Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
Wed 10/26/2022 6:50 PM
To: Info STI Holdings <info@stiholdings.com.ph>
Cc: Ricafort-Waban, Annariza <annariza.waban@stiholdings.com.ph>

Hi STI EDUCATION SYSTEMS HOLDINGS INC,

Valid files

- EAFS000126853RPTTY062022.pdf
- EAFS000126853AFSTY062022.pdf
- EAFS000126853TCRTY062022-03.pdf
- EAFS000126853ITRTY062022.pdf
- EAFS000126853TCRTY062022-02.pdf
- EAFS000126853TCRTY062022-01.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-3MZZYW1Z08EEJ9LHLNS3T2RWV0NR31M43Q**
Submission Date/Time: **Oct 26, 2022 06:32 PM**
Company TIN: **000-126-853**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
Wed 10/26/2022 6:52 PM
To: Info STI Holdings <info@stiholdings.com.ph>
Cc: Ricafort-Waban, Annariza <annariza.waban@stiholdings.com.ph>

Hi STI EDUCATION SYSTEMS HOLDINGS INC,

Valid file

- EAFS000126853TCRTY062022-04.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-34RXTNMN0NRWWVRY1NP3RYPXZ0QT4SVZN3**
Submission Date/Time: **Oct 26, 2022 06:34 PM**
Company TIN: **000-126-853**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	7	4	6

COMPANY NAME

STI EDUCATION SYSTEMS HOLDINGS, INC.

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

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

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

COMPANY INFORMATION

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**	**June 30**

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of STI Education Systems Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at June 30, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and 2021, and its financial performance and its cash flows for the years then ended 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 Parent Company Financial Statements* section of our report. We are independent of the Company 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 parent company 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.

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

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

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Company'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 Company'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 parent company 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 Company to cease to continue as a going concern.

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

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.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of STI Education Systems Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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.** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements, including the schedules attached therein, as at June 30, 2022 and 2021 and for the years ended June 30, 2022 and 2021, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the parent company 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 parent company financial statements of the Company 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 CEO

YOLANDA M. BAUTISTA
Treasurer and CFO

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. Affiants exhibited to me their respective Passport/SSS numbers as follows:

Name	Number	Date/Place of Issuance
Eusebio H. Tanco	Passport No. PO992946B	11/02/19, DFA Manila
Monico V. Jacob	Passport No. P6179864B	01/26/21, DFA NCR East
Yolanda M. Bautista	SSS No. 03-2678038-9	Makati City

Doc/ No. 312
Page No. 64
Book No. XXXV
Series of 2022

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

STI EDUCATION SYSTEMS HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱39,819,149**	₱4,894,257
Advances (Note 5)	**320,669**	713,842
Other current assets (Note 6)	**17,981,203**	15,871,001
	58,121,021	21,479,100
Noncurrent asset held for sale (Note 8)	**1,020,728,064**	1,020,728,064
Total Current Assets	**1,078,849,085**	1,042,207,164
Noncurrent Assets		
Investments in subsidiaries (Note 7)	**16,803,242,538**	16,803,242,538
Investment properties (Note 8)	**284,739,834**	284,739,834
Property and equipment (Note 9)	**1,896,668**	3,974,873
Deferred tax asset - net (Note 16)	**61,750**	214,562
Other noncurrent assets (Note 10)	**1,183,366**	1,046,558
Total Noncurrent Assets	**17,091,124,156**	17,093,218,365
TOTAL ASSETS	**₱18,169,973,241**	₱18,135,425,529
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 7, 11 and 12)	**₱85,321,153**	₱134,690,332
Current portion of lease liabilities (Note 15)	**1,061,538**	3,404,429
Dividends payable (Note 13)	**12,156,181**	12,141,372
Total Current Liabilities	**98,538,872**	150,236,133
Noncurrent Liabilities		
Subscription payable (Notes 7 and 12)	**64,000,000**	64,000,000
Lease liabilities - net of current portion (Note 15)	**749,116**	1,031,541
Total Noncurrent Liabilities	**64,749,116**	65,031,541
Total Liabilities	**163,287,988**	215,267,674
Equity		
Common stock (Note 13)	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**11,254,677,345**	11,254,677,345
Fair value change in equity instruments at fair value through other comprehensive income (FVOCI) (Note 10)	**54,828**	158,578
Retained earnings (Note 13)	**1,799,549,618**	1,712,918,470
Total Equity	**18,006,685,253**	17,920,157,855
TOTAL LIABILITIES AND EQUITY	**₱18,169,973,241**	₱18,135,425,529

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30	
	2022	2021
REVENUES		
Dividend income (Notes 7 and 12)	**₱177,002,427**	₱39,471,198
Advisory fee (Note 12)	**18,510,000**	18,722,500
	195,512,427	58,193,698
EXPENSES		
Outside services (Note 8)	**16,871,486**	12,191,013
Salaries and allowances (Note 12)	**6,911,750**	7,458,670
Depreciation and amortization (Notes 8, 9 and 15)	**3,520,016**	5,575,631
Taxes and licenses	**1,940,440**	1,526,567
Meetings and conferences	**1,369,458**	967,617
Transportation and travel	**1,268,768**	1,441,627
Membership fees and dues	**1,194,210**	1,177,967
Advertising and promotions (Note 12)	**646,111**	751,160
Supplies	**558,452**	843,055
Utilities (Note 12)	**484,451**	335,261
Representation and entertainment	**146,342**	92,814
Communication	**134,220**	184,035
Miscellaneous	**232,784**	729,709
	35,278,488	33,275,126
OTHER INCOME (EXPENSE)		
Derecognition of contingent consideration (Notes 11 and 17)	**25,000,000**	–
Interest expense (Note 15)	**(262,138)**	(483,056)
Interest income (Note 4)	**211,924**	118,092
Others (Note 12)	**841,822**	947,143
	25,791,608	582,179
INCOME BEFORE INCOME TAX	**186,025,547**	25,500,751
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 16)		
Current	**193,518**	196,696
Deferred	**152,812**	(110,759,403)
	346,330	(110,562,707)
NET INCOME	**185,679,217**	136,063,458
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods -		
Fair value change in equity instruments at FVOCI (Note 10)	**(103,750)**	(194,220)
TOTAL COMPREHENSIVE INCOME	**₱185,575,467**	₱135,869,238
Basic/Diluted Earnings Per Share (Note 14)	**₱0.01875**	₱0.01374

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Capital Stock (Note 13)	Additional Paid-in Capital	Fair Value Change in Equity Instruments at FVOCI (Note 10)	Retained Earnings (Note 13)	Total
Balance at July 1, 2021	**₱4,952,403,462**	**₱11,254,677,345**	**₱158,578**	**₱1,712,918,470**	**₱17,920,157,855**
Net income	**–**	**–**	**–**	**185,679,217**	**185,679,217**
Other comprehensive loss	**–**	**–**	**(103,750)**	**–**	**(103,750)**
Total comprehensive income (loss)	**–**	**–**	**(103,750)**	**185,679,217**	**185,575,467**
Dividends	**–**	**–**	**–**	**(99,048,069)**	**(99,048,069)**
Balance at June 30, 2022	**₱4,952,403,462**	**₱11,254,677,345**	**₱54,828**	**₱1,799,549,618**	**₱18,006,685,253**
Balance at July 1, 2020	₱4,952,403,462	₱11,254,677,345	₱352,798	₱1,613,502,798	₱17,820,936,403
Net income	–	–	–	136,063,458	136,063,458
Other comprehensive loss	–	–	(194,220)	–	(194,220)
Total comprehensive income (loss)	–	–	(194,220)	136,063,458	135,869,238
Dividends	–	–	–	(36,647,786)	(36,647,786)
Balance at June 30, 2021	₱4,952,403,462	₱11,254,677,345	₱158,578	₱1,712,918,470	₱17,920,157,855

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Years Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱186,025,547**	₱25,500,751
Adjustments to reconcile income before income tax to net cash flows:		
Dividend income (Notes 7 and 12)	**(177,002,427)**	(39,471,198)
Depreciation and amortization (Notes 8, 9 and 15)	**3,520,016**	5,575,631
Interest expense (Note 15)	**262,138**	483,056
Interest income (Note 4)	**(211,924)**	(118,092)
Operating income (loss) before working capital changes	**12,593,350**	(8,029,852)
Decrease in:		
Receivables	**394,072**	2,010,520
Other current assets	**505,780**	446,256
Decrease in accounts payable and other current liabilities	**(49,369,179)**	(1,475,702)
Net cash used for operations	**(35,875,977)**	(7,048,778)
Income taxes paid	**(2,809,500)**	(3,029,482)
Interest received	**211,924**	118,092
Net cash used in operating activities	**(38,473,553)**	(9,960,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	**177,001,528**	39,471,198
Acquisitions of property and equipment (Note 9)	**(338,908)**	(66,920)
Decrease (increase) in other noncurrent assets	**(240,558)**	10,952
Net cash provided by investing activities	**176,422,062**	39,415,230
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends (Note 13)	**(99,033,260)**	(36,645,284)
Lease liabilities (Note 15)	**(3,990,357)**	(3,557,535)
Cash used in financing activities	**(103,023,617)**	(40,202,819)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**34,924,892**	(10,747,757)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,894,257**	15,642,014
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱39,819,149**	₱4,894,257

See accompanying Notes to Parent Company Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

STI Education Systems Holdings, Inc. (STI Holdings or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The 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 and registered with the SEC on June 28, 1946. The Company's shares were listed on the Philippine Stock Exchange (PSE) on October 12, 1976. On June 25, 1996, the SEC approved the extension of the Company's corporate life for another fifty (50) years. The primary purpose of the 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 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 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 Company from starting on April 1 of each year ending on March 31 of the following year to starting on July 1 of each year ending on June 30 of the following year; and, (3) change in the date of its Annual Stockholders' meeting from every last Friday of September to every third Friday of November of each year. The SEC approved the amendments on January 29, 2020. The Bureau of Internal Revenue (BIR) approved the change of the fiscal year on July 13, 2020.

The parent company financial statements have been approved and authorized for issuance by the BOD on October 10, 2022.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The accompanying parent company financial statements have been prepared under the historical cost basis, except for investments in equity instruments that have been measured at fair value. The parent company financial statements are presented in Philippine Peso, the Company's functional and presentation currency, and all values are rounded to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the

International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the new and amended standards effective July 1, 2021. The adoption of these new standards and amendments did not have any significant impact on the parent company 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 Company 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 apply retrospectively, however, the Company is not required to restate prior periods.

Standards Issued but Not Yet Effective
Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. The Company does not expect that the future adoption of the said pronouncements will have a significant impact on the parent company financial statements.

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 Company 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.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

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

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

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

  - 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 Company 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.

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. The amendments are not expected to have a material impact on the Company.

- 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 Company is currently assessing the impact of adopting the amendments to PAS 12.

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. The amendments are not expected to have a material impact on the Company.

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 Company as the Company has no activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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 Company has not early adopted the previously mentioned standards. The Company 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 parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- 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 Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Company measures financial instruments at fair value at each financial reporting date.

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 Company.

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 nonfinancial 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 Company 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 parent company 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 parent company financial statements on a recurring basis, the Company 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 every financial reporting date.

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 Company 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 Company'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 Company 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 in the previous section.

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 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 or 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 Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

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 Company 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 Company'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 Company'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)
- Financial assets at FVPL

As at June 30, 2022 and 2021, the Company has no debt instruments and financial assets at FVPL.

a. *Financial Assets at Amortized Cost (Debt Instruments).* The Company 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 Company's financial assets at amortized cost include cash and cash equivalents, receivables and refundable deposits as at June 30, 2022 and 2021.

b. *Financial Assets designated at FVOCI (Equity Instruments).* Upon initial recognition, the Company 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. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

Impairment of Financial Assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments that are 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 Company 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and refundable deposits, the Company applies a general approach in calculating ECL. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its financial assets since initial recognition.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company 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 the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company 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 Company 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 Company 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 Company determines the classification of its financial liabilities at initial recognition.

As at June 30, 2022 and 2021, the Company's financial liabilities include accounts payable and other current liabilities, dividends payable, subscription payable and lease liabilities which are classified as loans and borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As at June 30, 2022 and 2021, the Company has no financial liabilities at FVPL.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the parent company 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 as finance costs in the parent company statement of comprehensive income. Other financial liabilities include interest-bearing loans and borrowings.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled 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 profit or loss in the parent company statement of comprehensive income.

c. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the parent company 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 Company 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 Company and all of the counterparties.

Creditable Withholding Taxes (CWT)
CWT represents the amount withheld by counterparties from the Company. 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 under the “Other current assets” account in the parent company statement of financial position. CWT is stated at its estimated net realizable value (NRV).

Noncurrent Asset Held for Sale
The Company 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. Noncurrent asset held for sale is presented separately as part of current assets in the parent company statement of financial position.

Investment in Subsidiaries
The Company’s investment in subsidiaries (entities which the Company controls) is carried in the parent company statement of financial position at cost less any accumulated impairment in value.

Investment Properties
Investment properties include land and buildings and improvements held by the Company for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value.

Depreciation of buildings is computed on a straight-line basis over 20 to 25 years. 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 parent company 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 Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and Equipment

The Company's property and equipment consist of equipment, leasehold improvements, furniture and fixtures and right-of-use assets that do not qualify as investment properties.

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment consists of its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the parent company statement of comprehensive income in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its original assessed standard of performance, the expenditures are capitalized as an additional costs of property and equipment.

It is the Company's policy to classify right-of-use assets as part of property and equipment. The Company recognizes right-of use (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 cost of ROU assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company 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 of property and equipment or lease term (in the case of ROU assets), whichever is shorter:

Asset Type	Number of Years
Office equipment	2-3 years
Leasehold improvements	5 years or term of the lease, whichever is shorter
Furniture and fixtures	2-3 years

Asset Type	Number of Years
Right-of-use asset - building	4 years
Right-of-use asset - transportation equipment	3 years

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. The useful lives of property and equipment are estimated based on the period over which property and equipment are expected to be available for use and on collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of the property and equipment are updated if expectations differ from previous estimates due to wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

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 from derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the parent company statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets

Investments in Subsidiaries, Investment Properties and Property and Equipment. The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. The recoverable amount of the asset is the greater of fair value less cost to sell and value in use. The fair value is the amount obtainable from the sale of an asset in arm's length transaction between knowledgeable, willing parties, less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their presented value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Any impairment loss is charged to the parent company statement of comprehensive income.

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 assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization in the case of property and equipment, had no impairment loss been recognized for the asset in the prior years. Such reversal is recognized in the parent company statement of comprehensive income. After such reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

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 of proceeds, net of tax.

Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Retained earnings represent the Company's net accumulated earnings less cumulative dividends declared. Dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Dividends approved after the financial reporting date are dealt with as an event after the reporting date.

Retained earnings may also include effect of changes in accounting policy as may be required by the transitional provisions of new accounting standards and interpretations.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company 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 Company 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).

Advisory Fee. Advisory fee is satisfied at a point in time and is recognized when the service is rendered.

Dividend Income
Dividend income is recognized when the right to receive has been established.

Interest Income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the effective interest rate.

Other Income
Other income is recognized when earned.

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 parent company statement of comprehensive income in the period these are incurred.

Provisions
Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Earnings Per Share
The Company presents basic and diluted earnings per share rate for its common shares. Basic Earnings Per Share (EPS) is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted EPS is calculated in the same manner, adjusted for the dilutive effect of any potential common shares. As the Company has no dilutive common shares outstanding, basic and diluted earnings per share are stated at the same amount.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an 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).

As a Lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Company recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

Right-of-Use Assets. The Company classifies its ROU assets as part of property and equipment. Refer to the accounting policies in “Property and equipment” section.

Lease Liabilities. At the commencement date of the lease, the Company 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 Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate 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.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior years 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 substantively enacted as at financial reporting date.

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at the 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 profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward benefit of unused tax credits and unused tax losses 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 profit nor taxable profit or loss.

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 reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset, to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial reporting date.

Deferred tax relating to items recognized directly in equity is also included in equity and not in profit or loss of the parent company statement of comprehensive income.

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 the taxation authority is included under the “Other current assets” account in the parent company statement of financial position.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the parent company financial position at the financial reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to parent company financial statements, when material.

Segment Reporting
For management purposes, STI Holdings and its subsidiaries (collectively referred to as 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 21 to the parent company financial statements.

3. Management's Use of Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in conformity with PFRSs requires the Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company 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 parent company financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the parent company financial statements.

In response to the Coronavirus Disease 2019 (COVID-19), which has caused global economic disruption, the Company has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the impact or potential impact of COVID-19 pandemic on the Company's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2022 and 2021 parent company financial statements, other than those disclosed under this section.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which have the most significant effect on the amounts recognized in the parent company financial statements.

Contingencies. The Company is involved in several cases. Management and its legal counsels believe that the Company 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 parent company 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 17).

Noncurrent asset held for sale. On June 24, 2021, the Parent Company's BOD approved the sale to an interested buyer of the Company's properties located in Quezon City ("Quezon City dacion properties") which were obtained by the 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; and
- 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 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 for the years ended June 30, 2022 and 2021 as a result of such classification (see Note 8).

In May and June 2022, the 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.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the parent company financial statements within the next financial year are discussed as follows:

Leases - Estimating the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company 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 Company '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 Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Company's lease liabilities as at June 30, 2022 and 2021 are disclosed in Note 15 to the parent company financial statements.

Impairment of Nonfinancial Assets. PFRSs requires nonfinancial assets to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include investment in subsidiaries, investment properties, property and equipment 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 Company believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the parent company 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 Company.

Nonfinancial assets that are subject to impairment testing as at June 30, 2022 and 2021 are as follows:

	2022	2021
Investments in subsidiaries (see Note 7)	**₱16,803,242,538**	₱16,803,242,538
Investment properties (see Note 8)	**284,739,834**	284,739,834
Property and equipment (see Note 9)	**1,896,668**	3,974,873

No provision for impairment on these nonfinancial assets were recognized for the years ended June 30, 2022 and 2021.

Recognition of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Since the Company is a holding company, management assessed that no sufficient future taxable income will be generated to allow all or part of its deferred tax assets to be utilized as the Company's income mainly pertains to passive income which are not subject to income tax.

As at June 30, 2022 and 2021, unrecognized deferred tax assets arising from unused NOLCO and MCIT amounted to ₱11.7 million and ₱11.2 million, respectively (see Note 16).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱5,000**	₱5,000
Cash in banks	**8,601,709**	1,343,497
Cash equivalents	**31,212,440**	3,545,760
	₱39,819,149	₱4,894,257

Interest income earned from cash in banks and cash equivalents for the years ended June 30, 2022 and 2021 amounted to ₱0.21 million and ₱0.12 million, respectively.

5. Advances

	2022	2021
Advances to officers and employees (see Note 12)	**₱12,328**	₱407,893
Others	**308,341**	305,949
	₱320,669	₱713,842

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

Others primarily pertain to advances for legal services which are noninterest-bearing and are expected to be liquidated within one year.

6. Other Current Assets

	2022	2021
Creditable withholding taxes	**₱15,539,470**	₱12,923,488
Input VAT – net	**1,950,058**	2,155,907
Others	**491,675**	791,606
	₱17,981,203	₱15,871,001

7. Investments in Subsidiaries

As at June 30, 2022 and 2021, the Company carries its investments in shares of stock under the cost method as follows:

	Principal Place of Business	Percentage of Ownership	Cost
STI Education Services Group, Inc. (STI ESG)	Cainta, Rizal	98.66%	₱15,283,676,041
STI West Negros University, Inc. (STI WNU)	Bacolod City, Negros Occidental	99.86%	592,398,926
Information and Communications Technology Academy, Inc. (iACADEMY)	Makati	100.00%	782,167,571
Attenborough Holdings Corp. (AHC)	Makati	100.00%	145,000,000
			₱16,803,242,538

STI ESG

STI ESG has investments in several entities which own and operate STI schools. 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).

On November 26, 2021, the Company received cash dividends from STI ESG amounting to ₱0.05 per share or ₱152.0 million while on November 18, 2020, the Company received cash dividends from STI ESG amounting to ₱0.013 per share or ₱39.5 million (see Note 12).

STI WNU

On September 11, 2013, STI Holdings executed a Share Purchase Agreement with the former shareholders of STI WNU (the Agustin family). STI WNU owns and operates STI West Negros University in Bacolod City. It offers elementary, secondary including SHS, tertiary education and post-graduate courses.

On October 1, 2013, STI Holdings entered into a Deed of Absolute Sale to acquire the shares in STI WNU constituting 99.45% of the issued and outstanding common stock and 99.93% of the issued and outstanding preferred stock of STI WNU for an aggregate purchase price of ₱400.0 million, inclusive of contingent consideration. The acquisition cost was eventually recorded at ₱397.0 million broken down as follows: (a) cash payment of ₱238.2 million, including advances amounting to ₱34.4 million; (b) contingent consideration amounting to ₱151.5 million and (c) payable to STI WNU on behalf of STI WNU's previous shareholders amounting to ₱7.3 million. Certain acquisition-related expenses amounting to ₱4.7 million were capitalized as part of the cost of acquiring STI WNU.

On November 18, 2013, STI WNU's BOD approved the reclassification of its preferred shares into common shares. On March 12, 2015, the SEC approved the reclassification upon the approval of the increase in authorized capital stock from 300,000 preferred shares with ₱100 par value per share and 700,000 common shares with ₱100 par value per share to 10,000,000 common shares with ₱100 par value per share. Consequently, preferred shares owned by the Company were converted to common shares bringing its ownership to 99.86% of STI WNU's issued and outstanding common stock.

As at June 30, 2022 and 2021, the Company's remaining liability for contingent consideration amounting to ₱17.0 million and ₱67.0 million, respectively, is presented as nontrade payable under "Accounts payable and other current liabilities" account in the parent company statements of financial position (see Notes 11 and 22).

On August 27, 2021, the Company received cash dividends from STI WNU amounting to ₱0.08 per share or ₱25.0 million (see Note 12).

<u>iACADEMY</u>

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's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City.

It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016. Classes are conducted at iACADEMY Nexus building along Yakal St. in Makati City, with top of the line multimedia arts laboratories and computer suites.

On September 27, 2016, STI Holdings purchased 100 million iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG for a purchase price of ₱113.5 million. STI Holdings also subscribed to 100 million shares out of the 400 million increase in the authorized capital stock of iACADEMY, which was approved by the SEC on November 9, 2016, at an aggregate subscription price of ₱100.0 million. With this, iACADEMY became a wholly-owned subsidiary of STI Holdings.

On September 7, 2017, the Board of Governors (BOG) of iACADEMY and BOD of Neschester Corporation (Neschester) 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 was filed with the SEC on January 24, 2018 and was approved on April 10, 2018.

On the same date, September 7, 2017, the BOG and stockholders of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million to ₱1,000.0 million. The purpose of the increase in authorized capital stock is to issue sufficient shares to the Company pursuant to the plan of merger. The application for the increase in authorized capital stock was filed with the SEC on January 30, 2018 and was approved on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to the Company in exchange for the net assets of Neschester as a result of the merger.

<u>AHC</u>
AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement with STI Holdings, Philippine Women's University (PWU) and Unlad Resources Development Corporation (Unlad) (see Note 8).

In May 2014, STI Holdings made a deposit of ₱56.0 million for 40.0% ownership in AHC. In November 2014, the said deposit was converted into ₱56.0 million AHC shares following the SEC approval of the increase in the authorized capital stock of AHC.

On February 11, 2015, the Company acquired the remaining 60.0% ownership in AHC, including subscription rights, from various individuals for a consideration of ₱25.0 million making AHC a wholly-owned subsidiary.

On March 1, 2016, the Company and AHC executed a Deed of Assignment wherein AHC assigned its AHC Loan to Unlad, including capitalized foreclosure expenses, totaling to ₱66.7 million for a cash consideration of ₱73.8 million (see Notes 11 and 17). 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 Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings (see Note 17).

As at June 30, 2022 and 2021, the Company has unpaid subscription to AHC, presented as "Subscription payable" under noncurrent liability in the parent company statements of financial position, amounting to ₱64.0 million.

8. Investment Properties and Noncurrent Asset Held for Sale

	2022		
	Land	**Buildings and Improvements**	**Total**
Cost			
Balance at beginning and end of year	**₱284,739,834**	**₱–**	**₱284,739,834**
Accumulated Depreciation and Amortization			
Balance at beginning and end of year	**–**	**–**	**–**
Net Book Value	**₱284,739,834**	**₱–**	**₱284,739,834**

	2021		
	Land	Buildings and Improvements	Total
Cost			
Balance at beginning of year	₱1,289,399,135	₱29,124,000	₱1,318,523,135
Reclassification to noncurrent asset held for sale	(1,004,659,301)	(29,124,000)	(1,033,783,301)
Balance at end of year	284,739,834	–	284,739,834

(Forward)

	2021		
	Land	Buildings and Improvements	Total
Accumulated Depreciation and Amortization			
Balance at beginning of year	₱–	₱10,687,688	₱10,687,688
Depreciation and amortization	–	2,367,549	2,367,549
Reclassification to noncurrent asset held for sale	–	(13,055,237)	(13,055,237)
Balance at end of year	–	–	–
Net Book Value	₱284,739,834	₱–	₱284,739,834

The Company's investment properties include parcels of land located in Davao City currently held by the Company for capital appreciation and are not used in business.

These properties, including certain parcels of land, buildings and improvements located in Quezon City (Quezon City dacion properties), were obtained by the Company from Unlad through the Deeds of Dacion executed on March 31, 2016 pursuant to a Memorandum of Agreement (MOA) as discussed in Note 17 for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Company, arising from the loans extended by the Company to PWU and Unlad when the 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 17). 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.

The Company engaged security services for the Quezon City and Davao properties, recorded under "Outside services" in the parent company statements of comprehensive income. Security services for the years ended June 30, 2022 and 2021 amounted to ₱5.0 million.

On June 24, 2021, the 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. Consequently, the carrying value of these properties amounting to ₱1,020.7 million was reclassified to "Noncurrent asset held for sale" account in the parent company statement of financial position as at June 30, 2021. With the classification as noncurrent asset held for sale, the 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 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.

Fair Value

The fair values of these properties were determined by an independent professionally qualified appraiser. 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.

The fair value of the Company's investment properties amounted to ₱421.9 million and ₱341.6 million as at June 30, 2022 and 2021, respectively.

Level 2 fair value of land, classified as investment properties, has been derived using the market approach. The market approach is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at June 30, 2022 and 2021, the following shows the valuation techniques used in measuring the fair value of land, as well as the significant unobservable inputs used:

	2022	2021
Fair value	**₱421,932,000**	₱341,564,000
Total area (in square meters)	**40,184**	40,184
Fair value by square meters	**40,184 sq. m. at ₱10,500 sq. m.**	40,184 sq. m. at ₱8,500 sq. m.
Valuation date	**September 9, 2022**	June 17, 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**External factors - net price per square meter**	External factors - net price per square meter
	Internal factors - location, size, depth, influence, and time element	Internal factors - 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

The highest and best use of the Davao property is institutional land development.

9. Property and Equipment

	2022					
	Office Equipment	**Leasehold Improvements**	**Furniture and Fixtures**	**Right-of-use Asset - Transportation Equipment**	**Right-of-use Asset - Building**	**Total**
Cost						
Balance at beginning of year	**₱846,194**	**₱18,176,980**	**₱302,731**	**₱427,288**	**₱9,565,827**	**₱29,319,020**
Additions	**74,107**	**–**	**–**	**1,367,704**	**–**	**1,441,811**
Balance at end of year	**920,301**	**18,176,980**	**302,731**	**1,794,992**	**9,565,827**	**30,760,831**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**790,378**	**17,799,178**	**302,731**	**372,508**	**6,079,352**	**25,344,147**
Depreciation and amortization	**57,255**	**282,010**	**–**	**478,817**	**2,701,934**	**3,520,016**
Balance at end of year	**847,633**	**18,081,188**	**302,731**	**851,325**	**8,781,286**	**28,864,163**
Net Book Value	**₱72,668**	**₱95,792**	**₱–**	**₱943,667**	**₱784,541**	**₱1,896,668**

	2021					
	Office Equipment	Leasehold Improvements	Furniture and Fixtures	Right-of-use Asset - Transportation Equipment	Right-of-use Asset - Building	Total
Cost						
Balance at beginning of year	₱779,274	₱18,176,980	₱302,731	₱427,288	₱9,565,827	₱29,252,100
Additions	66,920	–	–	–	–	66,920
Balance at end of year	846,194	18,176,980	302,731	427,288	9,565,827	29,319,020
Accumulated Depreciation and Amortization						
Balance at beginning of year	738,955	17,475,926	302,731	241,035	3,377,418	22,136,065
Depreciation and amortization	51,423	323,252	–	131,473	2,701,934	3,208,082
Balance at end of year	790,378	17,799,178	302,731	372,508	6,079,352	25,344,147
Net Book Value	₱55,816	₱377,802	₱–	₱54,780	₱3,486,475	₱3,974,873

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

10. Other Noncurrent Assets

	2022	2021
Refundable deposits	**501,944**	501,944
Equity instruments at FVOCI	**419,295**	523,045
Deferred input VAT	**262,127**	21,569
	₱1,183,366	₱1,046,558

The movement in the balance of equity instruments at FVOCI follows:

	2022	2021
Balance at beginning of year	**₱523,045**	₱717,265
Fair value change	**(103,750)**	(194,220)
Balance at end of year	**₱419,295**	₱523,045

The rollforward analysis of the "Fair value change in equity instruments at FVOCI" account as shown in the equity section of the parent company statements of financial position is as follows:

	2022	2021
Balance at beginning of year	**₱158,578**	₱352,798
Fair value change recognized in other comprehensive loss	**(103,750)**	(194,220)
Balance at end of year	**₱54,828**	₱158,578

11. Accounts Payable and Other Current Liabilities

	2022	2021
Nontrade payable (see Note 7)	**₱17,000,000**	₱67,000,000
Payable to AHC (see Notes 7 and 12)	**63,778,000**	63,778,000
Accrued expenses	**3,568,127**	2,965,885
Accounts payable	**780,706**	802,885
Others	**194,320**	143,562
	₱85,321,153	₱134,690,332

Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The 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 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 Company paid ₱25.0 million to the Agustin family. Accordingly, the 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 17).

Payable to AHC pertains to the remaining balance of the consideration relative to the assignment of AHC's receivable from Unlad on March 1, 2016 (see Note 7).

Accrued expenses primarily pertain to accruals for legal and audit fees, contracted outside services, utilities, advertising expenses and condominium dues which are normally settled the following year.

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

12. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, and fellow subsidiaries are related entities of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

Related party receivables and payables are generally settled in cash.

The Company, in the normal course of business, has the following transactions with related parties:

	Amount of Transactions for the Period		**Outstanding Receivable (Payable)**			
Category	**2022**	2021	**2022**	2021	**Terms**	**Conditions**
Subsidiaries						
STI ESG						
Advisory fee	**₱14,400,000**	₱14,400,000	**₱–**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursements	**27,879**	16,938	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend income (see Note 7)	**152,031,152**	39,464,558	**–**	–	Due and demandable; noninterest-bearing	Unsecured
Dividend paid	**5,004,328**	1,851,602	**–**	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU						
Advisory fee	**3,600,000**	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend income (see Note 7)	**24,964,635**	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured

(Forward)

Category	Amount of Transactions for the Period 2022	2021	Outstanding Receivable (Payable) 2022	2021	Terms	Conditions
AHC						
Payable to AHC (see Note 11)	**₱–**	₱–	**(₱63,778,000)**	(₱63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable (see Note 7)	**–**	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**510,000**	722,500	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Affiliates*						
Phils First Insurance Co., Inc. (PFIC)						
Rental and other charges	**4,631,804**	4,487,290	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Utilities and other charges	**242,564**	167,155	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilCare						
Facility sharing and other charges	**240,000**	240,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
HMO coverage	**147,514**	227,048	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursements	**47,589**	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Facility sharing and other charges	**300,000**	300,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and Employees						
Advances to officers and employees (see Note 5)	**2,535,839**	2,661,384	**12,328**	407,893	Liquidated within 1 month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**300,000**	300,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Advertising and promotion charges	**472,066**	626,116	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			(₱127,765,672)	(₱127,370,107)		

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

a. Business Advisory Agreement with STI ESG, STI WNU and iACADEMY

In November 2012, the Company and STI ESG entered into an agreement for the Company to act as an adviser for the latter with a monthly fee of ₱1.2 million.

In January 2015, the Company and STI WNU entered into an agreement for the Company to act as an adviser for the latter with a monthly fee of ₱0.3 million.

In September 2018, the Company and iACADEMY entered into an agreement for the Company to act as an adviser for the latter with a monthly fee of ₱0.08 million. The monthly fee was reduced to ₱0.04 million starting December 1, 2020.

Advisory fees earned for the years ended June 30, 2022 and 2021 amounted to ₱18.5 million and ₱18.7 million, respectively.

b. Surety Agreements

The Company executed Surety Agreements in relation to its subsidiaries' loan facilities with Land Bank of the Philippines (LandBank) and China Banking Corporation (China Bank) (see Note 17).

c. Compensation and Benefits of Key Management Personnel

The Company's directors did not receive any compensation from the Company, except for directors' fees paid for each board meeting attended. Key management compensation for the years ended June 30, 2022 and 2021 amounted to ₱4.8 million and ₱5.1 million, respectively.

d. Material Related Party Transactions Policy

The 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 Company may set a lower threshold upon determination by the BOD of the risk of the related party transactions to cause damage to the Company and its stockholders.

13. **Equity**

a. Common 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 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 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 Company has a total number of shareholders on record of 1,262 and 1,265, respectively.

b. 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 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 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. This is separately presented as "Dividends payable" in the parent company statements of financial position.

14. Basic/Diluted Earnings Per Share

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share:

	2022	2021
Net income (a)	**₱185,679,217**	₱136,063,458
Common shares at beginning and end of year (b)	**9,904,806,924**	9,904,806,924
Basic/diluted earnings per share (a)/(b)	**₱0.01875**	₱0.01374

The basic and diluted earnings per share are the same for the years ended June 30, 2022 and 2021 as there are no dilutive potential common shares.

15. Leases

The Company leases building spaces, where the corporate office is located. The lease rate is subject to annual repricing based on a pre-agreed rate.

On October 14, 2017, the Company and PFIC entered into an agreement for the lease of office space in Ayala Avenue, Makati City. The term of the lease is five (5) years starting October 2017, renewable upon joint agreement of the parties, with a monthly rental of ₱0.3 million. The annual rental shall be subject to a 5.0% escalation every year starting on the second year of the lease term. Under the terms of the lease agreement, the Company is required to make a refundable deposit of ₱0.6 million equivalent to two (2) months' rent. As of October 10, 2022, the Company and PFIC are in the process of executing the renewal of the lease for another five years.

The following are the amounts recognized in the parent company statements of comprehensive income for the years ended June 30, 2022 and 2021:

	2022	2021
Depreciation expense of right-of-use assets included in property and equipment	**₱3,180,751**	₱2,833,407
Interest expense on lease liabilities	**262,138**	483,056
Total amount recognized in the parent company statements of comprehensive income	**₱3,442,889**	₱3,316,463

The rollforward analysis of lease liabilities for the years ended June 30, 2022 and 2021 follows:

	2022	2021
Balance at beginning of year	**₱4,435,970**	₱7,510,449
Additions	**1,102,903**	–
Interest expense	**262,138**	483,056
Payments	**(3,990,357)**	(3,557,535)
Balance at end of year	**1,810,654**	4,435,970
Less current portion	**1,061,538**	3,404,429
Noncurrent portion	**₱749,116**	₱1,031,541

Shown below is the maturity analysis of the undiscounted lease payments:

	2022	2021
Within one year	**₱1,436,718**	₱3,633,267
After one year but not more than five years	**422,016**	1,047,165
	₱1,858,734	₱4,680,432

16. **Income Taxes**

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

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

- 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.

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

Pursuant to the provisions of the CREATE Act, the Company adopted the 25.0% income tax rate effective July 1, 2020.

The components of the Company's recognized net deferred tax asset are as follows:

	2022	2021
Deferred tax asset -		
Lease liabilities	**₱257,885**	₱1,086,181
Deferred tax liability -		
Right-of-use assets	**(196,135)**	(871,619)
	₱61,750	₱214,562

The provision for current income tax for the years ended June 30, 2022 and 2021 represent MCIT.

The reconciliation between the provision for income tax at the applicable statutory tax rate and the provision for (benefit from) income tax as shown in the parent company statements of comprehensive income follows:

	2022	2021
Provision for income tax at statutory tax rate	**₱46,506,387**	₱6,375,188
Add (deduct) tax effects of:		
Dividend income	**(44,250,607)**	(9,867,800)
Gain on derecognition of contingent consideration	**(6,250,000)**	–
Change in unrecognized deferred tax assets	**4,393,531**	3,768,318
Income subjected to final tax	**(52,981)**	(29,523)
Reversal of deferred tax liability on excess of fair values over the dacion price of the properties received through dacion	**–**	(110,861,700)
Impact of CREATE Act	**–**	52,810
	₱346,330	(₱110,562,707)

The details of the Company's NOLCO that can be claimed as deduction from regular taxable income and MCIT which can be claimed against future regular income tax due are as follows:

Year Incurred	Expiry Date	NOLCO	MCIT
2022	2027	₱16,800,050	₱–
2022	2025	–	193,518
2021	2026	14,286,489	–
2021	2024	–	196,696
2020	2023	11,934,065	505,141
2019	2022	14,157,913	402,125
		57,178,517	1,297,480
Less expired		14,157,913	402,125
		₱43,020,604	₱895,355

The NOLCO incurred by the Company in 2020 and 2021 can be claimed as deduction from taxable income until 2025 and 2026, respectively. On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020 implementing Section 4(b) 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.

As at June 30, 2022 and 2021, the Company did not recognize the related deferred tax assets on unused NOLCO and MCIT as management believes that future taxable income will not be available to allow all or part of these deferred tax assets to be utilized since the Company's income mainly pertains to passive income which are not subject to income tax.

17. **Commitments and Contingencies**

Surety Agreements

STI WNU. On November 25, 2014, the BOD of the 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.

STI ESG. 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 facing families due to the COVID-19 pandemic. The ACADEME Lending 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 the Company in favor of LandBank executed on September 16, 2020. 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. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students.

Contingencies

a. *Agreements with PWU and Unlad.* In various dates in 2011, 2012 and 2013, the 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 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 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 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 Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

On March 1, 2016, the 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 Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to the Company.

On March 22, 2016, the Company, PWU, Unlad, and HZB entered into a MOA for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the Company. The MOA included, 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 Company
- Release and cancellation of mortgages over the Manila Properties to be executed by the Company.

The MOA also provided that the 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 Transfer Certificate of Title (TCT) and TD in favor of the Company. In the event that such expenses are 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 Company would provide the deficiency without any right of reimbursement from Unlad.

Consequently, the Company recognized the Davao properties as "Investment properties", and on June 24, 2021, the Company's BODs 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 Note 8).

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 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 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 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 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 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.*

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

   In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax free ruling for Property for Share Swap Transaction from the Bureau of Internal Revenue, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to sell the Davao and Quezon City Properties to return the alleged investments made by the 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 Company sent a letter dated July 2, 2020 addressed to the Office of the Secretariat-General of PDRCI. In the said letter, the Company informed the PDRCI about the death of the Claimant. The 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.

2. 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 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 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 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 Company and AHC filed their Joint Answer with Compulsory Counterclaim (Joint Answer). In the Joint Answer, the 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 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, 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 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 Company, Unlad, PWU and AHC to amicably settle the outstanding obligations of PWU and Unlad to AHC and the Company.

On February 28, 2018, the 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 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 Company filed a Motion to Cancel Lis Pendens with the Court of Appeals where the case was pending. In the Motion, the 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 Company, AHC and EHT filed their Joint-Memorandum.

While the appeal of the Petitioner is pending, the Company filed a Manifestation and Motion dated July 29, 2020. In the said Manifestation and Motion, the Company informed the Court of Appeals about the death of the Petitioner on March 28, 2020. Consequently, the 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 Company filed its Comment/Opposition dated August 24, 2020. In the Comment/Opposition, the 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 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, Company filed its Comment/Opposition on May 23, 2022.

As of October 10, 2022, the Court of Appeals has not issued a resolution on this matter.

(iii). *Ejectment Case against Philippine Women University of Davao involving Unlad's Davao Property.* On March 11, 2019, the Company filed the Complaint for Unlawful Detainer against Philippine Women's College, Inc. of Davao (PWC-Davao) to recover possession of a portion of the parcel of land covered by TCT No. T-129545 registered under the name of the former situated along University Ave and Richardo, 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 Company, the 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 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 Company allowed PWC-Davao to use the Subject Premises for one (1) year or until June 29, 2023. In the event that the 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.

In either case, PWC-Davao agreed to voluntarily vacate and/or turn over the Subject Premises.

On September 30, 2022, the Company received the Decision dated July 4, 2022 issued by the Trial Court adopting the Compromise Agreement as the basis of 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 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 Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Company refuses to pay the full purchase price for the STI WNU shares they acquired from the Agustin family.

In its Answer, the 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's a portion of the balance of the purchase price.

In order to expedite the proceedings, the Agustin family was 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 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 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 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 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 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 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 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 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 Company of a supersedeas bond of ₱100.0 million, the Agustin family sought to annul the Stay Order by filing a Petition for Certiorari dated April 10, 2019 before the Court of Appeals.

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

While the aforesaid CA Cases were pending, the parties decided to amicably settle and terminate said cases by (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 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 11).

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

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

18. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial assets is to support the Company's operations. The Company has various other financial assets and liabilities such as refundable deposits, equity instruments at FVOCI, accounts payable and other current liabilities, dividends payable, subscription payable and lease liabilities which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's BOD reviews and approves policies for managing each of these risks and they are summarized below.

Credit Risk. Credit risk is the risk that the Company will incur a loss arising from its debtors or counterparties that fail to discharge their contractual obligations. Credit risk arises from deposits and short-term placements with banks as well as credit exposure on receivables from its debtors. Cash transactions are limited to high credit quality financial institutions. Cash in banks are maintained with universal banks. On the other hand, management believes that the debtors have a strong financial position and ability to settle its payable to the Company upon maturity.

With respect to credit risk arising from cash and cash equivalents, the exposure to credit risk arises from default of the counterparty, with a maximum exposure to the carrying amount of these financial instruments.

The table below shows the maximum exposure to credit risk for the components of the parent company statements of financial position as at June 30, 2022 and 2021:

	Gross Maximum Exposure		**Net Maximum Exposure**	
	2022	2021	**2022**	2021
Cash and cash equivalents*	**₱39,814,149**	₱4,889,257	**₱37,814,149**	₱4,389,257
Refundable deposits**	**921,824**	1,249,344	**921,824**	1,249,344
Total	**₱40,735,973**	₱6,138,601	**₱38,735,973**	₱5,638,601

**Net financial assets after taking into account insurance on bank deposits.*
***Presented as "Others" under "Other current assets" and "Refundable deposits" under "Other noncurrent assets" accounts (see Notes 6 and 10).*

Liquidity Risk. Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet its currently maturing commitments. The Company observes prudent liquidity risk management through the maintenance of sufficient cash funds and short-term cash placements, and availability of funding in the form of adequate credit lines.

The tables below summarize the maturity profile of the Company's financial assets held for liquidity purposes and liabilities based on contractual undiscounted payments:

	2022			
	Due within 3 Months	**Due from 3 to 6 Months**	**More than 6 Months**	**Total**
Financial assets:				
Cash and cash equivalents	**₱39,814,149**	**₱–**	**₱–**	**₱39,814,149**
Refundable deposits	**–**	**419,880**	**501,944**	**921,824**
Equity instruments at FVOCI	**–**	**–**	**419,295**	**419,295**
	₱39,814,149	**₱419,880**	**₱921,239**	**₱41,155,268**

	2022			
	Due within 3 Months	**Due from 3 to 6 Months**	**More than 6 Months**	**Total**
Financial liabilities:				
Nontrade payable	**17,000,000**	**–**	**–**	**17,000,000**
Payable to AHC	**63,778,000**	**–**	**–**	**63,778,000**
Accrued expense	**3,568,127**	**–**	**–**	**3,568,127**
Accounts payable	**780,706**	**–**	**–**	**780,706**
Dividends payable	**12,156,181**	**–**	**–**	**12,156,181**
Subscription payable	**–**	**–**	**64,000,000**	**64,000,000**
Lease liabilities*	**994,958**	**246,983**	**616,793**	**1,858,734**
	₱98,277,972	**₱246,983**	**₱64,616,793**	**₱163,141,748**

**Pertains to undiscounted lease payments*

	2021			
	Due within 3 Months	Due from 3 to 6 Months	More than 6 Months	Total
Financial assets:				
Cash and cash equivalents	₱4,889,257	₱–	₱–	₱4,889,257
Refundable deposits	62,720	684,680	501,944	1,249,344
Equity instruments at FVOCI	–	–	523,045	523,045
	₱4,951,977	₱684,680	₱1,024,989	₱6,661,646
Financial liabilities:				
Nontrade payable	₱67,000,000	₱–	₱–	₱67,000,000
Payable to AHC	63,778,000	–	–	63,778,000
Accrued expenses	2,965,885	–	–	2,965,885
Accounts payable	802,885	–	–	802,885
Dividends payable	12,141,372	–	–	12,141,372
Subscription payable	–	–	64,000,000	64,000,000
Lease liabilities*	901,256	936,871	2,842,305	4,680,432
	₱147,589,398	₱936,871	₱66,842,305	₱215,368,574

**Pertains to undiscounted lease payments*

As at June 30, 2022 and 2021, the Company's current ratios are as follows:

	2022	2021
Current assets	**₱1,078,849,085**	₱1,042,207,164
Current liabilities	**98,538,872**	150,236,133
Current ratio	**10.948:1.000**	6.937:1.000

Capital Risk Management

The Company aims to achieve an optimal capital structure in pursuit of its business objectives which include maintaining healthy capital ratios and strong credit ratings, and maximizing shareholder value.

The Company monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. The Company includes all liabilities within debt. The Company defines total equity as common stock, additional paid-in capital, fair value change in equity instruments at FVOCI and retained earnings.

As at June 30, 2022 and 2021, the Company's debt-to-equity ratios are as follows:

	2022	2021
Total liabilities	**₱163,287,988**	₱215,267,674
Total equity	**18,006,685,253**	17,920,157,855
Debt-to-equity ratio	**0.009:1.000**	0.012:1.000

Another approach used by the Company is the asset-to-equity ratios shown below:

	June 30, 2022	June 30, 2021
Total assets	**₱18,169,973,241**	₱18,135,425,529
Total equity	**18,006,685,253**	17,920,157,855
Asset-to-equity ratio	**1.009:1.000**	1.012:1.000

There were no changes in the Company's approach to capital risk management for the years ended June 30, 2022 and 2021.

19. Note to Parent Company Statements of Cash Flows

The Company has no material noncash investing and financing activities except for the addition to right-of-use asset - transportation equipment and lease liabilities amounting to ₱1,102,903 for the year ended June 30, 2022.

The changes in the Company's liabilities arising from financing activities follows:

	2022						
	July 1, 2021	**Cash Flow**	**Reclassified as Current**	**Interest Expense**	**Dividend Declaration**	**New Leases**	**June 30, 2022**
Dividends payable	**₱12,141,372**	**(₱99,033,260)**	**₱–**	**₱–**	**₱99,048,069**	**₱–**	**₱12,156,181**
Current portion of lease liabilities (Note 15)	**3,404,429**	**(3,990,357)**	**1,031,541**	**262,138**	**–**	**353,787**	**1,061,538**
Lease liabilities - net of current portion (Note 15)	**1,031,541**	**–**	**(1,031,541)**	**–**	**–**	**749,116**	**749,116**
	₱16,577,342	**(₱103,023,617)**	**₱–**	**₱262,138**	**₱99,048,069**	**₱1,102,903**	**₱13,966,835**

	2021						
	July 1, 2020	Cash Flow	Reclassified as Current	Interest Expense	Dividend Declaration	New Leases	June 30, 2021
Dividends payable	₱12,138,870	(₱36,645,284)	₱–	₱–	₱36,647,786	₱–	₱12,141,372
Current portion of lease liabilities (Note 15)	2,990,770	(3,557,535)	3,488,138	483,056	–	–	3,404,429
Lease liabilities - net of current portion (Note 15)	4,519,679	–	(3,488,138)	–	–	–	1,031,541
	₱19,649,319	(₱40,202,819)	₱–	₱483,056	₱36,647,786	₱–	₱16,577,342

20. Fair Value Information of Financial Instruments

The carrying values of the Company's financial assets and liabilities, except for equity instruments at FVOCI, approximate their fair values as at June 30, 2022 and 2021 due to short-term nature and/or maturities of these financial instruments.

As at June 30, 2022 and 2021, the Company's equity instruments at FVOCI are measured at fair value based on quoted market prices under Level 1 fair value hierarchy.

For the years ended June 30, 2022 and 2021, there were no transfers among levels 1, 2 and 3 fair value measurements.

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the parent company statements of financial position.

21. Segment Information

The Company's identified reportable segments are consistent with the segment information presented in the consolidated financial statements of the Company and its subsidiaries (the Group).

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.

The segment information provided in the succeeding section are based on consolidated balances. Adjustments are presented to reconcile the information with the balances reported in the parent company financial statements.

On a consolidated basis, the Group's performance is evaluated based on net income and EBITDA, defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses of associates and joint venture, and 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 to consolidated EBITDA for the years ended June 30, 2022 and 2021:

	2022	2021
Consolidated net income	**₱416,243,393**	₱101,730,472
Depreciation and amortization*	**524,769,336**	537,108,249
Interest expense*	**281,966,280**	301,536,491
Foreign exchange gain - net	**(45,835,968)**	(3,869,142)
Interest income	**(38,060,878)**	(5,691,709)
Gain on derecognition of contingent consideration	**(25,000,000)**	–
Equity in net losses of associates and joint venture	**20,242,197**	4,603,590
Provision for (benefit from) income tax	**10,800,249**	(76,877,580)
Gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale	**(10,832,534)**	–
Income on rent concessions**	**(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***	**–**	(15,460,821)
Loss on loan modification	**–**	8,298,502
Consolidated EBITDA	**₱1,128,624,969**	₱811,651,014

**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 competitive 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 and certain assets and liabilities information regarding geographical segments for the years ended June 30, 2022 and 2021:

2022	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Revenues							
External revenue	**₱1,432,614,200**	**₱189,663,625**	**₱680,470,698**	**₱310,073,376**	**₱64,809,994**	**(₱2,482,119,466)**	**₱195,512,427**
Results							
Income (loss) before other income (expense) and income tax	**₱181,703,296**	**₱31,823,797**	**₱246,948,516**	**₱111,137,645**	**(₱3,002,860)**	**(₱408,376,455)**	**₱160,233,939**
Equity in net losses of associates and joint venture	**(20,242,197)**	**–**	**–**	**–**	**–**	**20,242,197**	**–**
Interest income	**37,684,497**	**32,615**	**163,395**	**155,531**	**24,840**	**(37,848,954)**	**211,924**
Interest expense	**(299,611,661)**	**(3,883,675)**	**(6,249,868)**	**(835,656)**	**(2,758,723)**	**313,077,445**	**(262,138)**
Gain on derecognition of contingent consideration	**25,000,000**	**–**	**–**	**–**	**–**	**–**	**25,000,000**
Other income	**127,889,989**	**–**	**693,110**	**371,051**	**–**	**(128,112,328)**	**841,822**
Benefit from (provision for) income tax	**(11,766,572)**	**1,302,025**	**(848,610)**	**512,908**	**–**	**10,453,919**	**(346,330)**
Net Income (Loss)	**₱40,657,352**	**₱29,274,762**	**₱240,706,543**	**₱111,341,479**	**(₱5,736,743)**	**(230,564,176)**	**₱185,679,217**
EBITDA							**₱1,128,624,969**

2021	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Revenues							
External revenue	₱1,155,999,591	₱138,515,524	₱523,630,921	₱222,436,557	₱49,997,624	(₱2,032,386,519)	₱58,193,698
Results							
Income (loss) before other income (expense) and income tax	(₱35,295,403)	(₱2,584,788)	₱179,615,112	₱59,705,062	(₱8,219,803)	(₱168,301,608)	₱24,918,572
Equity in net losses of associates and joint venture	(4,603,590)	–	–	–	–	4,603,590	–
Interest income	5,044,289	55,958	243,715	336,552	11,195	(5,573,617)	118,092
Interest expense	(320,664,413)	(4,989,637)	(7,057,175)	(1,429,120)	(2,925,570)	336,582,859	(483,056)
Other income	153,419,523	7,362,793	2,895,222	1,303,272	2,629,698	(166,663,365)	947,143
Benefit from (provision for) income tax	84,500,157	(189,770)	498,048	(7,850,455)	(80,400)	33,685,127	110,562,707
Net Income (Loss)	(₱117,599,437)	(₱345,444)	₱176,194,922	₱52,065,311	(₱8,584,880)	₱34,332,986	₱136,063,458
EBITDA							₱811,651,014

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

	2022						
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Reconciliations/ Adjustments**	**Total**
Assets and Liabilities							
Segment assets[(a)]	**₱10,273,110,652**	**₱770,907,221**	**₱1,379,938,195**	**₱683,891,664**	**₱142,285,468**	**₱3,899,050,227**	**₱17,149,183,427**
Noncurrent asset held for sale	**1,039,728,064**	**–**	**–**	**–**	**–**	**(19,000,000)**	**1,020,728,064**
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**	**(25,954,258)**	**61,750**
Total Assets	**₱11,568,141,150**	**₱773,440,019**	**₱1,384,885,646**	**₱707,515,654**	**₱143,941,034**	**₱3,592,049,738**	**₱18,169,973,241**
Segment liabilities[(b)]	**₱579,201,645**	**₱53,439,704**	**₱115,992,079**	**₱91,306,771**	**₱36,884,624**	**(₱715,347,489)**	**₱161,477,334**
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**	**(471,505,911)**	**1,810,654**
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**	**(₱5,919,670,873)**	**₱163,287,988**
Other Segment Information							
Capital expenditure - Property and equipment						**₱146,766,580**	**₱338,907**
Depreciation and amortization[(c)]						**524,769,336**	**339,265**
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 net deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

	2021						
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Reconciliations/ Adjustments	Total
Assets and Liabilities							
Segment assets[(a)]	₱10,835,166,262	₱813,510,696	₱1,055,085,741	₱566,544,416	₱149,568,632	₱3,694,607,156	₱17,114,482,903
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	(34,567,119)	214,562
Total Assets	₱12,146,271,639	₱814,784,569	₱1,060,739,014	₱588,438,476	₱151,246,395	₱3,373,945,436	₱18,135,425,529
Segment liabilities[(b)]	₱648,925,286	₱54,233,156	₱107,450,933	₱73,096,014	₱38,137,730	(₱711,011,415)	₱210,831,704
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	(480,381,414)	4,435,970
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	(₱6,365,052,481)	₱215,267,674
Other Segment Information							
Capital expenditure - Property and equipment						₱298,613,757	₱66,920
Depreciation and amortization[(c)]						537,108,249	2,742,225
Noncash expenses other than depreciation and amortization						68,676,525	–

(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 net deferred tax liabilities.
(c) Depreciation and amortization excludes those related to ROU assets.

22. Other Matters

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon from 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 its impact on businesses continues to evolve. The events surrounding the outbreak did not significantly impact the Company's financial position and performance as at and for the year ended June 30, 2022.

Considering the evolving nature of this outbreak, the Company continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

23. Supplementary Information Required by Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year ended June 30, 2022:

<u>VAT</u>
Output VAT declared for the year ended June 30, 2022 and the receipts upon which the same was based consist of:

	Gross amount	Output VAT
Advisory services	₱18,510,000	₱2,221,200
Others	840,000	100,800
Total	₱19,350,000	₱2,322,000

VAT arising from domestic purchases of goods and services for the year ended June 30, 2022 are detailed as follows:

	Amount
Input VAT	
Balance at beginning of year	₱2,155,907
Current year's domestic purchases/payments for:	
Domestic purchases of services	2,104,100
Goods other than capital goods	12,051
	4,272,058
Claimed against output VAT	(2,322,000)
Balance at end of year	₱1,950,058

Other Taxes and Licenses

All other taxes and licenses which are recognized as taxes and licenses in the parent company statement of comprehensive income for the year ended June 30, 2022 consist of:

	Amount
Real property taxes	₱1,528,163
Business permit	54,340
Community tax certificate	10,500
Registration fee	500
Others	346,937
	₱1,940,440

Withholding Taxes

The amount of withholding taxes paid/accrued for the year ended June 30, 2022 is as follows:

	Paid	Accrued
Expanded withholding taxes	₱661,767	₱37,175
Withholding taxes on compensation	535,642	52,371
	₱1,197,409	₱89,546

Tax Assessment and Court Cases

The Company has no outstanding final assessment notice from the BIR as at June 30, 2022. There were also no outstanding tax cases nor litigation and/or prosecution in courts or bodies outside the BIR as at June 30, 2022.