and operational controls and policies to manage its business risks. The Group regularly conducts market studies and analyzes trends and uncertainties to determine the needs of the industry and the market. The Group likewise maintains business strategies and plans to sustain growth and competitive advantage.

Ethics and Transparency

To further strengthen and integrate sustainability into the DNA of the business, STI Holdings and all its subsidiaries remain committed to ensuring that all employees conduct business in a responsible and ethical manner. The Code of Discipline and Ethics was developed to promulgate the Group's integrity as a reputable and honest organization, establishing and maintaining the trust and confidence of the employees, board of directors, and all stakeholders as they adhere to the highest moral and ethical standards while still directly or indirectly associated with the organization.

The Group's Code of Discipline and Ethics seeks to ensure transparency and fairness in all dealings with stakeholders and the public by establishing policies and due process regarding whistle-blowing, conflict of interest, insider trading policy, and related party transactions.

GOVERNANCE STRUCTURE AS OF JUNE 30, 2022

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Eusebio H. Tanco
Chairman of the Board

Monico V. Jacob
President and Chief Executive Officer

Joseph Augustin L. Tanco
Vice President, Investor Relations

Paolo Martin O. Bautista
Vice President and Chief Investment and Risk Officer

Maria Vanessa Rose L. Tanco
Director

Martin K. Tanco
Director

Jesli A. Lapus
Independent Director

Robert G. Vergara
Independent Director

Ma. Leonora V. De Jesus
Independent Director

Raymond N. Alimurung
Independent Director

Atty. Arsenio C. Cabrera, Jr.
Corporate Secretary and Corporate Information Officer

Yolanda M. Bautista
Treasurer and Chief Finance Officer

The Board of Directors has the highest mandate in governance matters and in the management of the business of the Parent Company. It is the responsibility of the Board to foster the success of the Parent Company and secure its sustained competitiveness in a manner consistent with its fiduciary duty, and to promote and adhere to the principles and best practices of Corporate Governance.

EXECUTIVE COMMITTEE

Eusebio H. Tanco, *Chairman*; Monico V. Jacob; Yolanda M. Bautista; Martin K. Tanco

The Executive Committee has and may exercise all the powers which may be lawfully delegated, subject to such limitations as may be provided by resolution of the Board.

AUDIT and RISK COMMITTEE

Jesli A. Lapus, *Chairman*; Robert G. Vergara; Martin K. Tanco; Ma. Leonora V. De Jesus; Raymond N. Alimurung

The Audit and Risk Committee assists the Board in overseeing the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also ensures that there is an effective and integrated enterprise risk management (ERM) program in place.

CORPORATE GOVERNANCE COMMITTEE

Robert G. Vergara, *Chairman*; Jesli A. Lapus; Ma. Leonora V. De Jesus; Raymond N. Alimurung

The Corporate Governance Committee assists the Board of the Parent Company in the fulfillment of its corporate governance responsibilities in accordance with all applicable laws, rules and regulations.

RELATED PARTY TRANSACTIONS COMMITTEE

Ma. Leonora V. De Jesus, *Chairwoman*; Robert G. Vergara; Jesli A. Lapus; Raymond N. Alimurung

The Related Party Transactions Committee reviews all material related party transactions of the Parent Company and ensures that said transactions are conducted at arms' length.

ENVIRONMENTAL INITIATIVES

The Group acknowledges the need to contribute positively to the efforts made in addressing climate change, decreasing energy consumption, and reducing carbon emissions as it recognizes that its operations impact its surrounding communities and the environment.

CLIMATE CHANGE

The Group strives to educate the youth and increase their awareness of social and environmental issues arising from climate change.

In October 2021, STI WNU conducted a "Tree-Growing" project in Barangay Vista Allegre, Bacolod City. This endeavor aimed to ensure that all trees planted under the initiative of the University in previous years continually grow and thrive.

iACADEMY held a month-long Earth Day celebration titled "Magkaisa: Earth Month 2022" featuring SHS and college organizations uniting to raise awareness and ignite action to care for the Earth from March 24 to April 22, 2022. iACADEMY students advocate environmental preservation by spreading awareness on what individuals should and should not do in maintaining ecological balance in the warming world. This event aims to encourage the youth to advocate for sustainability through different mediums and show the purpose and importance of collective climate action.

STI Alaminos, meanwhile, organized a tree-planting activity at Adopt-a-Mountain Site in Barangay San Vicente, Alaminos City, Pangasinan in May 2022. In partnership with the City Agriculture Office, 107 STI students and six school personnel joined the community extension activity in support of the city government's sustainable environmental program.

STI WNU Tree-Growing Monitoring

iACADEMY "Magkaisa: Earth Month 2022"

STI Alaminos tree-planting activity

GRI 302-1, 305-1, 305-2

ENERGY AND EMISSIONS

The Group primarily relies on electricity for its energy requirements. The following tables show the Group's energy consumption and carbon footprint for the reporting period.

Energy Consumption
July 1, 2021 - June 30, 2022

1,463 (GJ)[1]
Energy from fuel consumption

5,698,011 kWh
Electricity consumption

21,975 (GJ)[2]
Total energy consumption

Emissions (tons of CO_2)[3]
July 1, 2021 - June 30, 2022

102
Direct (Scope 1) GHG emissions

4,072
Indirect (Scope 2) GHG emissions

4,173
Total carbon footprint (Scope 1 + Scope 2)

[1] Fuel consumption of the Group is driven primarily by the use of diesel, gasoline, and LPG to power its vehicles, generators, machineries, kitchen laboratories, and canteen stoves in STI ESG-owned campuses, STI WNU, and iACADEMY.

[2] Total of Scope 1 and Scope 2 energy consumption

[3] Source of Emission Factors: US EPA Greenhouse Gas Inventory Guidance – Direct Emissions from Stationary Combustion Sources, IPCC 2006 Guidelines for National Greenhouse Inventories, and Department of Energy (DOE) National Grid Emission Factors

Source of Global Warming Potential: IPCC Sixth Assessment Report (AR6)

Source of Conversion Factors: US Energy Information Administration Energy conversion calculators, Elgas LPG conversions, Aqua-calc compound and materials volume calculator

SOCIAL COMMITMENT

The Group believes that the success and strength of a company lie in its employees' expertise, harmonious relationship with partners in the communities, and the desire to work for the creation of a sustainable future for all.

GRI 102-7, 102-8, 102-41, 401-1

EMPLOYMENT

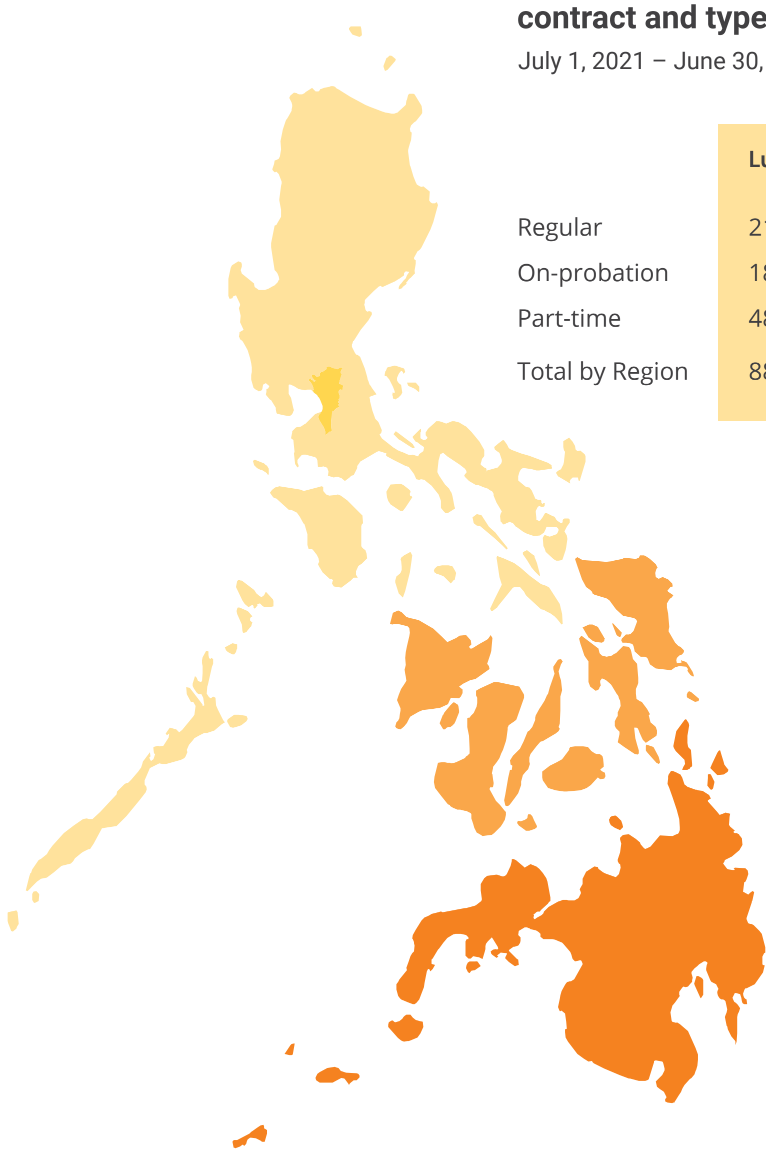
The Group aims to develop a culture that is service-oriented, trustworthy, and innovative in creating solutions that are responsive to the ever-changing needs of the stakeholders and the environment.

Despite the challenges of managing a large workforce based in different cities nationwide, the Group remains steadfast in harnessing the talent and passion of each employee by developing a culture that is based on performance and empowerment. The Group firmly promotes equality, diversity, and health and well-being in its policies and practices.

Nationwide, the Group has 2,382 exceptional employees consisting of faculty, research, management, and support staff in its schools. Faculty members comprise 74% of the schools' entire workforce.

Total number of employees by employment contract and type, gender, and region

July 1, 2021 – June 30, 2022



	Luzon	Metro Manila	Visayas	Mindanao	Total
Regular	218	287	164	44	713
On-probation	182	159	55	18	414
Part-time	481	528	187	59	1,255
Total by Region	881	974	406	121	2,382

	Male	Female	Total
Regular	267	446	713
On-probation	174	240	414
Full-time	441	686	1,127
Part-time	700	555	1,255

New Hires and Turnover

July 1, 2021 – June 30, 2022

New Hires

	Male (11%)	Female (13%)	Total (24%)
Under 30 years	170	213	383
30-50 years old	89	82	171
Over 50 years old	14	12	26
Total	**273**	**307**	**580**

Turnover

	Male (5%)	Female (8%)	Total (13%)
Under 30 years	70	115	185
30-50 years old	51	56	107
Over 50 years old	5	8	13
Total	**126**	**179**	**305**

	New Hires		Turnover	
Luzon	212	24%	142	16%
Metro Manila	238	24%	129	13%
Visayas	106	26%	23	6%
Mindanao	24	20%	11	9%
Total	**580**	**24%**	**305**	**13%**

GRI 102-41

Collective Bargaining Agreements

In recognition of concerns regarding employee welfare, STI WNU and its workers' union entered into a collective bargaining agreement (CBA). Included in the CBA are economic provisions, which are reviewed every three years.

GRI 405-1

DIVERSITY AND INCLUSION

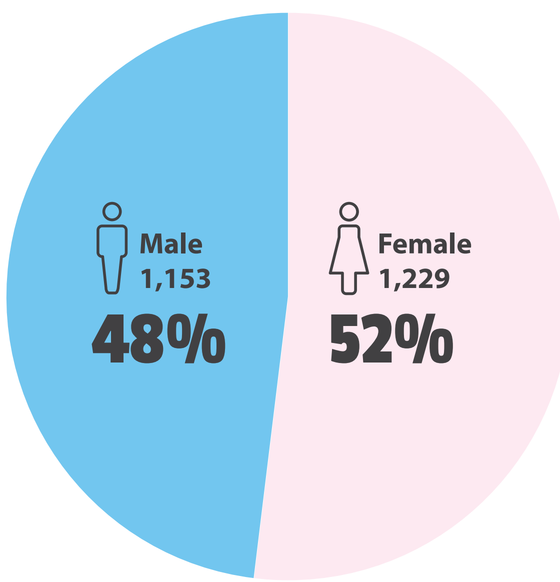
The Group recognizes the importance of promoting diversity and inclusion in the workplace to attract the most qualified and diverse applicants who will offer insightful and creative ideas and initiatives to the organization.

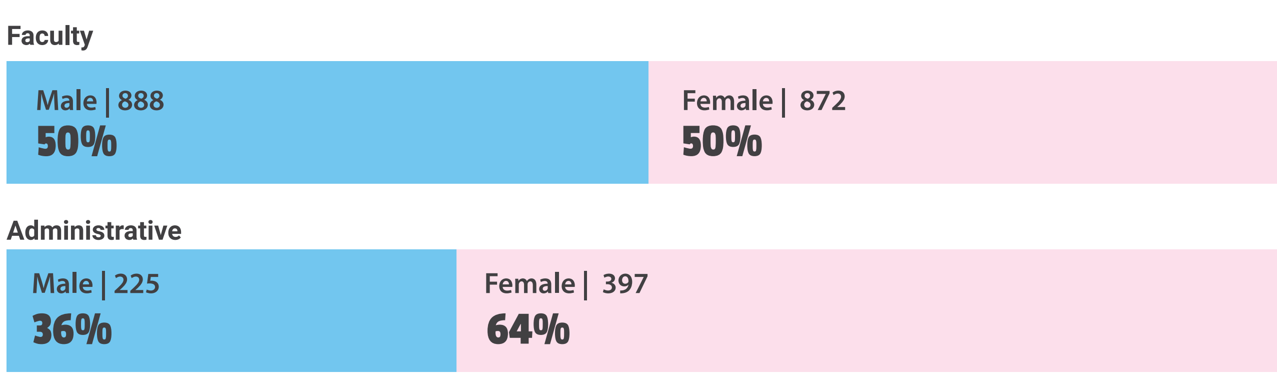
With an inclusive work environment, employees will develop a sense of belongingness that increases engagement and shows a higher level of productivity and notable improvement in work performance.

STI Holdings' Board of Directors is composed of 75% males and 25% females, 17% of whom are from the ages of 30 to 50 years with the rest being over 50 years old as of the reporting period.

Diversity by gender

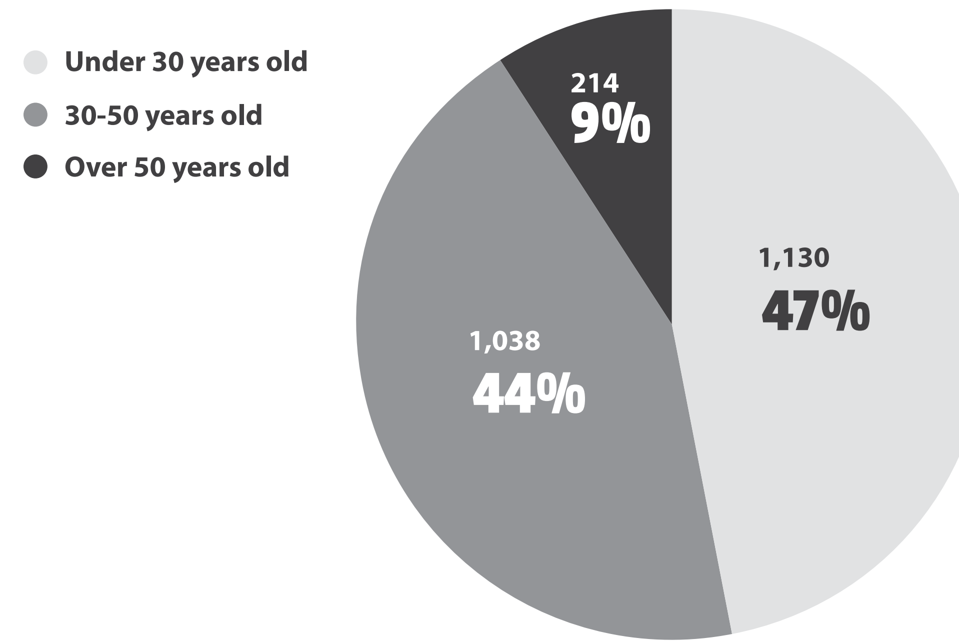
July 1, 2021 – June 30, 2022

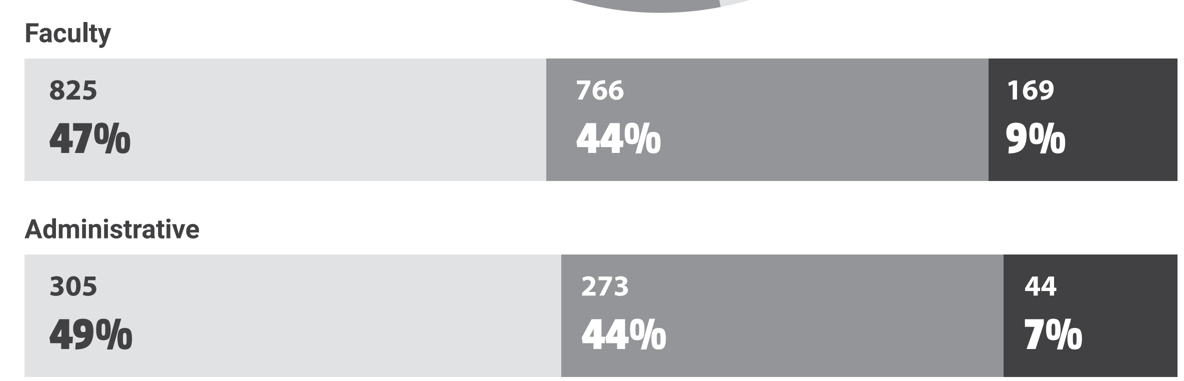




Diversity by age group

July 1, 2021 - June 30, 2022





	Indigenous Sector	Vulnerable Sector
Faculty	15 1%	1 0%
Administrative	35 2%	0 0%

GRI 404-1, 404-2

LEARNING AND DEVELOPMENT

For the Group, employees are among an organization's biggest assets. The Group believes that investing in talent is vital in ensuring sustainable business growth and success. In this regard, the Group aims to provide its employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

As part of STI ESG's Learning Delivery System, which has been successfully certified by the International Standards Organization (ISO) and has attained ISO Certification 9001:2015, STI ESG and STI WNU faculty members regularly undergo competency-based certifications and trainings to ensure that they are proficient in the subject matter to be able to deliver the required day-to-day lessons. The trainings vary from year-to-year depending on the results of the needs analyses of the faculty members.

Additionally, all faculty members and staff of STI ESG and STI WNU undergo regular performance evaluation ratings from superiors and peers.

iACADEMY uses education-focused key performance indicators (KPIs) to ensure the academic rigor of the school's learning system. With the use of common Specific, Measurable, Attainable, Realistic and Timely (SMART) KPIs, iACADEMY identifies internal and external changes or progress of staff and faculty members.

The Group also recognized the need to transform the traditional in-classroom learning delivery to alternative modes and leveraged on online learning platforms, tools, and technologies apart from its years of experience with blended learning, given the disruption caused by the global COVID-19 health crisis to the education sector. In this regard, faculty trainings during SY 2021-2022 were conducted online by utilizing eLMS and video conferencing tools such as MS Teams and Google Meet.

Average training hours by gender
July 1, 2021 – June 30, 2022

4 Male

4 Female

Average training hours by employee category
July 1, 2021 – June 30, 2022

5 Faculty

3 Administrative

Some of the faculty trainings that were conducted online in SY 2021-2022 were: (1) the Huawei Certified ICT Associate training for select faculty members from the IT and Engineering programs who underwent the free training and examination in September and October 2021; (2) training using the SAP system in January and February 2022 participated in by faculty members from the IT, Accounting, and Business Administration programs; (3) the Amadeus Basic Reservation Course held in August 2021 for faculty members teaching the Applied Business Tools and Technologies in Tourism; (4) the Gatessoft training for faculty members who are teaching Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality in August 2021; and lastly, (5) in partnership with Empath, a social enterprise that provides mental healthcare and psychoeducation services, training provided by STI ESG in April 2022 to the guidance personnel and homeroom or classroom advisers who play key roles in giving psychosocial support to the students.

STI WNU also regularly conducts training for its personnel to sustain and further enhance their competence in their respective jobs.

GRI 403-9, 403-10

SAFETY AND WELL-BEING

HEALTH AND SAFETY PROTOCOLS

The Group continues to comply with the health and safety protocols mandated by the IATF, DOH, CHED, DepEd, and other local government agencies for the benefit of the students, faculty members, other school personnel, and visitors in the campus.

Among the measures to mitigate the transmission of COVID-19 that were implemented this year were:

- Implementation of flexible learning model
- Regular disinfection of facilities
- Provision of sanitizers or alcohol within the premises
- Implementation of work-from-home arrangements as needed
- Wearing of face shield/face mask at all times
- Regular temperature check before entering the office or school premises and during office hours
- Reinforcement of communication campaign about the institution's health and campus safety protocols and information dissemination on COVID-19-related facts through social media
- Issuance of operations advisories regarding COVID-19
- Use of the StaySafe application or contact tracing form to track entry of employees or guests into the school and/or the office
- Close monitoring of employees who have been vaccinated
- Provision of designated holding area for those who are unwell or suspected with COVID-19

STI WNU, iACADEMY, and the STI Academic Centers have instituted health and safety committees to be in charge of identifying hazards, implementation of health and safety policies and safety workflow, and ensuring proper maintenance of school facilities to prevent any accidents. Emergency response teams onsite, including a certified first-aider, are also established to be activated in case of a hazardous

event. The Group has also made available medical insurance as part of its employee benefits, which covers consultation and hospitalization. During the reporting period, the Group recorded zero incidents of work-related injuries and ill health.

In anticipation of the new normal, the Group continued to use digital tools and online technology to deliver quality education through a blended learning model. Preparations made by iACADEMY for the implementation of limited face-to-face classes include retrofitting of the campus to ensure the safety of students and staff, attending CHED face-to-face consultation meetings, and holding conferences with students and parents to identify and address any concerns they have regarding face-to-face classes.

The Group has taken and will continue to take further actions as necessary and appropriate in response to the COVID-19 pandemic.

GRI 102-13, 413-1

COMMUNITY RELATIONS AND STRATEGIC PARTNERSHIPS

The Group continues to forge strategic partnerships and strong community relations, creating avenues for students to make positive contributions to society. Some of these programs include the following:

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

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

- **Fasttrack Solutions, Inc.**
  This partnership allows STI ESG to integrate SAP Business One on Cloud in the following programs: BS in Accountancy, BS in Management Accounting, BS in Accounting Information System, BS in Information Technology, and BS in Business Administration. In addition, SAP Business One on Cloud can be accessed by both students and teachers on various devices such as desktop computers, laptops, tablets, or mobile phones within the specified laboratory schedules.

- **Amadeus Marketing Philippines, Inc.**
  STI ESG signed a MOA with Amadeus, a provider of Property Management System (PMS) and Point-of-Sale (POS) system training and certification for the integration of Amadeus' systems training modules in STI ESG's Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality subjects. A PMS is an integrated system centralizing the different transactions in an accommodation operation; while a POS is a system that facilitates sales and inventory transactions in restaurants. Both certifications will give the STI ESG students a better standing when looking for jobs in the hospitality industry.

- **Manila Marriott Hotel and Sheraton Manila Hotel**
  Eleven top-performing BS in Hospitality Management students were selected to be part of the first-ever Marriotternship program, a three-month internship conducted by Manila Marriott Hotel and Sheraton Manila Hotel. From March 15 to June 14, 2022, selected students from STI Colleges Caloocan, Global City, Las Piñas, Novaliches, Baguio, Sta. Maria, Ortigas-Cainta, Tanauan, Cagayan de Oro, and Cotabato were immersed in the hospitality management industry's best practices within both hotels, providing an experiential journey and maximizing the students' learning potential.

- **Job's Café**
  Jobs Café is A Work for the Future Program wherein STI WNU partners with BPO companies that could provide part-time employment to qualified students to support their continued education in pursuit of a better future.

- **Twelve Teachers Thousand Lives Project**
  Twelve Teachers Thousand Lives Project aims to produce professional teachers who could inspire children and help elevate educational prestige in their own community and uplift family standard of living.

- **Celebrating DAPs**
  Launched in various barangays in Bacolod City, Celebrating DAPs (or Differently-Abled Persons) is a program that aims to assist DAP in securing an employment. This has become a pathway for various BPO companies to employ differently-abled persons.

- **Brigada Eskwela**
  In support of the government's program, Brigada Eskwela, STI WNU donated pre-loved chairs and books to some identified public schools and small private schools.

- **Vegetable Urban Gardening**
  The Vegetable Urban Garden Project was launched to address food security concerns and income generating opportunities in the community.

- **Emergency Response**
  Emergency Response is a special program of STI WNU which aims to provide immediate and effective response to communities in need during the pandemic and calamities. Included in this program are projects like dress-down for a cause, community pantry, relief operations and food distribution to communities in the city and municipalities in the province.

MEMBERSHIP OF ASSOCIATIONS

For educational institutions, institutional linkages and memberships in associations play a key role in stimulating learning and innovation. It enables the academe to engage in meaningful collaborations in order to provide better opportunities to its stakeholders.

STI ESG is active in the following associations or has fostered partnerships with known industry leaders:

- Association of Administrators in Hotel/Hospitality & Restaurant Management Educational Institutions (AAHRMEI)
- Institute of Computer Engineers of the Philippines (ICpEP)
- Internet and Mobile Marketing Association of the Philippines (IMMAP)
- Philippine Association of National Advertisers (PANA)
- Public Relations Society of the Philippines (PRSP)
- NCR School Registrar's Association (NASCRA)

STI WNU has various local and international industry and organizational partners to help enrich its students' and faculty members' academic learnings and real-life skills. These include but are not limited to: Asian University Digital Resource Network, TESOL Asia SITE Ltd Australia, Galuh University, Panasiatic Solutions, Focus Direct, Inc., Today English LTD Partnership (TELP), Huachiew Chalermprakiet University, OK English Academy, Globe Telecom, Bacolod City Police Office, and Bureau of Fire Protection.

STI WNU and its students are active members of the following organizations:

- Association of Administrators in Hotel/Hospitality & Restaurant Management Educational Institutions (AAHRMEI)
- Council of Hotel and Restaurant Educators of the Philippines (COHREP)
- Tourism Educators and Movers Philippines (TEAM PHILS WV)
- Hotel and Restaurant Association of Negros Occidental (HRANO)
- Bacolod City Tourism Office and Department of Tourism Region VI
- Philippine Society of IT Educators (PSITE)
- Integrated Society of Information Technology Enthusiast (ISITE)
- Philippine Society of Information Technology Educators Foundation, Inc. (PSITEFI)
- Bacolod-Negros Occidental Federation of ICT (BNeFIT)
- Philippine Institute of Civil Engineers (PICE)
- Junior Philippine Society of Mechanical Engineers (JPSME)
- Institute of Integrated Electrical Engineers of the Philippines (IIEEP)
- Global Educators Professional Enhancement International, Inc. (GEPEII)
- Asian Qualitative Research Association (AQRA)
- Asian Society of Teachers for Research (ASTR)
- Asian Association of Interdisciplinary Research (AAIR)
- National Organization of Science and Educators of the Philippines, Inc. (NOSEPI)
- Philippine Association for Teachers and Educators, Inc. (PAFTEI)
- Philippine Association of Graduate Studies (PAGE)

iACADEMY is a school partner for Python Institute and Linux Professional Institute (LPI). iACADEMY likewise forged a partnership with global leaders in audio and sound technology Dolby Atmos and Avid to teach its world-class BA in Music Production and Sound Design program and is the first Philippine school chosen by Alibaba Business School's Global Digital Talent Program (GDT) and was named as Global eCommerce NeTwork (GET) to implement digital and e-commerce-driven business college courses.

GRI 418-1

CUSTOMER DATA AND PRIVACY

The Group believes in keeping personal data shared by its stakeholders safe and secure and ensuring that such are collected and processed by lawful means. The subsidiaries continue to adhere to the Data Privacy Act of 2012 (DPA) and its implementing rules and regulations. Concerns regarding data privacy may be communicated to the respective data privacy officers of the schools. There is no incident of leak, theft, loss or compromise of any customer data, nor any report or complaint of the foregoing, for the reporting period.

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	102-47	List all material topics	19
	102-48	Restatements of information	30 For 2021, we restated the following prior period metrics due to refinements in data reporting: Number of students with scholarship grants/ financial assistance is restated from 21,000+ to 12,000+.
	102-49	Changes in reporting	20, 22, 30, 47, 65 The topic "COVID-19 Response" from the previous year was removed and changed to "Safety and Well-being," "Managing Health and Safety in Education," and "Learning Innovation." Data for Tulong Dulong and UniFAST which were both disclosed under UniFAST are reported under CHED scholarship grants this year.
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GRI 401: Employment 2016	401-1	New employee hires and employee turnover	61
Learning and Development			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	64
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GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	64
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	62-63
	103-2	The management approach and its components	62-63
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GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	62-63
Community Relations and Strategic Partnerships			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	67-68
	103-2	The management approach and its components	67-68
	103-3	Evaluation of the management approach	67-68
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	24, 67-68

Customer Data and Privacy			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	70
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GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	70
Safety and Wellbeing			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	65-66
	103-2	The management approach and its components	65-66
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GRI 403: Occupational Health and Safety 2018	403-9	Work-related injuries	66
	403-10	Work-related ill health	66
System-wide Development			
Quality and Affordable Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	30
	103-2	The management approach and its components	30
	103-3	Evaluation of the management approach	30
Curriculum Development and Implementation			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	31-33
	103-2	The management approach and its components	31-33
	103-3	Evaluation of the management approach	31-33
Student Affairs and Services			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	34-42
	103-2	The management approach and its components	34-42
	103-3	Evaluation of the management approach	34-42

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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	43-45
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	103-3	Evaluation of the management approach	43-45
Inclusive Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	46
	103-2	The management approach and its components	46
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	22-24
	103-2	The management approach and its components	22-24
	103-3	Evaluation of the management approach	22-24
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GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	47
	103-2	The management approach and its components	47
	103-3	Evaluation of the management approach	47

STI EDUCATION SYSTEMS HOLDINGS

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Arsenio C. Cabrera

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Friday, 28 October 2022 1:47 PM
To: Arsenio C. Cabrera
Subject: Re: CGFD_STI Education Systems Holdings, Inc._SEC Form 17-A with Consolidated Audited Financial Statements For the FY Ended 30 June 2022_28October2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

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Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT,
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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

06 30	SEC FORM 17-Q For the Quarter ended 30 September 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

1 2 6 2	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document I.D.

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S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 September 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 November 21, 2022

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

Date November 21, 2022

ANNEX "A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,776,633,464**	₱1,568,718,083
Receivables (Note 6)	**1,390,920,957**	531,008,186
Inventories (Note 7)	**126,050,507**	158,185,754
Prepaid expenses and other current assets (Note 8)	**129,708,067**	114,302,639
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,230,500**	9,610,000
	3,431,543,495	2,381,824,662
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,039,728,064
Total Current Assets	**4,452,271,559**	3,421,552,726
Noncurrent Assets		
Property and equipment (Note 11)	**9,698,436,889**	9,672,515,491
Investment properties (Note 12)	**886,430,844**	1,004,237,631
Investments in and advances to associates and joint venture (Note 13)	**19,328,861**	18,490,878
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 14)	**70,814,191**	70,188,775
Deferred tax assets - net	**30,723,906**	26,016,008
Goodwill, intangible and other noncurrent assets (Note 15)	**466,321,491**	364,921,994
Total Noncurrent Assets	**11,172,056,182**	11,156,370,777
TOTAL ASSETS	**₱15,624,327,741**	₱14,577,923,503
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱618,456,859**	₱736,074,970
Current portion of interest-bearing loans and borrowings (Note 17)	**107,219,554**	239,135,979
Unearned tuition and other school fees (Note 21)	**1,575,516,345**	116,842,319
Current portion of lease liabilities	**107,335,518**	109,244,620
Income tax payable	**645,030**	551,497
Total Current Liabilities	**2,409,173,306**	1,201,849,385
Noncurrent Liabilities		
Bonds payable (Note 18)	**2,981,805,871**	2,980,515,064
Interest-bearing loans and borrowings - net of current portion (Note 17)	**1,139,251,865**	1,291,461,407
Lease liabilities - net of current portion	**346,867,150**	364,071,946
Pension liabilities - net	**109,403,371**	108,655,427
Deferred tax liabilities - net	**113,030,232**	113,049,596
Other noncurrent liabilities (Note 19)	**77,761,202**	23,356,036
Total Noncurrent Liabilities	**4,768,119,691**	4,881,109,476
Total Liabilities *(Carried Forward)*	**7,177,292,997**	6,082,958,861

(Forward)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total Liabilities *(Brought Forward)*	**₱7,177,292,997**	₱6,082,958,861
Equity Attributable to Equity Holders of the Parent Company (Note 20)		
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	**26,733,723**	27,664,542
Unrealized fair value adjustment on equity instruments at FVOCI	**13,872,148**	13,255,113
Other equity reserve (Note 20)	**(1,686,369,660)**	(1,686,369,660)
Share in associates':		
Cumulative actuarial gain (Note 13)	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**4,442,964,488**	4,485,334,148
Total Equity Attributable to Equity Holders of the Parent Company	**8,370,909,996**	8,413,593,440
Equity Attributable to Non-controlling Interests	**76,124,748**	81,371,202
Total Equity	**8,447,034,744**	8,494,964,642
TOTAL LIABILITIES AND EQUITY	**₱15,624,327,741**	₱14,577,923,503

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
REVENUES (Note 21)		
Sale of services:		
Tuition and other school fees	**₱370,397,561**	₱303,792,736
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Others	**20,251,619**	20,767,032
Sale of educational materials and supplies	**68,281,232**	11,999,495
	500,350,245	372,799,737
COSTS AND EXPENSES		
Cost of educational services (Note 22)	**180,342,575**	177,727,317
Cost of educational materials and supplies sold (Note 23)	**50,851,292**	10,629,598
General and administrative expenses (Note 24)	**309,468,831**	284,417,284
	540,662,698	472,774,199
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(40,312,453)**	(99,974,462)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 17 and 18)	**(77,713,397)**	(85,188,990)
Rental income (Note 25)	**30,354,745**	17,775,739
Foreign exchange gain - net (Note 5)	**26,779,271**	17,753,074
Interest income (Notes 5 and 6)	**2,868,080**	1,330,916
Recovery of accounts written-off (Note 6)	**2,732,457**	2,461,795
Fair value loss on equity instruments at FVPL (Note 9)	**(1,379,500)**	–
Dividend income (Notes 9 and 14)	**1,077,616**	–
Equity in net earnings (losses) of associates and joint venture (Note 13)	**837,983**	(139,591)
Gain on sale of property and equipment	**49,943**	1,382,394
Derecognition of contingent consideration (Notes 16 and 27)	**–**	25,000,000
Other income - net	**4,547,433**	2,616,759
	(9,845,369)	(17,007,904)
LOSS BEFORE INCOME TAX	**(50,157,822)**	(116,982,366)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**2,076,465**	255,373
Deferred	**(4,622,434)**	(500,199)
	(2,545,969)	(244,826)
NET LOSS *(Carried Forward)*	**(47,611,853)**	(116,737,540)

	Three months ended September 30	
	2022 (Unaudited)	2021 Unaudited)
NET LOSS *(Brought Forward)*	**(₱47,611,853)**	(₱116,737,540)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liabilities	**(1,048,289)**	(1,747,149)
Income tax effect	**104,828**	174,715
Fair value change in equity instruments at FVOCI	**625,416**	(69,471)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(318,045)**	(1,641,905)
TOTAL COMPREHENSIVE LOSS	**(₱47,929,898)**	(₱118,379,445)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱42,369,660)**	(₱114,233,838)
Non-controlling interests	**(5,242,193)**	(2,503,702)
	(₱47,611,853)	(₱116,737,540)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱42,683,446)**	(₱115,872,406)
Non-controlling interests	**(5,246,452)**	(2,507,039)
	(₱47,929,898)	(₱118,379,445)
Basic/Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company (Note 26)	**(₱0.004)**	(₱0.012)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 14)	Other Equity Reserve	Share in Associates' Cumulative Actuarial Gain (Note 13)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 13)	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2022	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱27,664,542	₱13,255,113	(₱1,686,369,660)	₱321,569	(₱114)	₱4,485,334,148	₱8,413,593,440	₱81,371,202	₱8,494,964,642
Net loss	–	–	–	–	–	–	–	–	(42,369,660)	(42,369,660)	(5,242,193)	(47,611,853)
Other comprehensive income	–	–	–	(930,819)	617,035	–	–	–	–	(313,784)	(4,261)	(318,045)
Total comprehensive income	–	–	–	(930,819)	617,035	–	–	–	(42,369,660)	(42,683,444)	(5,246,454)	(47,929,898)
Balance at September 30, 2022	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱26,733,723	₱13,872,148	(₱1,686,369,660)	₱321,569	(₱114)	₱4,442,964,488	₱8,370,909,996	₱76,124,748	₱8,447,034,744
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 loss	–	–	–	–	–	–	–	–	(114,233,838)	(114,233,838)	(2,503,702)	(116,737,540)
Other comprehensive loss	–	–	–	(1,551,363)	(87,088)	–	–	–	–	(1,638,451)	(3,454)	(1,641,905)
Total comprehensive loss	–	–	–	(1,551,363)	(87,088)	–	–	–	(114,233,838)	(115,872,289)	(2,507,156)	(118,379,445)
Acquisition of De Los Santos-STI College minority shares of stock (Note 20)	–	–	–	–	–	(15,891,750)	–	–	–	(15,891,750)	(74,378)	(15,966,128)
Share of non-controlling interest on dividends declared by a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	36,264	36,264
Balance at September 30, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱17,725,876	₱12,061,932	(₱1,686,369,660)	₱321,569	(₱114)	₱4,051,115,616	₱7,968,243,061	₱78,607,568	₱8,046,850,629

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱50,157,822)**	(₱116,982,366)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 11, 12, 15, 22 and 24)	**149,294,563**	149,705,948
Interest expense (Notes 17 and 18)	**77,713,397**	85,188,990
Unrealized foreign exchange gain - net (Note 5)	**(26,776,433)**	(17,510,246)
Interest income (Notes 5 and 6)	**(2,868,080)**	(1,330,916)
Dividend income (Notes 9 and 14)	**(1,077,616)**	–
Equity in net (earnings) losses of associates and joint venture (Note 13)	**(837,983)**	139,591
Gain on sale of property and equipment	**(49,943)**	(1,382,394)
Net change in net pension liabilities	**(300,346)**	1,962,815
Fair value loss on equity instruments at FVPL (Note 9)	**1,379,500**	–
Derecognition of contingent consideration (Notes 16 and 27)	**–**	(25,000,000)
Income on rent concessions	**–**	(2,882,909)
Operating income before working capital changes	**146,319,237**	71,908,513
Decrease (increase) in:		
Receivables	**292,839,286**	23,005,924
Inventories	**32,135,247**	9,970,711
Prepaid expenses and other current assets	**(17,241,379)**	(9,477,629)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(96,520,569)**	(165,570,377)
Unearned tuition and other school fees	**306,592,064**	367,687,398
Other noncurrent liabilities	**54,405,166**	3,512
Net cash generated from operations	**718,529,052**	297,528,052
Income tax paid	**(146,986)**	(137,905)
Interest received	**2,868,080**	1,330,916
Net cash provided by operating activities	**721,250,146**	298,721,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 11 and 30)	**(32,239,298)**	(18,785,667)
Investment properties (Note 12)	**(7,780,099)**	–
Equity instruments at FPVL (Note 9)	**–**	(9,997,500)
Non-controlling interests (Notes 14 and 19)	**–**	(3,991,532)
Increase in intangible and other noncurrent assets	**(104,280,073)**	(3,651,481)
Proceeds from:		
Redemption of noncurrent asset held for sale (Note 10)	**19,000,000**	–
Sale of property and equipment (Note 11)	**50,000**	1,500,000
Dividends received	**1,078,515**	791,884
Net cash used in investing activities	**(124,170,955)**	(34,134,296)

(Forward)

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term loans (Note 17)	**(₱284,012,094)**	(₱400,000,000)
Interest	**(90,250,433)**	(102,218,890)
Lease liabilities	**(41,677,716)**	(26,846,800)
Net cash used in financing activities	**(415,940,243)**	(529,065,690)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**26,776,433**	17,510,246
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**207,915,381**	(246,968,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,568,718,083**	1,470,503,591
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,776,633,464**	₱1,223,534,914

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 as at September 30, 2022 and June 30, 2022, are as follows:

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**
STI Education Services Group, Inc. (STI ESG)	Educational Institution	**99**	–
STI West Negros University, Inc. (STI WNU)	Educational Institution	**99**	–
Information and Communications Technology Academy, Inc. (iACADEMY)	Educational Institution	**100**	**–**
Attenborough Holdings Corp. (AHC)	Holding Company	**100**	**–**
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**–**	**99**
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**–**	**99**
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**–**	**99**
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**–**	**99**
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**–**	**99**
NAMEI Polytechnic Institute of Mandaluyong, Inc.	Educational Institution	**–**	**99**
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(b)]	Educational Institution	**–**	**99**
STI College Quezon Avenue, Inc. (STI QA) [(c)]	Educational Institution	**–**	**99**

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

[(b)] On June 28, 2016, De Los Santos-STI College advised Commission on Higher Education (CHED) of the suspension of its operations for school years (SYs) 2016-2017 and 2017-2018 as a result of the implementation of the Government’s K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021 (see Note 20). De Los Santos-STI College has not resumed its school operations as at November 21, 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. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance to certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit to conduct Senior High School (SHS) classes in Tanay is still pending approval by the Department of Education (DepEd) as at November 21, 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 September 30, 2022 and June 30, 2022.

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 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 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 report date, the amendment is still pending approval by SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phase 3 merger, the BIR informed STI ESG through a letter dated September 28, 2022, that Section 40 C.2 of the Tax Code, as amended by Republic Act (RA) No. 11534 or the Corporate Recovery and

Tax Incentives for Enterprises (CREATE) Act, has now mandated that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, STI ESG and the merged schools can implement the said transaction. The reply to the request for a confirmatory ruling for the Phase 1 merger is still pending from the BIR as at report date.

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, Inc. is established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority (TESDA); and to provide other professional courses and training, such as tanker courses and their allied and security courses, including stewarding and culinary courses. In a letter dated August 25, 2022, the Maritime Industry Authority (MARINA) informed STI Training Academy that the latter's application for accreditation as a Maritime Training Institution (MTI) is granted. This will enable STI Training Academy to start offering training courses that are tailor-fit to certain shipping lines or industries.

In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI QA and STI Tuguegarao for SY 2020-2021 and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED in June 2021, and DepEd and TESDA in July 2021 of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate beginning SY 2022-2023. The suspension and cessation of operations of the STI schools mentioned above did not have a material financial impact to the Group.

As at September 30, 2022, STI ESG's network of operating schools totals sixty-three (63) schools with thirty-six (36) owned schools and twenty-seven (27) franchised schools comprising sixty (60) colleges and three (3) education centers.

On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct SHS classes is still in process as at report date.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at September 30, 2022 and June 30, 2022, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million (see Notes 16 and 27).
As at September 30, 2022 and June 30, 2022, 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 SHS, tertiary and post-graduate programs. It also provides technical-vocational education training services under TESDA and/or operates a Training Center as well as an Assessment Center, in relation to the said services. STI WNU further provides maritime training services that offer and conduct the training required by 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 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. It started in 2002 as a wholly owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings since September 30, 2016. iACADEMY conducts its classes in its Nexus building 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 (with a par value of ₱1.00 per share) to ₱1,000.0 million (with a par value of ₱1.00 per share). 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. On October 13, 2022, iACADEMY received a letter from the BIR as a response to the request made for the merger. In the said letter, the BIR informed iACADEMY that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, iACADEMY and Neschester can implement the said transaction, including, but not limited to the issuance of Certificate/s Authorizing Registration (CAR/s) by the concerned Revenue District Office (RDO).

On June 1, 2022, the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its Articles of Incorporation as follows: (1) amendment of its primary purpose to include (a) establishment of educational institutions in Metro Manila and a branch in Cebu City; and (b) that iACADEMY shall have all the express powers of a corporation under Section 35 of the Revised Corporation Code, including the establishment and maintenance of branches and school campuses within the Philippines, subject to the rules and regulations of DepEd, CHED and TESDA. SEC approved the amendments on July 28, 2022.

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 said 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 27).

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 27).

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of DepEd, TESDA and CHED pursuant to Batas Pambansa Bilang 232, otherwise known as the “Education Act of 1982,” 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 and equity instruments at FVPL which have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company’s functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited interim condensed consolidated financial statements as at and for the three-month periods ended September 30, 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, 2022.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of STI Holdings for the year ended June 30, 2022, except for the adoption of new and amended standards effective July 1, 2022. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

- Amendments to PFRS 3, *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 Philippines 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 amendment is 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 venture 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.

- 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.

<u>Standards Issued but Not Yet Effective</u>
The standards and interpretations that are issued but not yet effective as at September 30, 2022 are listed below. The Group intends to adopt these standards when they become effective. The adoption of these standards and interpretations is not expected to have any significant impact on the unaudited interim condensed consolidated financial statements, except otherwise stated.

Effective for Fiscal Year 2024

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The Group is currently assessing the impact of adopting the amendments to PAS 12.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  1. Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  2. Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after July 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective for Fiscal Year 2025

- 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, 2024 and must be applied retrospectively.

Effective for Fiscal Year 2026

- 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, 2025, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28*, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint venture.

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 September 30, 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 31).

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 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.

iACADEMY implements 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 learning management system that is being used by schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past seven years in order that the students may continue their studies at home uninterrupted despite physical classroom disruptions.

Onsite learning refers to school activities conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DepEd for SHS, TESDA and CHED for tertiary. For most of SY 2021-2022, face-to-face classes remained suspended and thus the Group has continued to conduct classes online. 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. For SY 2022-2023, STI ESG and STI WNU implemented a flexible learning delivery modality. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a ratio of 50.0% onsite/face-to-face to 50.0% asynchronous. Classes for SHS of STI ESG are all conducted face-to-face since the opening of SY 2022-2023, while SHS classes in STI WNU are on blended modality with 50.0% onsite/face-to-face and 50.0% asynchronous. iACADEMY implemented the Hyflex Learning Format for tertiary. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide how to participate. The HyFlex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during a disruption. Meanwhile, for its SHS, iACADEMY is implementing the Hybrid setup (blended learning) until the end of SY 2022-2023. This allows grade 11 and 12 students to alternately attend onsite and online classes within the week. Courses, particularly specialized and contextualized subjects like Science and Information and Communications Technology (ICT), are conducted onsite in the laboratories. General Education subjects are delivered online using Microsoft Teams, an online classroom teleconferencing platform.

Both onsite and online classes use eLMS as the major platform for the repository of learning materials, assessments, and grades.

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 (5) reportable segments as follows:

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

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

On a consolidated basis, the Group's performance is evaluated based on unaudited interim condensed consolidated net loss and EBITDA, defined as earnings (losses) before interest expense, interest income, benefit from income tax, depreciation and amortization, equity in net (earnings) losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL, gain on derecognition of contingent consideration and income on rent concessions. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA for the three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Consolidated net loss	**(₱47,611,853)**	(₱116,737,540)
Depreciation and amortization* (see Notes 11, 12, 15, 22 and 24)	**130,752,421**	131,244,021
Interest expense* (see Notes 17 and 18)	**70,329,827**	76,946,393
Foreign exchange gain - net (Note 5)	**(26,779,271)**	(17,753,074)
Benefit from income tax	**(2,545,969)**	(244,826)
Forward		

Donation income**	**(4,744,529)**	–
Interest income (see Notes 5 and 6)	**(2,868,080)**	(1,330,916)
Equity in net (earnings) losses of associates and joint venture (see Note 13)	**(837,983)**	139,591
Fair value loss on equity instruments at FVPL	**1,379,500**	–
Gain on derecognition of contingent consideration (see Notes 16 and 27)	**–**	(25,000,000)
Income on rent concessions**	**–**	(2,882,909)
Consolidated EBITDA	**₱117,074,063**	₱44,380,740

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
***Presented as part of "Other income - net".*

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month periods ended September 30, 2022 and 2021:

	Three-month period ended September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱302,985,461**	**₱30,192,588**	**₱93,638,049**	**₱65,760,042**	**₱ 7,774,105**	**₱500,350,245**
Results						
Income (loss) before other income (expenses) and income tax	**(79,562,158)**	**(8,640,485)**	**32,905,215**	**20,974,006**	**(5,989,031)**	**(40,312,453)**
Interest expense	**(74,419,323)**	**(824,507)**	**(1,421,567)**	**(440,665)**	**(607,335)**	**(77,713,397)**
Other income	**61,926,616**	**331,252**	**1,427,577**	**373,053**	**103,467**	**64,161,965**
Benefit from (provision for) income tax	**1,415,163**	**1,049,500**	**335,653**	**(254,347)**	**–**	**2,545,969**
Interest income	**2,805,768**	**3,679**	**34,025**	**22,953**	**1,655**	**2,868,080**
Equity in net earnings of associates and joint venture	**837,983**	**–**	–	–	–	**837,983**
Net Income (Loss)	**(₱86,995,951)**	**(₱8,080,561)**	**₱33,280,903**	**₱20,675,000**	**(₱6,491,244)**	**(₱47,611,853)**
EBITDA						**₱117,074,063**

	Three-month period ended September 30, 2021 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱223,945,380	₱20,794,178	₱76,054,765	₱44,730,762	₱7,274,652	₱372,799,737
Results						
Income (loss) before other income (expenses) and income tax	(129,877,728)	(10,367,682)	34,692,574	11,234,824	(5,656,450)	(99,974,462)
Interest expense	(81,543,103)	(1,096,369)	(1,711,958)	(99,366)	(738,194)	(85,188,990)
Other income	65,069,961	836,140	811,657	144,819	127,184	66,989,761
Benefit from (provision for) income tax	(841,295)	(94,957)	1,394,231	(213,153)	–	244,826
Interest income	1,241,338	11,129	38,570	38,671	1,208	1,330,916
Equity in net losses of associates and joint venture	(139,591)	–	–	–	–	(139,591)
Net Income (Loss)	(₱146,090,418)	(₱10,711,739)	₱35,225,074	₱11,105,795	(₱6,266,252)	(₱116,737,540)
EBITDA						₱44,380,740

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

	September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,766,400,934**	**₱836,615,768**	**₱1,651,983,155**	**₱890,520,911**	**₱164,470,789**	**₱14,309,991,557**
Noncurrent asset held for sale	**1,020,728,064**	–	–	–	–	**1,020,728,064**
Investments in and advances to associates and joint venture	**19,328,861**	–	–	–	–	**19,328,861**
Goodwill	**227,874,121**	–	–	**15,681,232**	–	**243,555,353**
Deferred tax assets - net	**12,259,273**	**3,582,298**	**5,284,011**	**7,942,758**	**1,655,566**	**30,723,906**
Total Assets	**₱12,046,591,253**	**₱840,198,066**	**₱1,657,267,166**	**₱914,144,901**	**₱166,126,355**	**₱15,624,327,741**
Segment liabilities[(b)]	**₱1,219,378,636**	**₱173,742,180**	**₱544,190,682**	**₱271,538,679**	**₱63,529,259**	**₱2,272,379,436**
Interest-bearing loans and borrowings	**1,246,471,419**	–	–	–	–	**1,246,471,419**
Bonds payable	**2,981,805,871**	–	–	–	–	**2,981,805,871**
Pension liabilities - net	**67,471,091**	**5,668,248**	**11,798,047**	**22,519,666**	**1,946,319**	**109,403,371**
Lease liabilities	**250,451,692**	**46,366,155**	**89,812,798**	**30,649,428**	**36,922,595**	**454,202,668**
Deferred tax liabilities - net	**113,030,232**	–	–	–	–	**113,030,232**
Total Liabilities	**₱5,878,608,941**	**₱225,776,583**	**₱645,801,527**	**₱324,707,773**	**₱102,398,173**	**₱7,177,292,997**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱34,464,212**
Depreciation and amortization[(c)]						**131,707,753**
Noncash expenses other than depreciation and amortization						**36,175,809**

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

	June 30, 2022 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱10,273,110,652	₱770,907,221	₱1,379,938,195	₱683,891,664	₱142,285,468	₱13,250,133,200
Noncurrent asset held for sale	1,039,728,064	–	–	–	–	1,039,728,064
Investments in and advances to associates and joint venture	18,490,878	–	–	–	–	18,490,878
Goodwill	227,874,121	–	–	15,681,232	–	243,555,353
Deferred tax assets - net	8,937,435	2,532,798	4,947,451	7,942,758	1,655,566	26,016,008
Total Assets	₱11,568,141,150	₱773,440,019	₱1,384,885,646	₱707,515,654	₱143,941,034	₱14,577,923,503
Segment liabilities[(b)]	₱579,201,645	₱53,439,704	₱115,992,079	₱91,306,771	₱36,884,624	₱876,824,823
Interest-bearing loans and borrowings	1,530,597,386	–	–	–	–	1,530,597,386
Bonds payable	2,980,515,064	–	–	–	–	2,980,515,064
Pension liabilities - net	63,765,218	5,482,854	11,382,893	26,136,589	1,887,873	108,655,427
Lease liabilities	267,996,138	51,663,460	95,496,288	18,479,857	39,680,822	473,316,565
Deferred tax liabilities - net	113,049,596	–	–	–	–	113,049,596
Total Liabilities	₱5,535,125,047	₱110,586,018	₱222,871,260	₱135,923,217	₱78,453,319	₱6,082,958,861
Other Segment Information						
Capital expenditure -						
Property and equipment						₱146,766,580
Depreciation and amortization[(c)]						524,769,336
Noncash expenses other than depreciation and amortization						135,255,250

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

5. Cash and Cash Equivalents

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Cash on hand and in banks	**₱1,175,172,741**	₱1,004,708,289
Cash equivalents	**601,460,723**	564,009,794
	₱1,776,633,464	₱1,568,718,083

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

Interest earned from cash in banks and cash equivalents for the three-month periods ended September 30, 2022 and 2021 amounted to ₱1.3 million and ₱1.0 million, respectively.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized net gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱2.8 thousand and ₱242.8 thousand for the three-month periods ended September 30, 2022 and 2021, respectively.

6. Receivables

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Tuition and other school fees	**₱1,507,244,231**	₱669,973,794
Educational services	**120,752,249**	75,476,227
Rent, utilities and other related receivables	**55,855,349**	41,693,700
Advances to officers and employees (see Note 25)	**25,673,072**	20,156,347
Receivable from STI Tanay	**–**	6,758,041
Others	**26,100,752**	29,334,574
	1,735,625,653	843,392,683
Less allowance for expected credit losses	**344,704,696**	312,384,497
	₱1,390,920,957	₱531,008,186

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 (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022.

These receivables are noninterest-bearing. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱1.5 million and ₱0.3 million for the three-month periods ended September 30, 2022 and 2021, respectively.

b. Rent, utilities and other related receivables are normally collected within the year.

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

d. Receivable from STI Tanay substantially represents the receivable for educational services rendered by STI ESG to the franchisee. As stated in the Memorandum of Agreement (the Agreement) dated July 29, 2022 between STI ESG and STI Tanay, the receivables of STI Tanay from DepEd arising from SHS vouchers which are unpaid as of the date of the Agreement are assigned in favor of STI ESG as payment of this outstanding receivable (see Note 10). Thus, this amount has been reclassified as part of Receivables-Tuition and other school fees as at September 30, 2022.

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and receivables from Social Security Systems amounting to ₱1.6 million, ₱6.6 million and ₱4.4 million as at September 30, 2022, respectively and ₱1.6 million, ₱6.7 million and ₱4.1 million as at June 30, 2022, respectively. These receivables are expected to be collected within the year.

Recovery of accounts written off amounted to ₱2.7 million and ₱2.5 million for the three-month periods ended September 30, 2022 and 2021, respectively.

7. Inventories

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱94,263,185**	₱128,607,105
Textbooks and other education-related materials	**10,542,163**	10,694,553
	104,805,348	139,301,658
Promotional materials:		
Proware materials	**15,412,847**	13,436,142
Marketing materials	**378,941**	387,296
	15,791,788	13,823,438
School materials and supplies	**5,453,371**	5,060,658
	₱126,050,507	₱158,185,754

The carrying value of inventories carried at net realizable value is nil as at September 30, 2022 and June 30, 2022. Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, with original cost of ₱18.5 million as at September 30, 2022 and June 30, 2022, are fully provided with allowance for inventory obsolescence. No provision was recognized for the three-month periods ended September 30, 2022 and 2021.

Inventories charged to cost of educational materials and supplies sold amounted to ₱50.9 million and ₱10.6 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 23).

8. Prepaid Expenses and Other Current Assets

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Prepaid taxes	**₱56,730,016**	₱57,161,045
Input VAT - net	**21,826,370**	23,007,435
Advances to suppliers	**17,562,272**	7,153,692
Prepaid subscriptions and licenses	**14,530,149**	13,849,894
Prepaid insurance	**8,611,429**	6,743,814
Software maintenance cost	**4,312,581**	1,743,610
Prepaid internet cost	**125,871**	126,227
Others	**6,009,379**	4,516,922
	₱129,708,067	₱114,302,639

Prepaid taxes represent excess creditable withholding taxes over tax due which will be applied against income tax due of the following period. This account also includes prepayments for business and real property taxes which will be recognized as expense over the period covered.

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in the next fiscal year. Input VAT is primarily from the purchase of goods and services.

Advances to suppliers mainly include down payments for the purchase of school uniforms, repairs and maintenance of various school equipment and facility, fit-out charges and interior design for iACADEMY’s campus in Cebu, laboratory and electrical supplies.

Prepaid subscriptions and licenses primarily pertain to Microsoft, Adobe Acrobat license, Adobe Creative Cloud, eLMS, Sophos Firewall, Toon Boom Harmony and Autodesk subscriptions which have been renewed in preparation for SY 2022-2023. These subscriptions are normally renewed annually and are amortized in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents vehicle insurance coverage, health coverage of employees and fire and other risks insurance on buildings which have been paid in advance and are recognized as expense over the period of coverage which is within next reporting period.

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

Prepaid internet cost represents the balance of the load wallet for data connectivity of the students as at September 30, 2022 and June 30, 2022. 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 in SY 2020-2021 and and SY 2021-2022. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime.

Other prepaid expenses and other current assets as at September 30, 2022 mainly represent advance payments for job posting and promotional expenses, prepaid rent and refundable deposit for the construction/fit-out of iACADEMY's campus in Cebu. The balance as at June 30, 2022 substantially pertains to COVID-19 vaccine doses purchased by the Group in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program.

9. Equity Instruments at Fair Value through Profit or Loss (FVPL)

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱8.2 million and ₱9.6 million as at September 30, 2022 and June 30, 2022, respectively.

In September 2021, STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.4 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

10. Noncurrent Asset Held for Sale

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Quezon City dacion properties (see Note 12)	**₱1,020,728,064**	₱1,020,728,064
Property acquired through extrajudicial foreclosure (see Note 12)	**–**	19,000,000
	₱1,020,728,064	₱1,039,728,064

Quezon City Dacion Properties

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2022 and June 30, 2022 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 the deeds of dacion in 2016 (see Notes 12 and 27).

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 its receipt. With the classification as noncurrent asset held for sale, the Parent Company 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.

In May and June 2022, the Parent Company issued authority to sell to certain brokers to perform all efforts in connection with the sale of the Quezon City dacion properties to prospective buyers. As at November 21, 2022, negotiations with interested buyers are ongoing.

Property Acquired through Extrajudicial Foreclosure
As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million represents the carrying value of land and building located in Pasig City acquired by STI ESG through extrajudicial foreclosure.

As discussed in Note 12, the receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property); and (b) land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under "Investment properties" at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of "Gain on settlement of receivable" for the year ended June 30, 2022.

STI Tanay and the mortgagors were given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" as at June 30, 2022, in view of the expected redemption upon actual receipt of the redemption price (see Note 12).

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The gain on settlement of receivable and the provision for impairment of noncurrent asset held for sale were presented as part of "Gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale" in the June 30, 2022 consolidated statement of comprehensive income.

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the "Agreement") for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (see Note 12); (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG; (4) assignment of STI Tanay's rights to the use of the name of "STI College Tanay"; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale amounting to ₱19.0 million.

11. Property and Equipment

	September 30, 2022 (Unaudited)												
	Land	**Buildings**	**Office and School Equipment**	**Office and School 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	**₱3,392,351,300**	**₱5,715,373,328**	**₱158,442,081**	**₱41,980,063**	**₱23,240,374**	**₱1,358,457**	**₱39,236,559**	**₱18,007,902**	**₱27,661,428**	**₱122,558,699**	**₱116,369,390**	**₱15,935,910**	**₱9,672,515,491**
Additions	**–**	**647,679**	**6,158,736**	**1,428,387**	**1,251,840**	**–**	**20,999,420**	**207,298**	**3,770,852**	**–**	**15,290,140**	**3,253,615**	**53,007,967**
Reclassification from investment properties (see Note 12)	**46,593,335**	**69,137,087**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**115,730,422**
Reclassifications	**–**	**–**	**–**	**–**	**20,543**	**–**	**–**	**(20,543)**	**–**	**–**	**–**	**–**	**–**
Lease termination/modification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,034,502)**	**–**	**(4,034,502)**
Disposal	**–**	**–**	**(49)**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**
Depreciation and amortization (see Notes 22 and 24)	**–**	**(89,336,792)**	**(18,112,357)**	**(5,619,795)**	**(1,164,730)**	**(347,814)**	**(6,953,365)**	**(1,707,745)**	**–**	**(2,026,284)**	**(11,580,231)**	**(1,933,319)**	**(138,782,432)**
Balance at end of period	**₱3,438,944,635**	**₱5,695,821,302**	**₱146,488,411**	**₱37,788,647**	**₱23,348,027**	**₱1,010,643**	**₱53,282,614**	**₱16,486,912**	**₱31,432,280**	**₱120,532,415**	**₱116,044,797**	**₱17,256,206**	**₱9,698,436,889**
At September 30, 2022:													
Cost	**₱3,438,944,635**	**₱8,131,383,708**	**₱950,521,386**	**₱387,244,231**	**₱238,335,716**	**₱19,431,519**	**₱537,290,546**	**₱221,714,189**	**₱31,432,280**	**₱148,147,809**	**₱272,072,007**	**₱64,962,980**	**₱14,441,481,006**
Accumulated depreciation and amortization	**–**	**2,435,562,406**	**804,032,975**	**349,455,584**	**214,987,689**	**18,420,876**	**484,007,932**	**205,227,277**	**–**	**27,615,394**	**156,027,210**	**47,706,774**	**4,743,044,117**
Net book value	**₱3,438,944,635**	**₱5,695,821,302**	**₱146,488,411**	**₱37,788,647**	**₱23,348,027**	**₱1,010,643**	**₱53,282,614**	**₱16,486,912**	**₱31,432,280**	**₱120,532,415**	**₱116,044,797**	**₱17,256,206**	**₱9,698,436,889**

	June 30, 2022 (Audited)												
	Land	Buildings	Office and School Equipment	Office and School 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	1,518,671	52,824,346	34,045,542	5,974,074	3,682,573	–	22,775,670	3,738,518	22,207,186	–	29,634,248	8,660,582	185,061,410
Reclassifications	–	284,095,792	(1,997,425)	–	(1,221,706)	(186,253)	1,997,425	–	(282,874,086)	–	–	186,253	–
Lease termination/modification	–	–	–	–	–	–	–	–	–	5,842,960	(1,606,850)	–	4,236,110
Disposal	–	–	(15)	(2)	–	–	–	(543)	–	–	–	(117,605)	(118,165)
Depreciation and amortization (see Notes 22 and 24)	–	(335,791,684)	(76,584,946)	(24,011,837)	(20,423,331)	(1,391,261)	(30,458,166)	(6,754,681)	–	(8,105,137)	(47,005,723)	(7,416,588)	(557,943,354)
Balance at end of period	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,358,457	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,935,910	₱9,672,515,491
At June 30, 2022:													
Cost	₱3,392,351,300	₱8,059,841,711	₱946,227,238	₱385,814,751	₱237,678,597	₱19,431,519	₱516,291,126	₱220,980,726	₱27,661,428	₱148,154,218	₱260,821,043	₱63,241,975	₱14,278,495,632
Accumulated depreciation and amortization	–	2,344,468,383	787,785,157	343,834,688	214,438,223	18,073,062	477,054,567	202,972,824	–	25,595,519	144,451,653	47,306,065	4,605,980,141
Net book value	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,358,457	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,935,910	₱9,672,515,491

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,607.8 million and ₱1,548.8 million as at September 30, 2022 and June 30, 2022, respectively. There were no idle property and equipment as at September 30, 2022 and June 30, 2022.

Additions

Property and Equipment under Construction. As at September 30, 2022 and June 30, 2022, the remaining construction in progress includes the costs of the major renovation of STI WNU's Engineering building amounting to ₱25.1 million and ₱22.2 million, respectively and the construction of a pedestrian overpass to ensure the safety of the students of STI Las Piñas amounting to ₱5.5 million. The total contract costs of these projects aggregates to ₱40.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. These projects are expected to be completed in December 2022.

As at September 30, 2022, construction in progress includes the construction of iACADEMY's campus in Cebu which is located at Filinvest Cyberzone Tower Two Building, Lahug, Cebu City. The total contract cost of this project aggregate to ₱33.8 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. Major construction work started in October 2022 and is expected to be completed in December 2022. Costs incurred as at September 30, 2022 amounted to ₱0.1 million.

Collaterals

iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and building, and all other facilities, machineries, equipment and improvements therein (see Note 17). As at September 30, 2022 and June 30, 2022, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,384.4 million and ₱1,396.8 million, respectively.

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at September 30, 2022 and June 30, 2022. The net book value of these equipment amounted to ₱17.3 million and ₱15.9 million as at September 30, 2022 and June 30, 2022, respectively.

12. Investment Properties

	September 30, 2022 (Unaudited)				
	Land	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Construction In-Progress**	**Total**
Cost:					
Balance at beginning of period	**₱352,742,258**	**₱703,141,550**	**₱133,183,838**	**₱86,671,554**	**₱1,275,739,200**
Additions	**2,577,334**	**5,202,765**	**–**	**–**	**7,780,099**
Reclassification to property and equipment (see Note 11)	**(46,593,335)**	**(70,825,764)**	**–**	**–**	**(117,419,099)**
Reclassification of completed project	**–**	**86,671,554**	**–**	**(86,671,554)**	**–**
Balance at end of period	**308,726,257**	**724,190,105**	**133,183,838**	**–**	**1,166,100,200**
Accumulated depreciation:					
Balance at beginning of period	**–**	**228,926,408**	**42,575,161**	**–**	**271,501,569**
Depreciation (see Notes 22 and 24)	**–**	**6,619,156**	**3,237,308**	**–**	**9,856,464**
Reclassification to property and equipment (see Note 11)	**–**	**(1,688,677)**	**–**	**–**	**(1,688,677)**
Balance at end of period	**–**	**233,856,887**	**45,812,469**	**–**	**279,669,356**
Net book value	**₱308,726,257**	**₱490,333,218**	**₱87,371,369**	**₱–**	**₱886,430,844**

	June 30, 2022 (Audited)				
	Land	Condominium Units and Buildings	Right-of-Use Asset - Building	Construction In-Progress	Total
Cost:					
Balance at beginning of year	₱308,726,258	₱636,233,550	₱133,183,838	₱–	₱1,078,143,646
Additions	88,242,000	76,632,000	–	86,671,554	251,545,554
Disposal	(44,226,000)	(9,724,000)	–	–	(53,950,000)
Balance at end of year	352,742,258	703,141,550	133,183,838	86,671,554	1,275,739,200
Accumulated depreciation:					
Balance at beginning of year	–	202,596,069	29,475,112	–	232,071,181
Depreciation (see Notes 22 and 24)	–	26,978,606	13,100,049	–	40,078,655
Disposal	–	(648,267)	–	–	(648,267)
Balance at end of year	–	228,926,408	42,575,161	–	271,501,569
Net book value	₱352,742,258	₱474,215,142	₱90,608,677	₱86,671,554	₱1,004,237,631

As at September 30, 2022 and June 30, 2022, investment properties primarily include buildings and condominium units of the Group which are held for office or commercial lease.

Investment properties also include parcels of land and land improvements located in Davao City currently held by the Parent Company for capital appreciation and are not used in business. These properties (including the Quezon City dacion properties discussed in Note 10) were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 27) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 27). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

As discussed in Note 10, on June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties. Consequently, the carrying value of these properties amounting to ₱1,020.7 million was reclassified to "Noncurrent asset held for sale" under current assets (see Note 10).

Land and Buildings Acquired through Extrajudicial Foreclosure. As at September 30, 2022 and June 30, 2022, investment properties include land and buildings acquired through extrajudicial foreclosure.

In 2019, STI ESG and DBP executed a Deed of Assignment 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.

The receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property), and (b) a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 15, 2022, the extrajudicial foreclosure sale for the Tanay Property was completed and STI ESG was declared as the winning bidder. On April 11, 2022, the Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the certificate of sale and the same was annotated on May 5, 2022. Consequently, STI ESG recognized the said property as part of land and building, under "Investment properties" at appraised values amounting to ₱44.1 million and ₱66.9 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱26.1 million was recognized as part of "Gain on settlement of receivable" for the year ended June 30, 2022.

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under "Investment properties" at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of "Gain on settlement of receivable" for the year ended June 30, 2022.

STI Tanay and the mortgagors were given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price (see Note 10).

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the "Agreement") for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (discussed above); 2) payment of the ₱19.0 million for the redemption of the Pasig property (see Note 10); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG; (4) assignment of STI Tanay's rights to the use of the name of "STI College Tanay"; and (5) change of corporate name of STI Tanay.

On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million. With the transfer of the operations of STI QA to Tanay in September 2022, STI ESG has reclassified this property to Property and Equipment as of September 30, 2022.

Right-of-use Asset - Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for the building along Sen. Gil J. Puyat Avenue for a period of 15 years and three months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three years or the average of the Consumer Price Index for the last three years, whichever is higher. iACADEMY subleases the building to third parties.

On September 6, 2022, iACADEMY entered into a sublease agreement on their leased building, particularly the ground floor unit 1 and the entirety of the second floor up to and including the roofdeck of the building, with another third party, for a period of five years commencing on March 15, 2023 and ending March 14, 2028.

Investment Property under Construction. As at June 30, 2022, the construction-in-progress account pertains substantially to the renovation of office condominium units owned by STI ESG. This includes mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and management services. The related contract costs amounted to ₱88.0 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. This project is intended to complete the office fit-out requirements for a new lease agreement. The renovation works for the said office condominium units were completed in August 2022.

13. Investments in and Advances to Associates and Joint Venture

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net losses:		
Balance at beginning of period	**(28,401,837)**	(8,159,640)
Equity in net earnings (losses) of associates and joint venture	**837,983**	(20,242,197)
Balance at end of period	**(27,563,854)**	(28,401,837)
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of period	**329,306**	329,306
	19,328,861	18,490,878
Advances (see Note 25)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱19,328,861	₱18,490,878

There is no movement in the allowance for impairment of investments in and advances to associates and joint venture. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
Global Resource for Outsourced Workers, Inc. (GROW)	**15,074,054**	14,289,422
Joint venture - Philippine Healthcare Educators, Inc (PHEI)	**4,254,807**	4,201,456
	67,463,401	66,625,418
Allowance for impairment loss	**48,134,540**	48,134,540
	₱19,328,861	₱18,490,878

**The share in equity of this associate as at September 30, 2022 and June 30, 2022 is not material to the unaudited interim condensed consolidated financial statements.*

14. **Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)**

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Quoted equity shares	**₱5,425,728**	₱4,800,312
Unquoted equity shares	**65,388,463**	65,388,463
	₱70,814,191	₱70,188,775

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱30.5 million as at September 30, 2022 and June 30, 2022.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.9 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Goodwill	**₱243,555,353**	₱243,555,353
Advances to suppliers	**109,984,325**	19,112,618
Intangible assets	**48,524,481**	49,174,773
Rental and utility deposits	**38,125,787**	34,500,378
Deferred input VAT	**21,308,433**	13,755,760
Others	**4,823,112**	4,823,112
	₱466,321,491	₱364,921,994

Goodwill
As at September 30, 2022 and June 30, 2022, 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.

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

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school and related agreements which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired by STI ESG. Such intangible assets with indefinite useful life, representing the fair value of the license and agreements, amounted to ₱27.6 million as at September 30, 2022 and June 30, 2022.

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

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

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Accounts payable	**₱349,550,769**	₱446,952,008
Accrued expenses:		
Contracted services	**48,727,529**	40,669,786
Salaries, wages and benefits	**33,355,035**	33,329,119
School-related expenses	**27,113,677**	48,064,848
Utilities	**17,474,392**	10,400,798
Interest	**5,486,334**	26,583,874
Advertising and promotion	**3,814,440**	7,624,460
Rent	**1,635,028**	4,637,426
Others	**5,911,541**	5,441,782
Statutory payables	**30,440,450**	27,438,037
Dividends payable	**26,411,518**	26,411,518
Network events fund	**20,596,047**	12,785,275
Student organization fund	**17,691,213**	14,012,993
Nontrade payable (see Note 27)	**17,000,000**	17,000,000
Current portion of refundable deposits (see Note 19)	**1,883,956**	680,495
Current portion of advance rent (see Note 19)	**1,338,180**	346,370
Others	**10,026,750**	13,696,181
	₱618,456,859	₱736,074,970

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

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

e. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The Parent Company and the Agustin family (former owners of WNU) decided to amicably settle ₱ 50.0 million of the nontrade payable by (a) executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and (b) 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 ₱50.0 million, which is the subject of the cases filed by the Agustin family. On September 14, 2021, the Parent Company paid ₱25.0 million to the Agustin family. Accordingly, the Parent Company recognized other income on derecognition of contingent consideration amounting to ₱25.0 million. As at September 30, 2022 and June 30, 2022, the remaining balance of nontrade payable amounting to ₱17.0 million pertains to the portion of the contingent consideration to be released upon collection of STI WNU's trade receivables guaranteed as collectible by the Agustin family. As part of the Compromise Agreement, the parties also agreed to review the financial records of STI WNU to determine the status of collection (see Note 27).

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

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

h. Terms and conditions of payables to related parties (recorded under "Accounts payable") are disclosed in Note 25 to the unaudited interim condensed consolidated financial statements.

17. Interest-bearing Loans and Borrowings

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Term loan facilities[(a)]	**₱992,814,236**	₱1,272,392,785
Corporate Notes Facility[(b)]	**245,111,171**	245,666,028
Landbank ACADEME Program[(c)]	**8,546,012**	12,538,573
	1,246,471,419	1,530,597,386
Less current portion	**107,219,554**	239,135,979
Noncurrent portion	**₱1,139,251,865**	₱1,291,461,407

[(a)]Net of unamortized debt issuance costs of ₱6.8 million and ₱7.2 million as at September 30, 2022 and June 30, 2022, respectively.
[(b)]Inclusive of unamortized premium of ₱5.1 million and ₱5.7 million as at September 30, 2022 and June 30, 2022, respectively.
[c)]Net of unamortized debt issuance costs of ₱0.04 million and ₱0.1 million as at September 30, 2022 and June 30, 2022, 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 11). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date).

The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

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

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

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

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 shall be 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%. On March 29, 2022, iACADEMY made a payment in the amount of ₱40.0 million.

Breakdown of iACADEMY's Term Loan follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning of period	**₱320,000,000**	₱520,000,000
Payments	**(40,000,000)**	(200,000,000)
Balance at end of period	**280,000,000**	320,000,000
Unamortized debt issuance costs	**(1,430,708)**	(1,635,095)
Balance at end of period	**278,569,292**	318,364,905
Less current portion	**39,591,226**	79,591,226
Noncurrent portion	**₱238,978,066**	₱238,773,679

On September 29, 2022, iACADEMY paid the ₱40.0 million regular amortization. The loan balance of ₱280.0 million was repriced at an interest rate of 5.6699% on September 28, 2022.

Interest expense for the three-month periods ended September 30, 2022 and 2021 amounted to ₱2.6 million and ₱4.4 million, respectively.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the 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 ₱1.4 million and ₱1.6 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱0.2 million for the three-month periods ended September 30, 2022 and 2021.

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 (DSCR) and debt-to-equity (D/E) ratios. The required financial ratios are:

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

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

As at September 30, 2022 and June 30, 2022, 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 shall be used for the (i) financing of campus expansion projects (ii) acquisition of schools (iii) refinancing of short-term loans incurred for projects and (iv) other general corporate purposes. The agreement provides for a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period.

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31%. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% effective September 20, 2020. As at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. 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 December 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. Debt-to-equity ratio of not more than 1.50x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

The D/E ratios of STI ESG are 0.83x and 0.88x as at September 30, 2022 and June 30, 2022, respectively. DSCRs as at September 30, 2022 and June 30, 2022 are 2.33x and 1.80x, respectively. As at September 30, 2022 and June 30, 2022, STI ESG has complied with the said covenants.

Breakdown of STI ESG's Term Loan follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning of period	**₱960,000,000**	₱1,200,000,000
Repayments	**(240,000,000)**	(240,000,000)
Balance at end of period	**720,000,000**	960,000,000
Unamortized debt issuance costs	**(5,755,056)**	(5,972,120)
Balance at end of period	**714,244,944**	954,027,880
Less current portion	**–**	120,000,000
Noncurrent portion	**₱714,244,944**	₱834,027,880

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

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

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. 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, including the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022.

The revised repayment schedule, after the application of the principal prepayment made in September 2021, 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

On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19-23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

The revised repayment schedule, after the application of the principal prepayment in September 2022, are as follows:

Fiscal Year	Amount
2023	₱–
2024	120,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱720,000,000

Corporate Notes Facility

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Bank granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

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

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

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

On January 19, 2017, STI ESG, 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 of STI ESG:

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

As at September 30, 2022 and June 30, 2022, STI ESG has complied with the above covenants.

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

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from March 19, 2023;

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

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

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

The above modification of terms and conditions resulted in the recognition of 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 ₱5.1 million and ₱5.7 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of loan premium amounting to ₱0.6 million and ₱0.4 million for the three-month periods ended September 30, 2022 and 2021, respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income.

Breakdown of STI ESG's Credit Facility Agreement follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning and end of period	**₱240,000,000**	₱240,000,000
Unamortized premium on corporate notes	**5,111,171**	5,666,028
Balance at end of period	**245,111,171**	245,666,028
Less current portion	**60,000,000**	30,000,000
Noncurrent portion	**₱185,111,171**	₱215,666,028

In January 2021, STI WNU fully paid its loan from the Corporate Notes Facility.

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

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

<u>Waivers of Certain Covenants</u>

a. On June 23, 2020, STI ESG requested China Bank for the waivers of certain covenants in its Term Loan Agreement and Corporate Notes Facility Agreement in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program.

b. 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.

c. On July 23, 2020, China Bank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ending June 30, 2021.

d. 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 of STI WNU of LandBank's ACADEME Lending Program.

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

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

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

China Bank 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.

e. 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 of 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.

f. On August 15, 2022, China Bank approved the request of STI ESG for waiver of the DSCR requirement for the periods ending June 30, 2023 and December 31, 2023.

LandBank ACADEME Program

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

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

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank. As at June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility with LandBank an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

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 three-month periods ended September 30, 2022 and 2021 amounted to ₱24.3 million and ₱28.4 million, respectively.

18. Bonds Payable

	September 30, 2022 (Unaudited)	June 30, 2022 (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	**18,194,129**	19,484,936
	₱2,981,805,871	₱2,980,515,064

On March 23, 2017, STI ESG issued the first tranche of its ₱5,000.0 million fixed-rate bonds program under its 3-year shelf registration with the SEC which ended on March 9, 2020. The bonds, amounting to an aggregate of ₱3,000.0 million were listed through the PDEx, with interest payable quarterly and were issued with a fixed rate 5.8085% for the 7-year series, due 2024, and 6.3756% for the 10-year series, due 2027. The bonds were rated 'PRS Aa' by the Philippine Rating Services Corporation (PhilRatings) in 2017. 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:

					Carrying Value		
Issued	Interest Payable	Term	Interest Rate	Principal Amount	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,169,741,472**	₱2,168,699,028	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	**₱812,064,399**	₱811,816,036	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,981,805,871**	₱2,980,515,064	

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 of STI ESG.

STI ESG's D/E ratios and DSCRs as at September 30, 2022 and June 30, 2022 are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total liabilities[a]	**₱4,812,740,965**	₱5,166,220,433
Total equity	**5,816,634,929**	5,892,251,942
Debt-to-equity ratio	**0.83:1.00**	0.88:1.00

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
EBITDA[b]	**₱916,885,752**	₱868,421,984
Total interest-bearing liabilities[c]	**394,102,929**	483,122,324
Debt service cover ratio	**2.33:1.00**	1.80:1.00

[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 September 30, 2022 and June 30, 2022, 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, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- 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, provided that this DSCR shall be waived up to June 30, 2023.

<u>Bond Issuance Costs</u>
STI ESG incurred costs related to the issuance of the bonds in 2017 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 ₱18.2 million and ₱19.5 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of bond issuance costs amounting to ₱1.3 million and ₱1.8 million for the three-month periods ended September 30, 2022 and 2021, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱46.0 million and ₱46.5 million for the three-month periods ended September 30, 2022 and 2021, respectively.

19. Other Noncurrent Liabilities

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advance rent - net of current portion (see Notes 16 and 28)	**₱42,392,107**	₱11,498,775
Refundable deposits - net of current portion (see Notes 16 and 28)	**33,950,514**	10,399,880
Deferred lease liability	**1,161,390**	1,295,273
Deferred output VAT	**257,191**	162,108
	₱77,761,202	₱23,356,036

Current portion of advance rent and refundable deposits are presented and disclosed in Note 16.

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

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

20. Equity

Capital Stock
Details as at September 30, 2022 and June 30, 2022 are as follows:

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

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

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

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

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

As at September 30, 2022 and June 30, 2022, the Parent Company has a total number of shareholders on record of 1,262.

Cost of Shares Held by a Subsidiary
This account represents 500,433,895 STI Holdings shares owned by STI ESG as at September 30, 2022 and June 30, 2022 amounting to ₱498.1 million which are treated as treasury shares in the unaudited interim condensed consolidated statements of financial position.

Other Comprehensive Income and Non-controlling Interests

	September 30, 2022 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss)	**₱26,733,723**	**(₱360,105)**	**₱26,373,618**
Fair value changes in equity instruments at FVOCI (see Note 14)	**13,872,148**	**204,575**	**14,076,723**
Share in associates' cumulative actuarial gain (see Note 13)	**321,569**	**7,853**	**329,422**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	**(114)**	**(2)**	**(116)**
	₱40,927,326	**(₱147,679)**	**₱40,779,647**

	June 30, 2022 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss)	₱27,664,542	(₱360,105)	₱27,304,437
Fair value changes in equity instruments at FVOCI (see Note 14)	13,255,113	196,194	13,451,307
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱41,241,110	(₱156,060)	₱41,085,050

Retained Earnings

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.

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

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

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

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

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

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

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 June 30, 2022 audited consolidated financial statements.

21. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods for three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Tuition and other school fees	**₱370,397,561**	₱303,792,736
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Sale of educational materials and supplies	**68,281,232**	11,999,495
Other revenues	**20,251,619**	20,767,032
Total consolidated revenues	**₱500,350,245**	₱372,799,737

Timing of Revenue Recognition

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Services transferred over time	**₱411,817,394**	₱340,033,210
Goods and services transferred at a point in time	**88,532,851**	32,766,527
	₱500,350,245	₱372,799,737

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

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱108.6 million and ₱63.0 million for the three-month periods ended September 30, 2022 and 2021, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2022 and 2021.

Performance Obligations
The performance obligations related to revenue 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.

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 the Group 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 September 30, 2022 and June 30, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱1,575.5 million and ₱116.8 million, respectively. These pertain to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date which 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.

22. Cost of Educational Services

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation and amortization (see Notes 11, 12 and 15)	**₱83,107,670**	₱83,747,791
Faculty salaries and benefits	**66,644,046**	52,930,328
Student activities, programs and other related expenses	**15,088,158**	14,484,421
Software maintenance	**6,262,080**	6,458,273
Rental	**5,358,061**	5,489,814
School materials and supplies	**1,935,556**	1,081,809
Courseware development costs	**83,083**	236,391
Internet connectivity assistance	**–**	12,592,865
Others	**1,863,921**	705,625
	₱180,342,575	₱177,727,317

23. Cost of Educational Materials and Supplies Sold

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Educational materials and supplies	**₱49,565,128**	₱10,466,120
Promotional materials	**1,286,164**	163,478
	₱50,851,292	₱10,629,598

24. General and Administrative Expenses

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, wages and benefits	**₱84,054,370**	₱75,046,772
Depreciation and amortization (see Notes 11, 12 and 15)	**66,186,893**	65,958,158
Provision for expected credit losses (see Note 6)	**32,320,200**	33,699,608
Light and water	**30,843,073**	15,877,184
Outside services	**26,588,590**	19,143,292
Professional fees	**16,209,591**	16,501,598
Advertising and promotions	**9,410,676**	20,121,706
Taxes and licenses	**8,150,108**	7,171,556
Repairs and maintenance	**5,724,463**	3,387,245
Transportation	**5,686,196**	3,962,333
Insurance	**4,379,802**	4,344,299
Meetings and conferences	**4,072,741**	3,916,836
Rental	**2,352,916**	2,767,438

Forward

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Communication	**2,187,513**	2,329,426
Entertainment, amusement and recreation	**1,783,925**	1,706,143
Office supplies	**1,611,657**	1,554,189
Software maintenance	**1,071,890**	870,374
Association dues	**472,316**	466,133
Others	**6,361,911**	5,592,995
	₱309,468,831	₱284,417,285

25. Related Party Transactions

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

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW						
Rental income and other charges	**170,161**	162,058	**5,574,451**	5,383,871	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**129,884**	80,921	**135,229**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**–**	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Alabang						
Educational services and sale of educational materials and supplies	**2,821,843**	2,773,803	**24,340,174**	21,729,896	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**2,854,174**	2,150,283	**920,397**	280,544	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilhealthCare, Inc. (PhilCare)						
Facility sharing and other charges	**2,578,468**	2,817,336	**958,463**	1,389,786	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,963,862**	1,279,243	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	–	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phils First Insurance Co., Inc.						
Utilities and other charges	**–**	–	**10,741**	10,741	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Forward

Related Party	Amount of Transactions During the Period **September 30, 2022 (Unaudited)**	 September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2022 (Unaudited)**	 June 30, 2022 (Audited)	Terms	Conditions
Rental and other charges	**₱1,168,470**	₱1,125,733	**₱–**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**250,395**	5,850,129	**(64,570)**	(752,170)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**2,091,248**	3,187,717	**(3,454)**	(268,641)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippine Life Financial Assurance Corporation (PhilLife)						
Facility sharing, utilities and other charges	**3,101,642**	3,104,068	**1,187,091**	2,450,756	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**63,871**	1,033	**(70,258)**	(2,627)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	–	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Officers and employees						
Advances for various expenses	**10,552,565**	2,107,134	**25,673,072**	20,156,347	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**75,000**	75,000	**1,299,354**	1,350,565	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**100,000**	157,293	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱104,096,053	₱95,864,431		

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

Related party receivables and payables are generally settled in cash.

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**25,673,072**	20,156,347
Educational services (see Note 6)	**25,260,571**	22,010,440
Rent, utilities and other related receivables	**9,165,329**	10,585,719
Accounts payable (see Note 16)	**(4,137,459)**	(5,022,615)
	₱104,096,053	₱95,864,431

Outstanding balances of transactions with subsidiaries which were eliminated during consolidation are as follow:

Category	Amount of Transactions During the Period **September 30, 2022 (Unaudited)**	 September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2022 (Unaudited)**	 June 30, 2022 (Audited)	Terms	Conditions
Subsidiaries						
STI ESG						
Advisory fee	**₱3,600,000**	₱3,600,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
STI WNU						
Advisory fee	**900,000**	900,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend received	**–**	24,963,736	**–**	–	Due and demandable; noninterest-bearing	Unsecured

Forward

Category	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
AHC						
Payable to AHC	**₱–**	₱–	**(₱63,778,000)**	(₱63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**127,500**	127,500	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

The Parent Company executed a Surety Agreement in relation to STI ESG's loan facility with LandBank (see Notes 17 and 27).

Material Related Party Transactions Policy

The Parent Company's BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10.0%) 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.

26. Basic and Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company

The table below shows the summary of net loss and weighted average number of common shares outstanding used in the calculation of loss per share for the three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30 2022 (Unaudited)	2021 (Unaudited)
Net loss attributable to equity holders of STI Holdings (a)	**(₱42,369,660)**	(₱114,233,838)
Common shares outstanding at beginning and end of period (b) (see Note 20)	**9,904,806,924**	9,904,806,924
Basic and diluted loss per share on net loss attributable to equity holders of STI Holdings (a)/(b)	**(₱0.004)**	(₱0.012)

The basic and diluted loss per share are the same for the three-month periods ended September 30, 2022 and 2021 as there are no dilutive potential common shares.

27. 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

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

Consequently, the Parent Company recognized the Quezon City and Davao properties as "Investment properties". 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 its receipt, and had the same reclassified as noncurrent asset held for sale (see Notes 10 and 12).

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

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

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

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.

After receiving the Notice of Arbitration and being informed that the required fees have not been paid by the Claimant, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the Claimant should be compelled to pay said fees before the arbitration proceedings can proceed.

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 November 21, 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 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.

After the Court of Appeals required the parties to file their respective Comment to the said Motion for Reconsideration, the Parent Company filed its Comment/Opposition on May 23, 2022.

As of November 21, 2022, the Court of Appeals has not issued any resolution on this matter.

(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 Transfer Certificate of Title (TCT) No. T-129545 registered under the name of the former situated along University Ave and Richardo, Matina, Davao City being used as a parking area (the "Subject Premises") by the latter.

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

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

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

After a failed Court-Annexed Mediation, the parties continued the discussion on the possibility of an amicable settlement.

On July 1, 2022, the parties filed the Joint Motion for Approval of Compromise Agreement. Based on the Compromise Agreement, the Parent Company allowed PWC-Davao to use the Subject Premises for one (1) year or until June 29, 2023. In the event that the Parent Company needs to proceed with its plans over the Subject Premises, it will serve a written notice to vacate and/or turn-over of the Subject Premises to PWC-Davao sixty (60) calendar days before the intended day to vacate or turn-over.

On September 30, 2022, the Parent Company received the Decision dated July 4, 2022 issued by the Trial Court adopting the Compromise Agreement as the decision in this case.

With the issuance of said Decision, the case is deemed terminated.

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 governed 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 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 terminated 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 16).

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.*

Considering the aforesaid settlement and the Amended Decision, all cases and issues related thereto are deemed terminated.

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. During the same conference, both parties agreed that the former employee should receive separation pay in lieu of reinstatement. Consequently, the former employee would receive only a monetary award arising from the SC Decision.

Pursuant to STI ESG's computation of said award, 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. Consequently, the former employee 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% 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 on 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 also did not follow the rules in filing a Petition for Certiorari before the Court of Appeals.

After the Court of Appeals required the parties to file their respective Memoranda, STI ESG filed its Memorandum on August 30, 2022.

On October 14, 2022, the Court of Appeals issued the Decision. In the Decision, the Court of Appeals reversed and set aside the NLRC's denial of the former employee's Petition. The Court of Appeals applied the rule of liberality to excuse the procedural defects of the former employee's appeal on the Labor Arbiter's computation of her judgment award.

Consequently, the Court of Appeals directed the NLRC to resolve the appeal on the computation of the judgment award of the former employee.

Based on the CA Decision, STI ESG will proceed to defend the computation of the Labor Arbiter before the NLRC.

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

The labor arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the labor arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. 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 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 10-30, 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 of the complainant on November 12, 2018.

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018.

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

As at November 21, 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), respectively, of STI Davao, until they were separated from service effective June 23, 2009.

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

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 fwas denied by the Court of Appeals.

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

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 November 21, 2022, STI ESG is yet to receive the Entry of Final Judgement.

(iv) This is a case for constructive illegal dismissal filed by a former probationary faculty member of STI College Legazpi. In a decision dated July 18, 2020, the Labor Arbiter dismissed the complaint for lack of merit. However, the Labor Arbiter directed the payment of holiday pay covering complainant’s period of employment, salary and other benefits covering the period of November 18, 2019 up to date of the decision as backwages during the period of preventive suspension beyond the 30-day period and 10% of the total monetary award as attorney’s fees, amounting to a total of ₱0.2 million.

STI ESG filed a partial appeal of the decision of the Labor Arbiter with the NLRC and in the Decision dated 10 March 2021, the NLRC granted the partial appeal of STI ESG and modified the Decision of the Labor Arbiter by deleting the monetary award in the total amount of ₱0.2 million. Thereafter, complainant filed a petition for certiorari with the Court of Appeals.

In a Resolution dated July 29, 2022 received on August 17, 2022, the Court of Appeals directed STI ESG to file its Comment to the Petition for Certiorari of the complainant within ten (10) days from notice without necessarily giving due course to the said petition.
On August 30, 2022, STI ESG filed its Comment to the Petition for Certiorari of complainant.

On September 23, 2022, STI ESG received a copy of a motion for extension of time to file comment on the petition for certiorari and compliance of the Public Attorney's Office, legal counsel for the complainant. However, such motion is erroneous as what is required of the complainant is the filing of a reply to STI ESG's comment to the petition for certiorari. On October 10, 2022, the complainant’s legal counsel filed a manifestation (in lieu of reply) stating that the complainant do not intend to file a reply to STI ESG's comment anymore.

STI ESG is waiting for action from the Court of Appeals on the pending incidents.

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 BOD, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

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

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of six percent (6.0%) 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 November 21, 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 of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15.0% 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.

After the parties filed their respective briefs, the Court of Appeals promulgated its Decision on July 12, 2022. In the Decision, the Court of Appeals affirmed the order of the Trial Court.

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022.

The said Motion for Reconsideration 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.

On August 4, 2022, the City Prosecutor of Taguig City issued the Resolution, which recommended the filing of Information against the former supervisor/accountant for qualified theft.

Based on the records of the case, the Information for Qualified Theft was filed before Branch 153-RTC Pasig (Taguig Hall of Justice).

While a Warrant of Arrest was issued for the case, the former Supervising Accountant has not been apprehended.

Consequently, the Court, in its Order dated October 27 2022, ordered the case to be archived without prejudice to prosecute the same as soon as the accused is apprehended.

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

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

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

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

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

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

STI ESG, through counsel, will file the appropriate petition before the Regional Trial Court of Makati City for the execution of the aforesaid arbitral award as required by law. 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 September 30, 2022 and June 30, 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.

No Motion for Reconsideration was filed by the complainant.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in a related case, this case 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.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in the Complaint for annulment of Extrajudicial Foreclosure Proceedings, the Tanay

Property was conveyed/assigned to STI ESG while the Pasig Property was redeemed by the Plaintiffs.

ii. *Complaint for Annulment of Extrajudicial Foreclosure Proceedings.* 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, 2022.

After the pre-trial conference, the case was referred to Judicial Dispute Resolution upon motion by the parties.

After several negotiations for settlement, the parties entered into a Memorandum of Agreement on July 29, 2022. Based on the Memorandum of Agreement, the parties agreed to settle all liabilities by (a) assigning and conveyance of the Tanay Property and (b) redemption of the Pasig Property by the Plaintiffs. Other commercial terms and conditions were agreed upon by the parties to terminate all pending cases and release of any other claims against each other.

Upon motion by the parties, the aforesaid Agreement was submitted for approval by the parties.

Considering the foregoing circumstances, the case is deemed terminated due to the amicable settlement by the parties.

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.

Before the case proceeded to trial proper, the parties have entered into an amicable settlement on, among others, the civil aspect of the case. Pursuant to the Compromise Agreement dated

October 24, 2022, the former Cashier agreed to pay the civil aspect of the case and other liabilities and damages. In return, iACADEMY agreed not to actively pursue the case and allow the same to be provisionally dismissed.

The said agreement is being implemented and awaiting for the Court to provisionally dismissed the case.

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 BOD 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 position as well as in the results of their operations.

Commitments

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 June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first drawdown from the Landbank ACADEME program amounting to ₱10.0 million matured in August 2022, while the second drawdown of ₱12.1 million is maturing in January 2023, for the 20-month tenor, while the same is maturing in August 2023 and January 2024, respectively, for the 30-month tenor.

STI ESG has ₱115.0 million domestic bills purchase lines from various local banks as at September 30, 2022 and June 30, 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.

b. Capital Commitments

As at September 30, 2022 and June 30, 2022, 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 September 30, 2022 and June 30, 2022.

STI ESG's contractual commitments also include obligation 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 ₱33.2 million and ₱32.8 million have been paid as at September 30, 2022 and June 30, 2022, respectively.

As at September 30, 2022, STI ESG's contractual commitments include obligations for the renovation of office condominium units owned by STI ESG. The related contract costs aggregated to ₱88.0 million of which ₱68.7 million have been paid as at September 30, 2022.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱275.0 million and ₱38.9 million as at September 30, 2022 and June 30, 2022, respectively. Of these, ₱98.8 million and ₱28.8 million have been paid as at September 30, 2022 and June 30, 2022, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal campus totaling ₱1,059.9 million as at September 30, 2022 and June 30, 2022. Of these, ₱991.8 million and ₱988.7 million have been paid as at September 30, 2022 and June 30, 2022, 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 upon by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company 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 ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as of March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as of March 31, 2017.

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

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

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

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

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

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

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

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

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

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

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50.0% 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 5.00% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1.00% variable compensation for every 1,000 enrollees while RAFT shall receive 5.00% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1.00% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

With the current developments in the economy and in the industry, STI ESG and RAFT have started discussing the terms of the agreement and updating the provisions to be aligned with the practices considering the adjustments made in the industry as a result of the pandemic.

28. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint venture, deposits, equity instruments at FVPL and 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 FVPL and FVOCI. The fair values of publicly-traded equity instruments designated at FVPL and 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 September 30, 2022 do not significantly differ from the fair values of these financial instruments as at June 30, 2022.

29. Note to Unaudited Interim Condensed Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱18.5 million and ₱15.1 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱3.4 million and ₱4.3 million as at September 30, 2022 and June 30, 2022, respectively. Unpaid progress billing for construction-in-progress presented under "Investment properties" amounted to nil and ₱52.4 million as at September 30, 2022 and June 30, 2022, respectively (see Notes 11 and 12).

c. Reclassification from "Other noncurrent assets" to "Property and equipment" amounting to ₱3.1 million and ₱15.4 million during the three-month periods ended September 30, 2022 and 2021, respectively.

30. Changes in Liabilities Arising from Financing Activities

	July 1, 2022	Cash Flows	Noncash Movements: Income on Rent Concessions	Reclassified as Current	Effect of Lease Termination/ Modifications (see Note 11)	New Leases	Interest Expense	Dividends Declared	September 30, 2022
Current portion of interest-bearing loans and borrowings	**₱239,135,979**	**(₱284,012,094)**	**₱–**	**₱152,095,669**	**₱–**	**₱–**	**₱–**	**₱–**	**₱107,219,554**
Bonds payable	**2,980,515,064**	**–**	**–**	**–**	**–**	**–**	**1,290,807**	**–**	**2,981,805,871**
Interest-bearing loans and borrowings - net of current portion	**1,291,461,407**	**–**	**–**	**(152,095,669)**	**–**	**–**	**(113,873)**	**–**	**1,139,251,865**
Lease liabilities	**473,316,566**	**(41,677,716)**	**–**	**–**	**(4,533,238)**	**19,713,486**	**7,383,570**	**–**	**454,202,668**
Dividends payable	**26,411,518**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,411,518**
Interest payable	**26,583,874**	**(90,250,433)**	**–**	**–**	**–**	**–**	**69,152,893**	**–**	**5,486,334**
	₱5,037,424,408	**(₱415,940,243)**	**₱–**	**₱–**	**(₱4,533,238)**	**₱19,713,486**	**₱77,713,397**	**₱–**	**₱4,714,377,810**

	July 1, 2021	Cash Flows	Noncash Movements: Income on Rent Concessions	Reclassified as Current	Effect of Lease Termination/ Modifications (see Note 11)	New Leases	Interest Expense	Dividends Declared*	September 30, 2021
Current portion of interest-bearing loans and borrowings	₱208,812,671	(₱400,000,000)	₱–	₱244,012,094	₱–	₱–	₱–	₱–	₱52,824,765
Bonds payable	2,973,082,875	–	–	–	–	–	1,815,043	–	2,974,897,918
Interest-bearing loans and borrowings - net of current portion	1,771,433,275	–	–	(244,012,094)	–	–	128,485	–	1,527,549,666
Lease liabilities	484,817,384	(26,846,800)	(2,882,909)	–	–	14,799,137	8,129,695	–	478,016,507
Dividends payable	25,934,641	–	–	–	–	–	–	36,264	25,970,905
Interest payable	33,505,531	(102,218,890)	–	–	–	–	75,115,767	–	6,402,408
	₱5,497,586,377	(₱529,065,690)	(₱2,882,909)	₱–	₱–	₱14,799,137	₱85,188,990	₱36,264	₱5,065,662,169

** Share of non-controlling interest on dividends declared by a subsidiary.*

31. **Events after Reporting Period and Other Matter**

a. On October 1, 2022, STI ESG acquired two parcels of land located at Brgy. Saluysoy, Meycauayan, Bulacan for ₱55,000 per square meter or an aggregate cost of ₱135.2 million with a total area of 2,459.0 square meters. The location is intended to be the future site of STI Academic Center Meycauayan.

b. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the 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 Enhance Community Quarantine (ECQ) throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of each cities and municipalities in different levels of community quarantine 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 to its financial position, performance and cash flows as at and for the three-month period ended September 30, 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 SHS students beginning February 2022 and April 2022, respectively. For SY 2022-2023, STI ESG and STI WNU are both implementing a flexible learning delivery modality, with full face-to-face classes on certain courses, with STI ESG on full face-to-face classes for SHS and STI WNU on blended learning method for its SHS. iACADEMY has adopted the Hyflex Learning Format for tertiary and the Hybrid set-up (blended learning) for SHS. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Financial Highlights and Key Performance Indicators

(in ₱ millions except margins, financial ratios and earnings per share)	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Increase (Decrease) Amount	Increase (Decrease) %
Condensed Statements of Financial Position				
Total assets	15,624.3	14,577.9	1,046.4	7
Current assets	4,452.3	3,421.6	1,030.7	30
Cash and cash equivalents	1,776.6	1,568.7	207.9	13
Equity attributable to equity holders of the Parent Company	8,370.9	8,413.6	(42.7)	(1)
Total liabilities	7,177.3	6,083.0	1,094.3	18
Current liabilities	2,409.2	1,201.8	1,207.4	101
Financial ratios				
Debt-to-equity ratio [(1)]	0.66	0.70	(0.0)	(6)
Current ratio [(2)]	1.85	2.85	(1.0)	(35)
Asset–to-equity ratio [(3)]	1.85	1.72	0.1	8

	(Unaudited)			
	Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Income				
Revenues	500.4	372.8	127.6	34
Direct costs [(4)]	231.2	188.4	42.8	23
Gross profit	269.2	184.4	84.8	46
Operating expenses	309.5	284.4	25.1	9
Operating loss	(40.3)	(100.0)	59.7	(60)
Other expenses – net	(9.8)	(17.0)	7.2	(42)
Loss before income tax	(50.1)	(117.0)	66.9	(57)
Net loss	(47.6)	(116.7)	69.1	(59)
EBITDA [(5)]	117.1	44.4	72.7	164
Core income (loss) [(6)]	(78.7)	(163.6)	84.9	(52)
Net income (loss) attributable to equity holders of the Parent Company	(42.4)	(114.2)	71.8	(63)
Earnings (loss) per share [(7)]	(0.004)	(0.012)	0.0	(67)

	(Unaudited)			
	Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	721.3	298.7	422.6	142
Net cash from (used in) investing activities	(124.2)	(34.1)	(90.1)	264
Net cash used in financing activities	(415.9)	(529.1)	113.2	(21)
Effect of foreign exchange rate changes on cash and cash equivalents	26.7	17.5	9.2	53

Financial Soundness Indicators

	(Unaudited)			
	As at/Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Liquidity Ratios				
Current ratio [2]	1.85	1.85	0.00	0
Quick ratio [8]	1.31	1.23	0.08	7
Cash ratio [9]	0.74	0.59	0.15	25
Solvency ratios				
Debt-to-equity ratio [1]	0.66	0.73	(0.07)	(10)
Asset-to-equity ratio [3]	1.85	1.90	(0.05)	(3)
Debt service cover ratio [10]	2.49	2.07	0.42	20
Interest coverage ratio [11]	0.35	(0.37)	0.72	(195)
Profitability ratios				
EBITDA margin [12]	24%	12%	0.12	100
Gross profit margin [13]	54%	49%	0.05	10
Operating profit margin [14]	(8%)	(27%)	0.19	(70)
Net profit (loss) margin [15]	(10%)	(31%)	0.21	(68)
Return on equity (annualized) [16]	(2%)	(6%)	0.04	(67)
Return on assets (annualized) [17]	(1%)	(3%)	0.02	(67)

[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) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net (earnings) losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL, gain on derecognition of contingent consideration and income on rent concessions.. 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 at September 30, 2022

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**1,390,920,957**	**1,113,197,016**	**13,223,045**	**19,482,370**	**245,018,526**
	1,390,920,957	**1,113,197,016**	**13,223,045**	**19,482,370**	**245,018,526**

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>

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 on the Philippine Stock Exchange on October 12, 1976. STI Holdings was then sold to Filipino investors in 2006. In March 2010, it became part of the Tanco Group of Companies. The Parent Company completed its follow-on offering of 2.9 billion shares in November 2012 comprising of primary and secondary issues. Today, it is a holding company with investments in three large educational institutions and is also the owner of Attenborough Holdings Corporation ("AHC") which was a party to the various agreements with Philippine Women's University ("PWU") and Unlad Resources and Development Corporation ("Unlad"). 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").

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

  Shortly after, STI ESG's campuses began to grow as it started granting franchises in other locations within Metro Manila, which soon expanded to other key areas in Luzon, Visayas, and Mindanao.

  Over the years, STI ESG began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges and roll out four-year college programs starting with the Bachelor's degree in Computer Science. STI ESG then slowly diversified its programs beyond Information & Communications Technology by introducing new programs in the fields of Business and Management, Accountancy, Engineering, Education, Hospitality Management, Tourism Management, and Arts and Sciences. STI ESG is also offering Senior High School ("SHS"). In School Year ("SY") 2022-2023, STI ESG began offering Bachelor of Arts in Psychology. 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 ("QA") and STI Tuguegarao for SY 2020-2021 and cessation of the operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. ("STI Bohol"), STI College Recto, Inc. ("STI Recto"), Sungold Technologies, Inc. ("STI Zamboanga"), STI College Pasay, Inc. ("STI Pasay"), STI College Dipolog, Inc. ("STI

Dipolog"), STI College San Francisco, Inc. ("STI San Francisco") and suspension of operations of STI College Parañaque, Inc. ("STI Parañaque") effective SY 2020-2021. STI 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. Further, STI Iloilo ceased to operate beginning SY 2022-2023. 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 September 30, 2022, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 36 schools while franchisees operate 27 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's total student capacity, net of the aforementioned school closures, aggregates to 147,982 students, with 104,012 pertaining to owned schools and 43,970 for franchised schools.

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

  The university offers primary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business courses such as Accountancy, Management Accounting, Business Administration, Retail Technology and Consumer Science, Hospitality and Tourism Management, Information and Communications Technology, 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. Post-graduate programs include Master's degrees in Business Administration, Public Administration 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. It boasts of its 96% job placement rate for college graduates within 6 to 12 months after graduation.

  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 has been 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.

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

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.

In October 2021, iACADEMY won as the Learning and Development Organization of the Year (Academe) at the Gawad Maestro organized by the Philippine Society for Talent Development. Cited for being a spearhead of innovative, technology-focused, and industry-relevant programs, iACADEMY is lauded for aligning its curriculum and projects with the thrust of the country's educational reform.

In December 2021, World Business Outlook awarded iACADEMY as the Most Innovative Education Provider in the Philippines and Leading Computing, Business and Liberal Arts, and Design Education Provider in the Philippines. The school was recognized for its efforts to hone globally competitive students through the inception of Vision Creative Unit, a prestigious elite group comprising of the best iACADEMY students who are to take on exclusive projects and mentorship sessions with the country's most sought-after creative professionals.

On March 9, 2022, iACADEMY was named 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.

In April 2022, iACADEMY landed among the top 10 schools with the highest number of passers at an overall 81% passing rate in the Real Estate Licensure Exam conducted by the Professional Regulation Commission ("PRC"), producing 30 licensed real estate brokers.

On March 25, 2022, iACADEMY inked a partnership with tech giant ASUS through the ASUS Edukasyon School Partner Program which aims to facilitate the technological advancement of education through the improvement of the school's IT facilities, mentorship programs for students, and support for faculty.

In June 2022, iACADEMY was officially renewed as a Toon Boom Center of Excellence ("COE"). Toon Boom Animation is the leading supplier of animation software and storyboard software for animation studios and media publishers.

In July 2022, iACADEMY was announced as the Leading Arts and Design Education Provider in the Philippines, and Most Innovative Education Provider in the Philippines for 2022 by World Business Outlook Magazine in Singapore, having participated in various international competitions such as the Negative Space Comic Book Writing Competition in New York, USA, and the Python Coding Competition hosted by Raffles University in India.

Also in July 2022, iACADEMY was again recognized by the Global Business Review Magazine based in UAE as the Best New School for Music Production and Technology for its innovative approach to education and curriculum integration of industry practices in music production and sound design in partnership with Dolby and Avid.

iACADEMY ranked number one among schools in the Real Estate Appraiser Licensure Exam. With an impressive 93.75% passing rate, iACADEMY landed first among the top-performing schools, having garnered the highest ratings in the Real Estate Appraiser Licensure Exam in September 2022.

Following the exemplary performance of iACADEMY in the education sector, it was announced as the Leading Arts and Design Education Provider in the Philippines 2022 and Most Innovative Education Provider in the Philippines 2022 by World Business Outlook Magazine in Singapore.

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, 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 give opportunities for students to offer creative outputs to advocacies, products, and service-related projects. Its partners include Unilab, Canva, Adarna House, among others.

- 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 94,000 students for SY 2022-2023. For the current SY 2022-2023, the total number of new students reached 41,565 compared with the number of new students last school year of 35,566, showing a 17% increase in the total number of new students. The total number of ongoing students for SY 2022-2023 reached 94,312 compared with 82,629 for SY 2021-2022. This represents a 14% or 11,683 increase from the SY 2021-2022 enrollment, with the number of students in the programs regulated by CHED showing a robust 18% increase from 56,342 students last SY to 66,309 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 2021-2022**	**Increase**	
			Enrollees	Percentage
STI ESG				
Owned schools	53,476	47,230	6,246	13%
Franchised schools	28,221	25,520	2,701	11%
	81,697	72,750	8,947	12%
iACADEMY	2,397	2,299	98	4%
STI WNU	10,218	7,580	2,638	35%
Total Enrollees	**94,312**	**82,629**	**11,683**	**14%**

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 2022-2023			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	56,876	1,447	23,374	81,697
iACADEMY	1,917	-	480	2,397
STI WNU	7,516	-	2,702	10,218
Total	**66,309**	**1,447**	**26,556**	**94,312**
Proportion of CHED:TESDA:DepEd	**70%**	**2%**	**28%**	**100%**

	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%**

* *STI ESG DepEd count includes 23,077 SHS students and 297 students who are enrolled in basic education in SY2022-2023 and 22,497 SHS students and 208 students who are enrolled in basic education in SY2021-2022. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 2,057 SHS students and 645 students enrolled in basic education in SY 2022-2023 and 1,367 SHS students and 589 students enrolled in basic education in SY 2021-2022.*

To contain the outbreak of 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 continued implementing 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 2022-2023, classes of SHS and tertiary students of STI ESG started on August 30, 2022 and September 2, 2022, respectively. For STI WNU, classes of SHS and tertiary students started on August 30, 2022 and September 5, 2022, respectively. Meanwhile, classes started on September 10, 2022 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 2, 2022 and August 30, 2022, 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 its 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 which 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 seven 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 are conducted online to equip the faculty members with technical skills and further cultivate the mindset necessary in an online learning environment.

From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG and STI WNU are both implementing a flexible learning delivery modality for SY 2022-2023. 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. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a distribution of 50% onsite/face-to-face and 50% asynchronous. As for SHS in STI ESG, classes are all conducted face-to-face since the opening of SY 2022-2023 while SHS classes in STI WNU are on blended modality with 50% onsite/face-to-face and 50% asynchronous. STI WNU's classes for the National Service Training Program or NSTP are on full face-to-face set up.

iACADEMY implemented the Hyflex Learning Format for tertiary. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide how to participate. The Hyflex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during a disruption. Meanwhile, SHS is implementing the Hybrid setup (blended learning) until the end of SY 2022-2023. This allows grade 11 and 12 students to alternately attend onsite and online classes within the week. Courses, particularly specialized and contextualized subjects like Science and ICT, are conducted onsite in the laboratories. General Education subjects are delivered online using Microsoft Teams, an online classroom teleconferencing platform. Both onsite and online classes use eLMS as the major platform for the repository of learning materials, assessments, and grades.

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 face-to-face classes.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results for the three–month periods ended September 30, 2022 and 2021 and financial condition as at September 30, 2022 and June 30, 2022 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 September 30, 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 September 30, 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 for SHS and tertiary, respectively, of the following year. 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 to allow for a proper appreciation of the results of operations of the Group.

I. RESULTS OF OPERATIONS

Three-month period ended September 30, 2022 vs. three-month period ended September 30, 2021

For the three-month period ended September 30, 2022, the Group generated gross revenues of ₱500.4 million, higher by 34% or ₱127.6 million from same period last year of ₱372.8 million. The increase was primarily driven by the 14% increase in the total number of students of the Group for SY 2022-2023. Gross profit likewise increased by ₱84.7 million or 46% year-on-year.

The Group recorded an operating loss of ₱40.3 million for the three-month period ended September 30, 2022 as against same period last year's operating loss of ₱100.0 million.

Earnings before interest, taxes, depreciation and amortization ("EBITDA"), computed as net income (loss) excluding provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint venture, interest expense, interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, derecognition of contingent consideration, income on rent concessions, donation income and loss on equity instruments at fair value through profit or loss, was registered at ₱117.1 million for the three-month period ended September 30, 2022, an increase of ₱72.7 million from ₱44.4 million registered during the same period last year. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use ("ROU") assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2022 is at 23% compared to 12% for the same period last year.

II. FINANCIAL CONDITION

The Group's total assets as at September 30, 2022 amounted to ₱15,624.3million, 7% or ₱1,046.4 million higher than the ₱14,577.9 million balance as at June 30, 2022. The increase was driven by the ₱859.9 million increase in receivables. Receivables from students increased from ₱605.1 million as at June 30, 2022 to ₱1,214.3 million as at September 30, 2022. Receivables from DepEd for the SHS vouchers likewise registered an increase of ₱264.0 million.

Cash and cash equivalents increased by 13% or ₱207.9 million, inclusive of tuition and other school fees received during the three-month period ended September 30, 2022, from ₱1,568.7 million to ₱1,776.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially due to the tuition and other school fees for SY 2022-2023 collected during the quarter.

Total receivables is up by ₱859.9 million from ₱531.0 million as at June 30, 2022 to ₱1,390.9 million as at September 30, 2022. Receivables from students increased by ₱609.2 million from ₱605.1 million to ₱1,214.3 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱283.8 million as at September 30, 2022, posting an increase of ₱269.2 million from ₱14.6 million as at June 30, 2022. The SHS Voucher

Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient ("QVR") is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee ("PEAC"), facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱9.4 million and ₱1.7 million as at June 30, 2022 and September 30, 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement ("MOA") with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program ("DBP RISE"). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.0 million as at September 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱11.2 million to ₱42.3 million as at September 30, 2022 from ₱31.1 million as at June 30, 2022 as receivables from STI ESG's new tenants were recognized. The rent receivables are expected to be collected within the fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱312.4 million as at June 30, 2021 to ₱344.7 million as at September 30, 2022 due to the provision for ECL recognized during the three-month period.

Inventories decreased by 20% or ₱32.1 million from ₱158.2 million to ₱126.1 million as at June 30, 2022 and September 30, 2022, respectively, due to the sale of uniforms, net of acquisitions, for the three-month period ended September 30, 2022.

Prepaid expenses increased by ₱15.4 million or 13% from ₱114.3 million as at June 30, 2022 to ₱129.7 million as at September 30, 2022. Current advances to suppliers increased by ₱10.4 million from ₱7.2 million to ₱17.6 million as at June 30, 2022 and September 30, 2022, respectively, representing advance payments made by STI WNU for the purchase of school uniforms and for repairs and maintenance of various school equipment and facilities.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. ("RCR"), a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss ("FVPL")" in the Group's consolidated statements of financial position. The carrying value of the equity instruments designated at FVPL amounted to ₱5.31 per share or an aggregate amount of ₱8.2 million as at September 30, 2022, posting a decrease of ₱1.4 million from its value as at June 30, 2022.

Deferred tax assets ("DTA") increased by ₱4.7 million from ₱26.0 million as at June 30, 2022 to ₱30.7 million as at September 30, 2022 representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱101.4 million from ₱364.9 million as at June 30, 2022 to ₱466.3 million as at September 30, 2022, representing down payments made by STI WNU relative to the construction of its new School of Basic Education building and renovation of its Engineering building as well as advance payments made by STI ESG to suppliers in relation to the purchase of school uniforms, construction of classrooms and laboratory, rehabilitation of sewerage treatment plants and repair works in preparation for the new school year.

Total current liabilities increased by ₱1,207.3 million to ₱2,409.2 million as at September 30, 2021 from ₱1,201.9 million as at June 30, 2022, mainly due to the ₱1,458.7 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).

Total equity decreased by ₱47.9 million substantially due to the net loss incurred and the actuarial losses on pension liabilities recognized for the three-month period ended September 30, 2022.

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/Three months ended September 30		
		2022	**2021**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	23%	12%	EBITDA margin improved in 2022 as compared to the same period in 2021 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	54%	49%	Gross profit margin also improved as revenues increased due to the reason cited above.

		As at/Three months ended September 30		
		2022	**2021**	**Remarks**
Return on equity	Net loss attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	(2%)	(6%)	While the return on equity is expected to be lower during the first quarter of both fiscal years as most of the revenues of the Group, which are mainly tuition and other school fees, are equivalent to only one month, since the school term for most schools only started at the end of August, the return on equity still showed an improvement as at September 30, 2022 The remaining fees will be recognized as income over the remaining months of the school year. The Group expects the ROE to improve by end of fiscal year 2022-2023.
Debt service cover ratio ("DSCR")	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	2.49	2.07	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	0.66	0.73	Debt-to-equity ratio improved due to the prepayment made by STI ESG on its Term Loan Facility.

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. On August 15, 2022, China Bank approved the temporary waiver of the DSCR requirement covering the periods ending June 30, 2023 and December 31, 2023 for STI ESG. The approval of majority of the Record Bondholders for the waiver of the DSCR requirement up to June 30, 2023 was also obtained by STI ESG. As at September 30, 2022, STI ESG has complied with the financial covenants on DSCR and Debt-to-equity ratios.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 13% or ₱207.9 million, inclusive of tuition and other school fees received during the three-month period ended September 30, 2022, from ₱1,568.7 million to ₱1,776.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially due to the tuition and other school fees for SY 2022-2023 collected during the quarter.

Total receivables is up by ₱859.9 million from ₱531.0 million as at June 30, 2022 to ₱1,390.9 million as at September 30, 2022. Receivables from students increased by ₱609.2 million from ₱605.1 million to ₱1,214.3 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱283.8 million as at September 30, 2022, posting an increase of ₱269.2 million from ₱14.6 million as at June 30, 2022. 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 PEAC, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱9.4 million and ₱1.7 million as at June 30, 2022 and September 30, 2022, respectively. On March 17, 2021, STI ESG executed a MOA with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program ("DBP RISE"). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.0 million as at September 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱11.2 million to ₱42.3 million as at September 30, 2022 from ₱31.1 million as at June 30, 2022 as a major new lease contract was consummated by STI ESG in July. The rent receivables are expected to be collected within the fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱312.4 million as at June 30, 2022 to ₱344.7 million as at September 30, 2022 due to the provision for ECL recognized during the three-month period.

Inventories decreased by 20% or ₱32.1 million from ₱158.2 million to ₱126.1 million as at June 30, 2022 and September 30, 2022, respectively, due to the sale of uniforms, net of acquisitions, for the three-month period ended September 30, 2022.

Prepaid expenses increased by ₱15.4 million or 13% from ₱114.3 million as at June 30, 2022 to ₱129.7 million as at September 30, 2022. Current advances to suppliers increased by ₱10.4 million from ₱7.2 million to ₱17.6 million as at June 30, 2022 and September 30, 2022, respectively, substantially representing advance payments made by STI WNU for the purchase of school uniforms and for repairs and maintenance of various school equipment and facilities.

In September 2021, STI ESG invested in quoted equity shares of RCR, a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss ("FVPL")" in the Group's consolidated statements of financial position. The carrying value of the equity instruments designated at FVPL amounted to ₱5.31 per share or an aggregate amount of ₱8.2 million as at September 30, 2022, posting a decrease of ₱1.4 million from its value as at June 30, 2022.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2022 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 the deeds of dacion executed in 2016. The balance of ₱1,039.7 million as at June 30, 2022 includes the Pasig City property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay") as discussed in the succeeding paragraphs. 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 its receipt. Negotiations with other interested parties are ongoing as at September 30, 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. In the same manner, the Pasig City property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property. On July 29, 2022, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig City Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale.

Property and equipment, net of accumulated depreciation, amounted to ₱9,698.4 million from ₱9,672.5 million as at September 30, 2022 and June 30, 2022, respectively. The increase, net of depreciation expense for the three-month period ended September 30, 2022, was mainly due to the reclassification of the Tanay property from "Investment properties" to "Property and equipment" account during the three-month period ended September 30, 2022. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct SHS classes is still in process as at report date. The property and equipment balance also includes costs related to the renovation of STI WNU's Engineering building amounting to ₱25.1 million.

Investment properties declined from ₱1,004.2 million as at June 30, 2022 to ₱886.4 million as at September 30, 2022, due to the depreciation expense recognized for the three-month period ended September 30, 2022 and the reclassification of the Tanay property from "Investment properties" to "Property and equipment" account since the said property is now being used by STI QA as its school building and grounds (see discussion in the previous paragraph). On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million. STI ESG also recognized the cost of the remaining works for the renovation of its office condominium units. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

Equity instruments designated at FVOCI increased by ₱0.6 million from ₱70.2 million as at June 30, 2022 to ₱70.8 million as at September 30, 2022, due to the increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets ("DTA") increased by ₱4.7 million from ₱26.0 million as at June 30, 2022 to ₱30.7 million as at September 30, 2022 representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱101.4 million from ₱364.9 million as at June 30, 2022 to ₱466.3 million as at September 30, 2022, substantially representing advances to suppliers for the down payments made by STI WNU relative to the construction of its new School of Basic Education building and renovation of its Engineering building as well as advance payments made by STI ESG to suppliers in relation to the purchase of school uniforms, construction of classrooms and laboratory, rehabilitation of sewerage treatment plants and repair works in preparation for the new school year.

Accounts payable and other current liabilities decreased by ₱117.6 million or 16% from ₱736.1 million to ₱618.5 million as at June 30, 2022 and September 30, 2022, respectively. Accounts payable decreased by ₱97.4 million due to payments to the contractors and suppliers of recently completed construction projects. Accruals for utilities and other expenses declined by ₱33.2 million. Interest payable as at September 30, 2022 decreased by ₱21.1 million representing interest payments by STI ESG and iACADEMY on their Corporate Notes Facility and Term Loan Facility in September 2022.

Unearned tuition and other school fees increased substantially by ₱1,458.7 million from ₱116.8 million as at June 30, 2022 to ₱1,575.5 million as at September 30, 2022. The unearned revenue will be recognized as income over the remaining months of the school year/related term(s).

Current portion of lease liabilities declined by ₱1.9 million from ₱109.2 million as at June 30, 2022 to ₱107.3 million as at September 30, 2022 due to payments made during the three-month period, net of reclassification to current portion of lease obligations due within the next twelve months. Noncurrent portion of lease liabilities decreased by ₱17.2 million from ₱364.1 million as at June 30, 2022 to ₱346.9 million as at September 30, 2022. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated financial statements of the Group following the adoption of Philippine Financial Reporting Standards ("PFRS") 16, *Leases*.

Current portion of interest-bearing loans and borrowings decreased by ₱131.9 million from ₱239.1 million as at June 30, 2022 to ₱107.2 million as at September 30, 2022. The balance as at September 30, 2022 represents the current portion of the Corporate Notes Facility Agreement of STI ESG with China Banking Corporation ("China Bank") amounting to ₱60.0 million, the current portion of STI ESG's Land Bank of the Philippines ("LandBank") loan amounting to ₱7.6 million and iACADEMY's ₱39.6 million Term Loan balance with China Bank. The balance as at June 30, 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 ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On September 23, 2022, China Bank approved STI ESG's request to allow a partial principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests, on the outstanding Term Loan Facility balance covering the period September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. 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 was applied in the direct order of maturity, and as such, applied to 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 was applied in the inverse order of maturity according to the repayment schedule.

Meanwhile, in July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities ("ACADEME") Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students, but not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2022. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The first drawdown from the Landbank ACADEME program amounting to ₱10.0 million matured in August 2022, while the second drawdown of ₱12.1 million is maturing in January 2023, for the 20-month tenor, while the same is maturing in August 2023 and January 2024, respectively, for the 30-month tenor.

Income tax payable amounted to ₱645.0 thousand as at September 30, 2022, representing income tax due on the taxable income of STI WNU. The balance of ₱551.5 thousand as at June 30, 2022 represents income tax payable of STI ESG's subsidiaries and STI WNU. STI ESG and iACADEMY applied their NOLCO from the previous fiscal year to their taxable income. Income tax due on the taxable income of the Parent Company and STI ESG were covered by creditable withholding taxes, while iACADEMY's income tax due was covered by prior year's excess credit and creditable withholding taxes.

Non-current portion of interest-bearing loans and borrowing decreased by ₱152.2 million from ₱1,291.5 million to ₱1,139.3 million as at June 30, 2022 and September 30, 2022, respectively, due to the prepayment made by STI ESG.

Pension liabilities increased by ₱0.7 million from ₱108.7 million to ₱109.4 million as at June 30, 2022 and September 30, 2022, respectively, representing pension expense and decrease in the market value of the investments under the pension plan assets of the Group for the three-month period ended September 30, 2022.

Other noncurrent liabilities increased by ₱54.4 million from ₱23.4 million to ₱77.8 million as at June 30, 2022 and September 30, 2022, respectively, due to 4 months advance rent and 3 months security deposit received in relation to a new five-year lease contract with iACADEMY on the building along Sen. Gil J. Puyat Avenue, Makati City.

Cumulative actuarial gain declined by ₱1.0 million from ₱27.7 million to ₱26.7 million as at June 30, 2022 and September 30, 2022, respectively, representing movement in the market value of the investments under the pension plan assets of the Group as of September 30, 2022.

Retained earnings decreased by ₱42.4 million due to the net loss attributable to equity holders of the Parent Company recognized by the Group for the three-month period ended September 30, 2022.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱500.4 million during the three-month period ended September 30, 2022, an increase of ₱127.6 million from the revenues earned for the same period last year.

Tuition and other school fees amounted to ₱370.4 million for the three-month period ended September 30, 2022, up by ₱66.6 million or 22% from same period last year attributed to the

14% or 11,683 increase in the student population for SY 2022-2023 at 94,312 compared to 82,629 enrollees for SY 2021-2022. STI ESG's wholly-owned and franchised schools registered an enrollment of 81,697 students, 8,947 or 12% more than the enrollment in SY 2021-2022. Percentage-wise, STI WNU registered the highest increase at 35% for this SY compared to last SY. Further, the Group's enrollment mix improved with enrollees in programs regulated by CHED comprising 70% of the total student population in SY 2022-2023 compared to 68% for SY 2021-2022. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 17% or 3,707 from 22,142 to 25,849 for SY 2021-2022 and SY 2022-2023, respectively.

Revenues from educational services and royalty fees both increased by 14% attributed to the 11% increase in the student population of franchised schools for SY 2022-2023. 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.

Other revenues decreased by ₱0.5 million or 2% compared to the same period last year from ₱20.8 million to ₱20.3 million for the three-month period ended September 30, 2022. As more face-to-face classes are held, internet connectivity assistance was not provided to students for the three-month period ended September 30, 2022, compared to ₱4.5 million charged to STI ESG's franchised schools for the same period last year. This was partially offset by the increase in other income from students' requests for certifications and other forms for the three-month period ended September 30, 2022.

Sale of educational materials and supplies increased by ₱56.3 million year-on-year from ₱12.0 million for the three-month period ended September 30, 2021 to ₱68.3 million for the three-month period ended September 30, 2022. Sale of educational materials and supplies recognized in the current period largely pertains to sale of uniforms as face-to-face classes resumed and enrollment increased while sale of SHS textbooks mainly accounted for the sales in the same period last year. The cost of educational materials and supplies sold likewise increased, concomitant with the increase in the sale of educational materials and supplies.

Cost of educational services increased by ₱2.6 million from ₱177.7 million for the three-month period ended September 30 last year to ₱180.3 million for the same period this year. The cost of instructors' salaries and benefits increased by ₱13.7 million due to the increased number of faculty members as a result of 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. Depreciation expense decreased by ₱0.6 million, from ₱83.7 million to ₱83.1 million, for the three-month periods ended September 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of September 30, 2021 held by closed schools and those with suspended operations. Rent expense decreased by ₱0.1 million due to savings on rental expenses attributed to the closed schools and those with suspended operations. Other direct expenses decreased by ₱10.0 million. Internet connectivity assistance to students is not provided this school year as more classes are held face-to-face. Also, the increase in school materials and supplies expense of ₱0.9 million or 79% was due to costs incurred in relation to the transition to onsite classes this year.

General and administrative expenses increased by ₱25.1 million from ₱284.4 million to ₱309.5 million for the three-month periods ended September 30, 2021 and 2022, respectively. Light and water expenses increased by ₱14.9 million from ₱15.9 million to ₱30.8 million for the three-month periods ended September 30, 2021 and 2022, respectively, as more face-to-face classes are held and the cost of electricity increased. Expenses for clerical, security and janitorial services increased by ₱7.4 million year-on-year. Salaries and benefits are higher by ₱9.0 million for the three-month period ended September 30, 2022 compared to same period last year as salary adjustments were implemented this year. Also, certain plantilla positions were filled up during the three months ended September 30, 2022 in preparation for the face-to-face classes this year. For SY 2022-2023, the Group toned down its TV and radio advertisements and connected with students and their influencers largely through social media platforms, as these reach people more quickly and easily. The Group also focused on creating various short-form videos with bite-size contents that are visually appealing and attention-grabbing. These short-form videos entail lower costs. Thus, the Group recognized advertising and promotions expenses amounting to ₱9.4 million for the three-month period ended September 30, 2022, lower by ₱10.7 million compared to ₱20.1 million for the same period last year. The Group recognized a provision for ECL amounting to ₱32.3 million from the three-month period ended September 30, 2022. This is slightly lower by ₱1.4 million compared to ₱33.7 million for the three-month period ended September 30, 2021 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2022. 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 of receivables from the students for prior years. Rent expense decreased by ₱0.4 million due to savings on rent expenses attributed to the closed schools and those with suspended operations.

The Group's operating loss for the three-month period ended September 30, 2022 amounted to ₱40.3 million, an improvement of ₱59.7 million or 60% from the operating loss of ₱100.0 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement of the enrollment mix in favor of students enrolled under the CHED programs, as well as strict control of direct and administrative expenses.

Interest expenses decreased by ₱7.5 million from ₱85.2 million for the three-month period ended September 30, 2021, to ₱77.7 million for the same period this year mainly due to the partial principal prepayment made by STI ESG on its Term Loan Facility with China Bank.

Rental income increased by ₱12.6 million year-on-year due to new lease agreements entered into by STI ESG during the three-month period ended September 30, 2022 in one of its investment properties.

The Group recognized unrealized gain on foreign exchange rate differences attributed to STI ESG's dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences on the dollar-denominated cash and cash equivalents of STI ESG and iACADEMY amounting to nil and ₱0.2 million for the three-month periods ended September 30, 2022 and 2021, respectively.

Interest income increased by ₱1.6 million from last year's ₱1.3 million to ₱2.9 million for the three-month period ended September 30 this year due to interest earned on the Group's short-term investments.

Recovery of accounts written-off amounted to ₱2.7 million for the three-month period ended September 30, 2022 compared to ₱2.5 million for the same period last year due to improved collection efficiencies.

Fair value loss of ₱1.4 million was recorded for the three-month period ended September 30, 2022 based on the market value of STI ESG's quoted equity shares as at September 30, 2022.

STI ESG recorded dividend income from RCR and De Los Santos Medical Center, Inc. amounting to ₱0.2 million and ₱0.9 million, respectively, for the three-month period ended September 30, 2022.

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 ₱2.9 million for the three-month period ended September 30, 2021. Included in other income for the three-month period ended September 30, 2021 is the difference between the nontrade payable, contingent liability to the former shareholders of STI WNU amounting to ₱50.0 million and the ₱25.0 million full and final settlement thereof paid on September 14, 2021 in accordance with the terms of the compromise agreement between STI Holdings and the Agustin Family, the former shareholders of STI WNU.

Equity in net earnings of associates and joint venture amounted to ₱0.8 million for the three-month period ended September 30, 2022 compared to the equity in net loss of associates and joint venture amounting to ₱0.1 million recorded for the same period last year.

The Group recognized a gain on sale amounting to ₱1.4 million for the three-month period ended September 30, 2021 attributed to the disposal of STI ESG's transportation equipment.

The Group also recognized other income amounting to ₱4.7 million for the three-month period ended September 30, 2022 representing donation from a third-party institution, as part of the partnership program between STI ESG and the third-party institution for delivering certification courses, simulation tools, and training materials to eligible students.

Benefit from income tax amounting to ₱2.5 million and ₱0.2 million were recognized for the three-month periods ended September 30, 2022 and 2021, respectively, due to the net loss recognized for these periods.

Net loss of ₱47.6 million was recorded for the first three months this year, as against ₱116.7 million net loss for the same period last year, an improvement of ₱69.1 million or 59%.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.6 million for the three-month period ended September 30, 2022, compared to negative ₱69.5 thousand for the three-month period ended September 30, 2021 due to the movement in the price of quoted equity shares held by STI ESG.

The Group recognized a remeasurement loss on pension liability amounting to ₱0.9 million and ₱1.6 million, net of income tax effect, for the three-month periods ended September 30, 2022 and 2021, respectively, due to the adjustments in the market value of equity shares forming part of STI ESG's pension assets.

Total comprehensive loss of ₱47.9 million was incurred for the three-month period ended September 30, 2022, compared to ₱118.4 million total comprehensive loss for the same period last year, an improvement of 60% or ₱70.5 million due to the 14% increase in enrollment and favorable enrollment mix.

EBITDA is up by ₱72.7 million from ₱44.4 million to ₱117.1 million for the three-month periods ended September 30, 2021 and 2022, respectively. EBITDA margin for the three-month period ended September 30, 2022 is at 23% compared to 12% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱78.7 million for the three-month period ended September 30, 2022 compared to the negative ₱163.6 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.

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

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

In relation to the Group's interest-bearing loans and borrowings, the DSCR, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and 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 September 30, 2022 and 2021, the Group's debt service cover ratios are 2.49:1.00 and 2.07:1.00, respectively. As at June 30, 2022, the Group's debt service cover ratio is 1.95:1.00.

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

It is the Group's policy to require 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 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 September 30, 2022 and 2021, the Group's debt-to-equity ratios are 0.66:1.00 and 0.73:1.00, respectively. As at June 30, 2022, the Group's debt-to-equity ratio is 0.70:1.00.

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 27 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

e. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 27 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 17 and 18 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 2022-2023, classes of SHS and tertiary students of STI ESG started on August 30, 2022 and September 2, 2022, respectively. For STI WNU, classes of SHS and tertiary students started on August 30, 2022 and September 5, 2022, respectively. Meanwhile, classes started on September 10, 2022 for STI WNU's School of Graduate Studies ("SGS"). 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 18 of the Notes to 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 upon 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. 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.

With the current developments in the economy and in the industry, STI ESG and RAFT have started discussing the terms of the agreement and updating the provisions to be aligned with the practices considering the adjustments made in the industry as a result of the pandemic.

m. 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 the CHED in June 2021, and the DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate effective SY 2022-2023.

   On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

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

   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 July 1, 2020 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 July 1, 2020

to June 30, 2023.

- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax ("IAET") is repealed.

Pursuant to the provisions of the CREATE Act, the 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 on April 11, 2021.

Arsenio C. Cabrera

From:	ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent:	Monday, 21 November 2022 3:39 PM
To:	Arsenio C. Cabrera
Subject:	Re: STI Education Systems Holdings, Inc._SEC Form 17-Q For the Quarter Ended 30 September 2022_21November2022

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD. (Subject to Verification and Review of the Quality of the Attached Document) Official copy of the submitted document/report with Barcode Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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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, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail, eFAST or over- the- counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the ELECTRONIC FILING AND SUBMISSION TOOL (eFAST) such as: AFS, GIS, GFFS, LCFS, LCIF, FCFS. FCIF, IHFS, BDFS, PHFS etc. ANO, ANHAM, FS-PARENT,
FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

FOR MC28, please go to SEC website:

https://apps010.sec.gov.ph

For your information and guidance.

Thank you and keep safe.