From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, 21 November 2022 3:39 PM
To: Arsenio C. Cabrera <accabrera@htc-law.com.ph>
Subject: Re: STI Education Systems Holdings, Inc._SEC Form 17-Q For the Quarter Ended 30 September 2022_21November2022

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Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) Secondary Reports such as: 17-A, 17-C, 17-L, 17-Q, ICASR, ICA-QR, ICA-AR, 23-A, 23-B, I-ACGR, ACGR, Monthly Reports, Quarterly Reports, Letters, OPC(ALTERNATE NOMINEE),GIS-G, 52-AR, IHAR,AMLA-CF,NPM,NPAM, BP-FCLC, CHINESEWALL, 39-AR,36-AR, PNFS, MCG, S10/SEC-NTCE-EXEMPT, through email at

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FS-CONSOLIDATED, OPC_AO, AFS WITH NSPO FORM 1,2,3 AND 4,5,6, AFS WITH NSPO FORM 1,2,3 (FOUNDATIONS)

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COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS,
INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

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

06	30	SEC FORM 17-Q For the Quarter ended 30 September 2022	Third Friday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

N A

Secondary License Type, If Applicable

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

Total Amount of Borrowings

1 2 6 2	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 September 2022**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	____________________
7.	Address of Philippine Office	**7/F STI Holdings Center 6764 Ayala Avenue Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 8844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	

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

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

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

9,904,806,924 – LISTED SHARES

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

Yes [x]   No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

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

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

Date November 21, 2022

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

Date November 21, 2022

ANNEX "A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,776,633,464**	₱1,568,718,083
Receivables (Note 6)	**1,390,920,957**	531,008,186
Inventories (Note 7)	**126,050,507**	158,185,754
Prepaid expenses and other current assets (Note 8)	**129,708,067**	114,302,639
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,230,500**	9,610,000
	3,431,543,495	2,381,824,662
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,039,728,064
Total Current Assets	**4,452,271,559**	3,421,552,726
Noncurrent Assets		
Property and equipment (Note 11)	**9,698,436,889**	9,672,515,491
Investment properties (Note 12)	**886,430,844**	1,004,237,631
Investments in and advances to associates and joint venture (Note 13)	**19,328,861**	18,490,878
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 14)	**70,814,191**	70,188,775
Deferred tax assets - net	**30,723,906**	26,016,008
Goodwill, intangible and other noncurrent assets (Note 15)	**466,321,491**	364,921,994
Total Noncurrent Assets	**11,172,056,182**	11,156,370,777
TOTAL ASSETS	**₱15,624,327,741**	₱14,577,923,503
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱618,456,859**	₱736,074,970
Current portion of interest-bearing loans and borrowings (Note 17)	**107,219,554**	239,135,979
Unearned tuition and other school fees (Note 21)	**1,575,516,345**	116,842,319
Current portion of lease liabilities	**107,335,518**	109,244,620
Income tax payable	**645,030**	551,497
Total Current Liabilities	**2,409,173,306**	1,201,849,385
Noncurrent Liabilities		
Bonds payable (Note 18)	**2,981,805,871**	2,980,515,064
Interest-bearing loans and borrowings - net of current portion (Note 17)	**1,139,251,865**	1,291,461,407
Lease liabilities - net of current portion	**346,867,150**	364,071,946
Pension liabilities - net	**109,403,371**	108,655,427
Deferred tax liabilities - net	**113,030,232**	113,049,596
Other noncurrent liabilities (Note 19)	**77,761,202**	23,356,036
Total Noncurrent Liabilities	**4,768,119,691**	4,881,109,476
Total Liabilities *(Carried Forward)*	**7,177,292,997**	6,082,958,861

(Forward)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total Liabilities *(Brought Forward)*	**₱7,177,292,997**	₱6,082,958,861
Equity Attributable to Equity Holders of the Parent Company (Note 20)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**26,733,723**	27,664,542
Unrealized fair value adjustment on equity instruments at FVOCI	**13,872,148**	13,255,113
Other equity reserve (Note 20)	**(1,686,369,660)**	(1,686,369,660)
Share in associates':		
Cumulative actuarial gain (Note 13)	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**4,442,964,488**	4,485,334,148
Total Equity Attributable to Equity Holders of the Parent Company	**8,370,909,996**	8,413,593,440
Equity Attributable to Non-controlling Interests	**76,124,748**	81,371,202
Total Equity	**8,447,034,744**	8,494,964,642
TOTAL LIABILITIES AND EQUITY	**₱15,624,327,741**	₱14,577,923,503

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
REVENUES (Note 21)		
Sale of services:		
Tuition and other school fees	**₱370,397,561**	₱303,792,736
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Others	**20,251,619**	20,767,032
Sale of educational materials and supplies	**68,281,232**	11,999,495
	500,350,245	372,799,737
COSTS AND EXPENSES		
Cost of educational services (Note 22)	**180,342,575**	177,727,317
Cost of educational materials and supplies sold (Note 23)	**50,851,292**	10,629,598
General and administrative expenses (Note 24)	**309,468,831**	284,417,284
	540,662,698	472,774,199
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(40,312,453)**	(99,974,462)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 17 and 18)	**(77,713,397)**	(85,188,990)
Rental income (Note 25)	**30,354,745**	17,775,739
Foreign exchange gain - net (Note 5)	**26,779,271**	17,753,074
Interest income (Notes 5 and 6)	**2,868,080**	1,330,916
Recovery of accounts written-off (Note 6)	**2,732,457**	2,461,795
Fair value loss on equity instruments at FVPL (Note 9)	**(1,379,500)**	–
Dividend income (Notes 9 and 14)	**1,077,616**	–
Equity in net earnings (losses) of associates and joint venture (Note 13)	**837,983**	(139,591)
Gain on sale of property and equipment	**49,943**	1,382,394
Derecognition of contingent consideration (Notes 16 and 27)	**–**	25,000,000
Other income - net	**4,547,433**	2,616,759
	(9,845,369)	(17,007,904)
LOSS BEFORE INCOME TAX	**(50,157,822)**	(116,982,366)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**2,076,465**	255,373
Deferred	**(4,622,434)**	(500,199)
	(2,545,969)	(244,826)
NET LOSS *(Carried Forward)*	**(47,611,853)**	(116,737,540)

	Three months ended September 30	
	2022 **(Unaudited)**	2021 Unaudited)
NET LOSS *(Brought Forward)*	**(₱47,611,853)**	(₱116,737,540)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liabilities	**(1,048,289)**	(1,747,149)
Income tax effect	**104,828**	174,715
Fair value change in equity instruments at FVOCI	**625,416**	(69,471)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(318,045)**	(1,641,905)
TOTAL COMPREHENSIVE LOSS	**(₱47,929,898)**	(₱118,379,445)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱42,369,660)**	(₱114,233,838)
Non-controlling interests	**(5,242,193)**	(2,503,702)
	(₱47,611,853)	(₱116,737,540)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱42,683,446)**	(₱115,872,406)
Non-controlling interests	**(5,246,452)**	(2,507,039)
	(₱47,929,898)	(₱118,379,445)
Basic/Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company (Note 26)	**(₱0.004)**	(₱0.012)

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary**	**Cumulative Actuarial Gain**	**Unrealized Fair Value Adjustment on Equity Instruments at FVOCI** (Note 14)	**Other Equity Reserve**	**Share in Associates' Cumulative Actuarial Gain** (Note 13)	**Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI** (Note 13)	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 2022	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱27,664,542**	**₱13,255,113**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱4,485,334,148**	**₱8,413,593,440**	**₱81,371,202**	**₱8,494,964,642**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(42,369,660)**	**(42,369,660)**	**(5,242,193)**	**(47,611,853)**
Other comprehensive income	**–**	**–**	**–**	**(930,819)**	**617,035**	**–**	**–**	**–**	**–**	**(313,784)**	**(4,261)**	**(318,045)**
Total comprehensive income	**–**	**–**	**–**	**(930,819)**	**617,035**	**–**	**–**	**–**	**(42,369,660)**	**(42,683,444)**	**(5,246,454)**	**(47,929,898)**
Balance at September 30, 2022	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱26,733,723**	**₱13,872,148**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱4,442,964,488**	**₱8,370,909,996**	**₱76,124,748**	**₱8,447,034,744**
Balance at July 1, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱19,277,239	₱12,149,020	(₱1,670,477,910)	₱321,569	(₱114)	₱4,165,349,454	₱8,100,007,100	₱81,152,838	₱8,181,159,938
Net loss	–	–	–	–	–	–	–	–	(114,233,838)	(114,233,838)	(2,503,702)	(116,737,540)
Other comprehensive loss	–	–	–	(1,551,363)	(87,088)	–	–	–	–	(1,638,451)	(3,454)	(1,641,905)
Total comprehensive loss	–	–	–	(1,551,363)	(87,088)	–	–	–	(114,233,838)	(115,872,289)	(2,507,156)	(118,379,445)
Acquisition of De Los Santos-STI College minority shares of stock (Note 20)	–	–	–	–	–	(15,891,750)	–	–	–	(15,891,750)	(74,378)	(15,966,128)
Share of non-controlling interest on dividends declared by a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	36,264	36,264
Balance at September 30, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱17,725,876	₱12,061,932	(₱1,686,369,660)	₱321,569	(₱114)	₱4,051,115,616	₱7,968,243,061	₱78,607,568	₱8,046,850,629

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱50,157,822)**	(₱116,982,366)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 11, 12, 15, 22 and 24)	**149,294,563**	149,705,948
Interest expense (Notes 17 and 18)	**77,713,397**	85,188,990
Unrealized foreign exchange gain - net (Note 5)	**(26,776,433)**	(17,510,246)
Interest income (Notes 5 and 6)	**(2,868,080)**	(1,330,916)
Dividend income (Notes 9 and 14)	**(1,077,616)**	–
Equity in net (earnings) losses of associates and joint venture (Note 13)	**(837,983)**	139,591
Gain on sale of property and equipment	**(49,943)**	(1,382,394)
Net change in net pension liabilities	**(300,346)**	1,962,815
Fair value loss on equity instruments at FVPL (Note 9)	**1,379,500**	–
Derecognition of contingent consideration (Notes 16 and 27)	**–**	(25,000,000)
Income on rent concessions	**–**	(2,882,909)
Operating income before working capital changes	**146,319,237**	71,908,513
Decrease (increase) in:		
Receivables	**292,839,286**	23,005,924
Inventories	**32,135,247**	9,970,711
Prepaid expenses and other current assets	**(17,241,379)**	(9,477,629)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(96,520,569)**	(165,570,377)
Unearned tuition and other school fees	**306,592,064**	367,687,398
Other noncurrent liabilities	**54,405,166**	3,512
Net cash generated from operations	**718,529,052**	297,528,052
Income tax paid	**(146,986)**	(137,905)
Interest received	**2,868,080**	1,330,916
Net cash provided by operating activities	**721,250,146**	298,721,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 11 and 30)	**(32,239,298)**	(18,785,667)
Investment properties (Note 12)	**(7,780,099)**	–
Equity instruments at FPVL (Note 9)	**–**	(9,997,500)
Non-controlling interests (Notes 14 and 19)	**–**	(3,991,532)
Increase in intangible and other noncurrent assets	**(104,280,073)**	(3,651,481)
Proceeds from:		
Redemption of noncurrent asset held for sale (Note 10)	**19,000,000**	–
Sale of property and equipment (Note 11)	**50,000**	1,500,000
Dividends received	**1,078,515**	791,884
Net cash used in investing activities	**(124,170,955)**	(34,134,296)

(Forward)

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term loans (Note 17)	**(₱284,012,094)**	(₱400,000,000)
Interest	**(90,250,433)**	(102,218,890)
Lease liabilities	**(41,677,716)**	(26,846,800)
Net cash used in financing activities	**(415,940,243)**	(529,065,690)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**26,776,433**	17,510,246
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**207,915,381**	(246,968,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,568,718,083**	1,470,503,591
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,776,633,464**	₱1,223,534,914

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporate Information

a. General

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

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

The subsidiaries of STI Holdings, which are all incorporated in the Philippines as at September 30, 2022 and June 30, 2022, are as follows:

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**
STI Education Services Group, Inc. (STI ESG)	Educational Institution	**99**	–
STI West Negros University, Inc. (STI WNU)	Educational Institution	**99**	–
Information and Communications Technology Academy, Inc. (iACADEMY)	Educational Institution	**100**	**–**
Attenborough Holdings Corp. (AHC)	Holding Company	**100**	**–**
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**–**	**99**
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**–**	**99**
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**–**	**99**
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	–	**99**
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	–	**99**
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**–**	**99**
NAMEI Polytechnic Institute of Mandaluyong, Inc.	Educational Institution	**–**	**99**
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(b)]	Educational Institution	**–**	**99**
STI College Quezon Avenue, Inc. (STI QA) [(c)]	Educational Institution	**–**	**99**

[(a)] A subsidiary of STI ESG through a management contract
[(b)] On June 28, 2016, De Los Santos-STI College advised Commission on Higher Education (CHED) of the suspension of its operations for school years (SYs) 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021 (see Note 20). De Los Santos-STI College has not resumed its school operations as at November 21, 2022.
[(c)] A wholly-owned subsidiary of De Los Santos-STI College. In September 2020, STI QA suspended its operations for SY 2020-2021 and SY 2021-2022. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance to certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit to conduct Senior High School (SHS) classes in Tanay is still pending approval by the Department of Education (DepEd) as at November 21, 2022.

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

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

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

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

Other features of the licensing agreements are as follows:

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

Merger with Several Majority and Wholly-owned Subsidiaries

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

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by CHED and SEC on March 15, 2011 and May 6, 2011, respectively.
- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by CHED and SEC on July 18, 2011 and August 31, 2011, respectively.
- Phase 3: On August 30, 2017, the SEC approved the application for merger of STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) with STI ESG as the surviving entity.

On September 25, 2013, STI ESG’s BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares, at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at report date, the amendment is still pending approval by SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phase 3 merger, the BIR informed STI ESG through a letter dated September 28, 2022, that Section 40 C.2 of the Tax Code, as amended by Republic Act (RA) No. 11534 or the Corporate Recovery and

Tax Incentives for Enterprises (CREATE) Act, has now mandated that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, STI ESG and the merged schools can implement the said transaction. The reply to the request for a confirmatory ruling for the Phase 1 merger is still pending from the BIR as at report date.

On November 11, 2019, the SEC approved the incorporation of STI Training Academy with STI ESG owning 100.0% of the subscribed and issued capital stock. STI Training Academy, Inc. is established to operate a Technical Vocational Educational Institution, assessment center, and training center which shall provide courses of study to seafarers, officers, cadets and other individuals involved or interested in maritime operations, subject to laws of the Philippines and various international regulations that regulate maritime operations, including training programs with Technical Education and Skills Development Authority (TESDA); and to provide other professional courses and training, such as tanker courses and their allied and security courses, including stewarding and culinary courses. In a letter dated August 25, 2022, the Maritime Industry Authority (MARINA) informed STI Training Academy that the latter's application for accreditation as a Maritime Training Institution (MTI) is granted. This will enable STI Training Academy to start offering training courses that are tailor-fit to certain shipping lines or industries.

In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI QA and STI Tuguegarao for SY 2020-2021 and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED in June 2021, and DepEd and TESDA in July 2021 of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate beginning SY 2022-2023. The suspension and cessation of operations of the STI schools mentioned above did not have a material financial impact to the Group.

As at September 30, 2022, STI ESG's network of operating schools totals sixty-three (63) schools with thirty-six (36) owned schools and twenty-seven (27) franchised schools comprising sixty (60) colleges and three (3) education centers.

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

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at September 30, 2022 and June 30, 2022, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million (see Notes 16 and 27).
As at September 30, 2022 and June 30, 2022, the Parent Company owns 99.9% of STI WNU.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers primary, junior and SHS, tertiary and post-graduate programs. It also provides technical-vocational education training services under TESDA and/or operates a Training Center as well as an Assessment Center, in relation to the said services. STI WNU further provides maritime training services that offer and conduct the training required by MARINA for officers and crew on board Philippine and/or foreign-registered ships operating in Philippine and/or international waters.

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

iACADEMY is a premier school offering specialized programs in SHS and college that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science, and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology. It started in 2002 as a wholly owned subsidiary of STI ESG until its acquisition by STI Holdings in September 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings since September 30, 2016. iACADEMY conducts its classes in its Nexus building located along Yakal St. in Makati City.

On September 7, 2017, the Board of Governors (BOG) of iACADEMY approved the merger of iACADEMY and Neschester Corporation (Neschester), with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was filed with the SEC on January 24, 2018 and was approved on April 10, 2018. In addition, on September 7, 2017, the stockholders and BOG of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million (with a par value of ₱1.00 per share) to ₱1,000.0 million (with a par value of ₱1.00 per share). The increase in authorized capital stock was likewise approved by the SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. On October 13, 2022, iACADEMY received a letter from the BIR as a response to the request made for the merger. In the said letter, the BIR informed iACADEMY that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, iACADEMY and Neschester can implement the said transaction, including, but not limited to the issuance of Certificate/s Authorizing Registration (CAR/s) by the concerned Revenue District Office (RDO).

On June 1, 2022, the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its Articles of Incorporation as follows: (1) amendment of its primary purpose to include (a) establishment of educational institutions in Metro Manila and a branch in Cebu City; and (b) that iACADEMY shall have all the express powers of a corporation under Section 35 of the Revised Corporation Code, including the establishment and maintenance of branches and school campuses within the Philippines, subject to the rules and regulations of DepEd, CHED and TESDA. SEC approved the amendments on July 28, 2022.

e. Attenborough Holdings Corp. (AHC)

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University (PWU) and Unlad Resources Development Corporation (Unlad). Under the said Agreements, AHC is set to own up to 20.0% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 27).

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

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings (see Note 27).

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

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of STI Holdings for the year ended June 30, 2022, except for the adoption of new and amended standards effective July 1, 2022. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

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

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

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

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

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

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

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

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

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

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

- Annual Improvements to *PFRSs* 2018-2020 Cycle

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

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

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

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

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

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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

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

Standards Issued but Not Yet Effective

The standards and interpretations that are issued but not yet effective as at September 30, 2022 are listed below. The Group intends to adopt these standards when they become effective. The adoption of these standards and interpretations is not expected to have any significant impact on the unaudited interim condensed consolidated financial statements, except otherwise stated.

Effective for Fiscal Year 2024

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The Group is currently assessing the impact of adopting the amendments to PAS 12.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  1. Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  2. Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after July 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective for Fiscal Year 2025

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issuance of insurance contracts.

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint venture.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent September 30, 2022 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle for STI ESG and STI WNU is one academic year that starts in September and ends in June of the following year. For iACADEMY, classes start in August and end in May and July of the following year for SHS and tertiary level, respectively. The Group transitioned to full remote learning with the imposition of the community quarantine restrictions around the country for SYs 2020-2021 and 2021-2022 (see Note 31).

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

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

The Group uses a world-class and award-winning learning management system that is being used by schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past seven years in order that the students may continue their studies at home uninterrupted despite physical classroom disruptions.

Onsite learning refers to school activities conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DepEd for SHS, TESDA and CHED for tertiary. For most of SY 2021-2022, face-to-face classes remained suspended and thus the Group has continued to conduct classes online. The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and selected subjects beginning February 2022, March 2022 and May 2022 for STI ESG, STI WNU and iACADEMY, respectively, and for SHS students starting April 2022 and May 2022 for STI ESG and STI WNU, respectively. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. For SY 2022-2023, STI ESG and STI WNU implemented a flexible learning delivery modality. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a ratio of 50.0% onsite/face-to-face to 50.0% asynchronous. Classes for SHS of STI ESG are all conducted face-to-face since the opening of SY 2022-2023, while SHS classes in STI WNU are on blended modality with 50.0% onsite/face-to-face and 50.0% asynchronous. iACADEMY implemented the Hyflex Learning Format for tertiary. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide how to participate. The HyFlex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during a disruption. Meanwhile, for its SHS, iACADEMY is implementing the Hybrid setup (blended learning) until the end of SY 2022-2023. This allows grade 11 and 12 students to alternately attend onsite and online classes within the week. Courses, particularly specialized and contextualized subjects like Science and Information and Communications Technology (ICT), are conducted onsite in the laboratories. General Education subjects are delivered online using Microsoft Teams, an online classroom teleconferencing platform.

Both onsite and online classes use eLMS as the major platform for the repository of learning materials, assessments, and grades.

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

The revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

4. Segment Information

For management purposes, the Group is organized into business units based on the geographical location of the students and assets, and has five (5) reportable segments as follows:

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

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

On a consolidated basis, the Group's performance is evaluated based on unaudited interim condensed consolidated net loss and EBITDA, defined as earnings (losses) before interest expense, interest income, benefit from income tax, depreciation and amortization, equity in net (earnings) losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL, gain on derecognition of contingent consideration and income on rent concessions. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA for the three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Consolidated net loss	**(₱47,611,853)**	(₱116,737,540)
Depreciation and amortization* (see Notes 11, 12, 15, 22 and 24)	**130,752,421**	131,244,021
Interest expense* (see Notes 17 and 18)	**70,329,827**	76,946,393
Foreign exchange gain - net (Note 5)	**(26,779,271)**	(17,753,074)
Benefit from income tax	**(2,545,969)**	(244,826)
Forward		

Donation income**	**(4,744,529)**	–
Interest income (see Notes 5 and 6)	**(2,868,080)**	(1,330,916)
Equity in net (earnings) losses of associates and joint venture (see Note 13)	**(837,983)**	139,591
Fair value loss on equity instruments at FVPL	**1,379,500**	–
Gain on derecognition of contingent consideration (see Notes 16 and 27)	**–**	(25,000,000)
Income on rent concessions**	**–**	(2,882,909)
Consolidated EBITDA	**₱117,074,063**	₱44,380,740

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
***Presented as part of "Other income - net".*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month periods ended September 30, 2022 and 2021:

	Three-month period ended September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱302,985,461**	**₱30,192,588**	**₱93,638,049**	**₱65,760,042**	**₱ 7,774,105**	**₱500,350,245**
Results						
Income (loss) before other income (expenses) and income tax	**(79,562,158)**	**(8,640,485)**	**32,905,215**	**20,974,006**	**(5,989,031)**	**(40,312,453)**
Interest expense	**(74,419,323)**	**(824,507)**	**(1,421,567)**	**(440,665)**	**(607,335)**	**(77,713,397)**
Other income	**61,926,616**	**331,252**	**1,427,577**	**373,053**	**103,467**	**64,161,965**
Benefit from (provision for) income tax	**1,415,163**	**1,049,500**	**335,653**	**(254,347)**	**–**	**2,545,969**
Interest income	**2,805,768**	**3,679**	**34,025**	**22,953**	**1,655**	**2,868,080**
Equity in net earnings of associates and joint venture	**837,983**	**–**	–	–	–	**837,983**
Net Income (Loss)	**(₱86,995,951)**	**(₱8,080,561)**	**₱33,280,903**	**₱20,675,000**	**(₱6,491,244)**	**(₱47,611,853)**
EBITDA						**₱117,074,063**

	Three-month period ended September 30, 2021 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱223,945,380	₱20,794,178	₱76,054,765	₱44,730,762	₱7,274,652	₱372,799,737
Results						
Income (loss) before other income (expenses) and income tax	(129,877,728)	(10,367,682)	34,692,574	11,234,824	(5,656,450)	(99,974,462)
Interest expense	(81,543,103)	(1,096,369)	(1,711,958)	(99,366)	(738,194)	(85,188,990)
Other income	65,069,961	836,140	811,657	144,819	127,184	66,989,761
Benefit from (provision for) income tax	(841,295)	(94,957)	1,394,231	(213,153)	–	244,826
Interest income	1,241,338	11,129	38,570	38,671	1,208	1,330,916
Equity in net losses of associates and joint venture	(139,591)	–	–	–	–	(139,591)
Net Income (Loss)	(₱146,090,418)	(₱10,711,739)	₱35,225,074	₱11,105,795	(₱6,266,252)	(₱116,737,540)
EBITDA						₱44,380,740

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

	September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,766,400,934**	**₱836,615,768**	**₱1,651,983,155**	**₱890,520,911**	**₱164,470,789**	**₱14,309,991,557**
Noncurrent asset held for sale	**1,020,728,064**	–	–	–	–	**1,020,728,064**
Investments in and advances to associates and joint venture	**19,328,861**	–	–	–	–	**19,328,861**
Goodwill	**227,874,121**	–	–	**15,681,232**	–	**243,555,353**
Deferred tax assets - net	**12,259,273**	**3,582,298**	**5,284,011**	**7,942,758**	**1,655,566**	**30,723,906**
Total Assets	**₱12,046,591,253**	**₱840,198,066**	**₱1,657,267,166**	**₱914,144,901**	**₱166,126,355**	**₱15,624,327,741**
Segment liabilities[(b)]	**₱1,219,378,636**	**₱173,742,180**	**₱544,190,682**	**₱271,538,679**	**₱63,529,259**	**₱2,272,379,436**
Interest-bearing loans and borrowings	**1,246,471,419**	–	–	–	–	**1,246,471,419**
Bonds payable	**2,981,805,871**	–	–	–	–	**2,981,805,871**
Pension liabilities - net	**67,471,091**	**5,668,248**	**11,798,047**	**22,519,666**	**1,946,319**	**109,403,371**
Lease liabilities	**250,451,692**	**46,366,155**	**89,812,798**	**30,649,428**	**36,922,595**	**454,202,668**
Deferred tax liabilities - net	**113,030,232**	–	–	–	–	**113,030,232**
Total Liabilities	**₱5,878,608,941**	**₱225,776,583**	**₱645,801,527**	**₱324,707,773**	**₱102,398,173**	**₱7,177,292,997**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱34,464,212**
Depreciation and amortization[(c)]						**131,707,753**
Noncash expenses other than depreciation and amortization						**36,175,809**

[(a)] *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint venture, goodwill and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, lease liabilities and deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

	June 30, 2022 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱10,273,110,652	₱770,907,221	₱1,379,938,195	₱683,891,664	₱142,285,468	₱13,250,133,200
Noncurrent asset held for sale	1,039,728,064	–	–	–	–	1,039,728,064
Investments in and advances to associates and joint venture	18,490,878	–	–	–	–	18,490,878
Goodwill	227,874,121	–	–	15,681,232	–	243,555,353
Deferred tax assets - net	8,937,435	2,532,798	4,947,451	7,942,758	1,655,566	26,016,008
Total Assets	₱11,568,141,150	₱773,440,019	₱1,384,885,646	₱707,515,654	₱143,941,034	₱14,577,923,503
Segment liabilities[(b)]	₱579,201,645	₱53,439,704	₱115,992,079	₱91,306,771	₱36,884,624	₱876,824,823
Interest-bearing loans and borrowings	1,530,597,386	–	–	–	–	1,530,597,386
Bonds payable	2,980,515,064	–	–	–	–	2,980,515,064
Pension liabilities - net	63,765,218	5,482,854	11,382,893	26,136,589	1,887,873	108,655,427
Lease liabilities	267,996,138	51,663,460	95,496,288	18,479,857	39,680,822	473,316,565
Deferred tax liabilities - net	113,049,596	–	–	–	–	113,049,596
Total Liabilities	₱5,535,125,047	₱110,586,018	₱222,871,260	₱135,923,217	₱78,453,319	₱6,082,958,861
Other Segment Information						
Capital expenditure -						
Property and equipment						₱146,766,580
Depreciation and amortization[(c)]						524,769,336
Noncash expenses other than depreciation and amortization						135,255,250

(a) *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint venture, goodwill and net deferred tax assets.*
(b) *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, lease liabilities and deferred tax liabilities.*
(c) *Depreciation and amortization excludes those related to ROU assets.*

5. Cash and Cash Equivalents

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Cash on hand and in banks	**₱1,175,172,741**	₱1,004,708,289
Cash equivalents	**601,460,723**	564,009,794
	₱1,776,633,464	₱1,568,718,083

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

Interest earned from cash in banks and cash equivalents for the three-month periods ended September 30, 2022 and 2021 amounted to ₱1.3 million and ₱1.0 million, respectively.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized net gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱2.8 thousand and ₱242.8 thousand for the three-month periods ended September 30, 2022 and 2021, respectively.

6. Receivables

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Tuition and other school fees	**₱1,507,244,231**	₱669,973,794
Educational services	**120,752,249**	75,476,227
Rent, utilities and other related receivables	**55,855,349**	41,693,700
Advances to officers and employees (see Note 25)	**25,673,072**	20,156,347
Receivable from STI Tanay	**–**	6,758,041
Others	**26,100,752**	29,334,574
	1,735,625,653	843,392,683
Less allowance for expected credit losses	**344,704,696**	312,384,497
	₱1,390,920,957	₱531,008,186

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees receivables include receivables from students, DepEd, CHED and Development Bank of the Philippines (DBP).

   On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022.

These receivables are noninterest-bearing. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

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

   Interest earned from past due accounts amounted to ₱1.5 million and ₱0.3 million for the three-month periods ended September 30, 2022 and 2021, respectively.

b. Rent, utilities and other related receivables are normally collected within the year.

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

d. Receivable from STI Tanay substantially represents the receivable for educational services rendered by STI ESG to the franchisee. As stated in the Memorandum of Agreement (the Agreement) dated July 29, 2022 between STI ESG and STI Tanay, the receivables of STI Tanay from DepEd arising from SHS vouchers which are unpaid as of the date of the Agreement are assigned in favor of STI ESG as payment of this outstanding receivable (see Note 10). Thus, this amount has been reclassified as part of Receivables-Tuition and other school fees as at September 30, 2022.

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and receivables from Social Security Systems amounting to ₱1.6 million, ₱6.6 million and ₱4.4 million as at September 30, 2022, respectively and ₱1.6 million, ₱6.7 million and ₱4.1 million as at June 30, 2022, respectively. These receivables are expected to be collected within the year.

Recovery of accounts written off amounted to ₱2.7 million and ₱2.5 million for the three-month periods ended September 30, 2022 and 2021, respectively.

7. Inventories

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱94,263,185**	₱128,607,105
Textbooks and other education-related materials	**10,542,163**	10,694,553
	104,805,348	139,301,658
Promotional materials:		
Proware materials	**15,412,847**	13,436,142
Marketing materials	**378,941**	387,296
	15,791,788	13,823,438
School materials and supplies	**5,453,371**	5,060,658
	₱126,050,507	₱158,185,754

The carrying value of inventories carried at net realizable value is nil as at September 30, 2022 and June 30, 2022. Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, with original cost of ₱18.5 million as at September 30, 2022 and June 30, 2022, are fully provided with allowance for inventory obsolescence. No provision was recognized for the three-month periods ended September 30, 2022 and 2021.

Inventories charged to cost of educational materials and supplies sold amounted to ₱50.9 million and ₱10.6 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 23).

8. Prepaid Expenses and Other Current Assets

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Prepaid taxes	**₱56,730,016**	₱57,161,045
Input VAT - net	**21,826,370**	23,007,435
Advances to suppliers	**17,562,272**	7,153,692
Prepaid subscriptions and licenses	**14,530,149**	13,849,894
Prepaid insurance	**8,611,429**	6,743,814
Software maintenance cost	**4,312,581**	1,743,610
Prepaid internet cost	**125,871**	126,227
Others	**6,009,379**	4,516,922
	₱129,708,067	₱114,302,639

Prepaid taxes represent excess creditable withholding taxes over tax due which will be applied against income tax due of the following period. This account also includes prepayments for business and real property taxes which will be recognized as expense over the period covered.

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in the next fiscal year. Input VAT is primarily from the purchase of goods and services.

Advances to suppliers mainly include down payments for the purchase of school uniforms, repairs and maintenance of various school equipment and facility, fit-out charges and interior design for iACADEMY's campus in Cebu, laboratory and electrical supplies.

Prepaid subscriptions and licenses primarily pertain to Microsoft, Adobe Acrobat license, Adobe Creative Cloud, eLMS, Sophos Firewall, Toon Boom Harmony and Autodesk subscriptions which have been renewed in preparation for SY 2022-2023. These subscriptions are normally renewed annually and are amortized in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents vehicle insurance coverage, health coverage of employees and fire and other risks insurance on buildings which have been paid in advance and are recognized as expense over the period of coverage which is within next reporting period.

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

Prepaid internet cost represents the balance of the load wallet for data connectivity of the students as at September 30, 2022 and June 30, 2022. STI ESG partnered with Smart Communications, Inc.

(Smart) and Globe Telecom, Inc. (Globe) to provide students with a 34GB Smart SIM and up to 20GB Globe data plan or load per month, respectively in SY 2020-2021 and and SY 2021-2022. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime.

Other prepaid expenses and other current assets as at September 30, 2022 mainly represent advance payments for job posting and promotional expenses, prepaid rent and refundable deposit for the construction/fit-out of iACADEMY's campus in Cebu. The balance as at June 30, 2022 substantially pertains to COVID-19 vaccine doses purchased by the Group in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program.

9. Equity Instruments at Fair Value through Profit or Loss (FVPL)

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱8.2 million and ₱9.6 million as at September 30, 2022 and June 30, 2022, respectively.

In September 2021, STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.4 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

10. Noncurrent Asset Held for Sale

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Quezon City dacion properties (see Note 12)	**₱1,020,728,064**	₱1,020,728,064
Property acquired through extrajudicial foreclosure (see Note 12)	–	19,000,000
	₱1,020,728,064	₱1,039,728,064

Quezon City Dacion Properties

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2022 and June 30, 2022 represents the carrying value of the land, building and land improvements located in Quezon City ("Quezon City dacion properties") which were obtained by the Parent Company through the deeds of dacion in 2016 (see Notes 12 and 27).

On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since its receipt. With the classification as noncurrent asset held for sale, the Parent Company carried the said properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized as a result of such classification.

In May and June 2022, the Parent Company issued authority to sell to certain brokers to perform all efforts in connection with the sale of the Quezon City dacion properties to prospective buyers. As at November 21, 2022, negotiations with interested buyers are ongoing.

Property Acquired through Extrajudicial Foreclosure
As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million represents the carrying value of land and building located in Pasig City acquired by STI ESG through extrajudicial foreclosure.

As discussed in Note 12, the receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property); and (b) land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under “Investment properties” at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of “Gain on settlement of receivable” for the year ended June 30, 2022.

STI Tanay and the mortgagors were given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from “Investment properties” to “Noncurrent asset held for sale” as at June 30, 2022, in view of the expected redemption upon actual receipt of the redemption price (see Note 12).

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The gain on settlement of receivable and the provision for impairment of noncurrent asset held for sale were presented as part of “Gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale” in the June 30, 2022 consolidated statement of comprehensive income.

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the “Agreement”) for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (see Note 12); (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay’s rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG; (4) assignment of STI Tanay’s rights to the use of the name of “STI College Tanay”; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale amounting to ₱19.0 million.

11. Property and Equipment

	September 30, 2022 (Unaudited)												
	Land	**Buildings**	**Office and School Equipment**	**Office and School Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction In-Progress**	**Right-of-use Asset – Land**	**Right-of-use Asset - Building**	**Right-of-use Asset - Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	**₱3,392,351,300**	**₱5,715,373,328**	**₱158,442,081**	**₱41,980,063**	**₱23,240,374**	**₱1,358,457**	**₱39,236,559**	**₱18,007,902**	**₱27,661,428**	**₱122,558,699**	**₱116,369,390**	**₱15,935,910**	**₱9,672,515,491**
Additions	**–**	**647,679**	**6,158,736**	**1,428,387**	**1,251,840**	**–**	**20,999,420**	**207,298**	**3,770,852**	**–**	**15,290,140**	**3,253,615**	**53,007,967**
Reclassification from investment properties (see Note 12)	**46,593,335**	**69,137,087**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**115,730,422**
Reclassifications	**–**	**–**	**–**	**–**	**20,543**	**–**	**–**	**(20,543)**	**–**	**–**	**–**	**–**	**–**
Lease termination/modification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,034,502)**	**–**	**(4,034,502)**
Disposal	**–**	**–**	**(49)**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**
Depreciation and amortization (see Notes 22 and 24)	**–**	**(89,336,792)**	**(18,112,357)**	**(5,619,795)**	**(1,164,730)**	**(347,814)**	**(6,953,365)**	**(1,707,745)**	**–**	**(2,026,284)**	**(11,580,231)**	**(1,933,319)**	**(138,782,432)**
Balance at end of period	**₱3,438,944,635**	**₱5,695,821,302**	**₱146,488,411**	**₱37,788,647**	**₱23,348,027**	**₱1,010,643**	**₱53,282,614**	**₱16,486,912**	**₱31,432,280**	**₱120,532,415**	**₱116,044,797**	**₱17,256,206**	**₱9,698,436,889**
At September 30, 2022:													
Cost	**₱3,438,944,635**	**₱8,131,383,708**	**₱950,521,386**	**₱387,244,231**	**₱238,335,716**	**₱19,431,519**	**₱537,290,546**	**₱221,714,189**	**₱31,432,280**	**₱148,147,809**	**₱272,072,007**	**₱64,962,980**	**₱14,441,481,006**
Accumulated depreciation and amortization	**–**	**2,435,562,406**	**804,032,975**	**349,455,584**	**214,987,689**	**18,420,876**	**484,007,932**	**205,227,277**	**–**	**27,615,394**	**156,027,210**	**47,706,774**	**4,743,044,117**
Net book value	**₱3,438,944,635**	**₱5,695,821,302**	**₱146,488,411**	**₱37,788,647**	**₱23,348,027**	**₱1,010,643**	**₱53,282,614**	**₱16,486,912**	**₱31,432,280**	**₱120,532,415**	**₱116,044,797**	**₱17,256,206**	**₱9,698,436,889**

	June 30, 2022 (Audited)												
	Land	Buildings	Office and School Equipment	Office and School Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Right-of-use Asset – Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	₱3,390,832,629	₱5,714,244,874	₱202,978,925	₱60,017,828	₱41,202,838	₱2,935,971	₱44,921,630	₱21,024,608	₱288,328,328	₱124,820,876	₱135,347,715	₱14,623,268	₱10,041,279,490
Additions	1,518,671	52,824,346	34,045,542	5,974,074	3,682,573	–	22,775,670	3,738,518	22,207,186	–	29,634,248	8,660,582	185,061,410
Reclassifications	–	284,095,792	(1,997,425)	–	(1,221,706)	(186,253)	1,997,425	–	(282,874,086)	–	–	186,253	–
Lease termination/modification	–	–	–	–	–	–	–	–	–	5,842,960	(1,606,850)	–	4,236,110
Disposal	–	–	(15)	(2)	–	–	–	(543)	–	–	–	(117,605)	(118,165)
Depreciation and amortization (see Notes 22 and 24)	–	(335,791,684)	(76,584,946)	(24,011,837)	(20,423,331)	(1,391,261)	(30,458,166)	(6,754,681)	–	(8,105,137)	(47,005,723)	(7,416,588)	(557,943,354)
Balance at end of period	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,358,457	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,935,910	₱9,672,515,491
At June 30, 2022:													
Cost	₱3,392,351,300	₱8,059,841,711	₱946,227,238	₱385,814,751	₱237,678,597	₱19,431,519	₱516,291,126	₱220,980,726	₱27,661,428	₱148,154,218	₱260,821,043	₱63,241,975	₱14,278,495,632
Accumulated depreciation and amortization	–	2,344,468,383	787,785,157	343,834,688	214,438,223	18,073,062	477,054,567	202,972,824	–	25,595,519	144,451,653	47,306,065	4,605,980,141
Net book value	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,358,457	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,935,910	₱9,672,515,491

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,607.8 million and ₱1,548.8 million as at September 30, 2022 and June 30, 2022, respectively. There were no idle property and equipment as at September 30, 2022 and June 30, 2022.

Additions

Property and Equipment under Construction. As at September 30, 2022 and June 30, 2022, the remaining construction in progress includes the costs of the major renovation of STI WNU's Engineering building amounting to ₱25.1 million and ₱22.2 million, respectively and the construction of a pedestrian overpass to ensure the safety of the students of STI Las Piñas amounting to ₱5.5 million. The total contract costs of these projects aggregates to ₱40.6 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects. These projects are expected to be completed in December 2022.

As at September 30, 2022, construction in progress includes the construction of iACADEMY's campus in Cebu which is located at Filinvest Cyberzone Tower Two Building, Lahug, Cebu City. The total contract cost of this project aggregate to ₱33.8 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. Major construction work started in October 2022 and is expected to be completed in December 2022. Costs incurred as at September 30, 2022 amounted to ₱0.1 million.

Collaterals

iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and building, and all other facilities, machineries, equipment and improvements therein (see Note 17). As at September 30, 2022 and June 30, 2022, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,384.4 million and ₱1,396.8 million, respectively.

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at September 30, 2022 and June 30, 2022. The net book value of these equipment amounted to ₱17.3 million and ₱15.9 million as at September 30, 2022 and June 30, 2022, respectively.

12. Investment Properties

	September 30, 2022 (Unaudited)				
	Land	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Construction In-Progress**	**Total**
Cost:					
Balance at beginning of period	**₱352,742,258**	**₱703,141,550**	**₱133,183,838**	**₱86,671,554**	**₱1,275,739,200**
Additions	**2,577,334**	**5,202,765**	**–**	**–**	**7,780,099**
Reclassification to property and equipment (see Note 11)	**(46,593,335)**	**(70,825,764)**	**–**	**–**	**(117,419,099)**
Reclassification of completed project	**–**	**86,671,554**	**–**	**(86,671,554)**	**–**
Balance at end of period	**308,726,257**	**724,190,105**	**133,183,838**	**–**	**1,166,100,200**
Accumulated depreciation:					
Balance at beginning of period	**–**	**228,926,408**	**42,575,161**	**–**	**271,501,569**
Depreciation (see Notes 22 and 24)	**–**	**6,619,156**	**3,237,308**	**–**	**9,856,464**
Reclassification to property and equipment (see Note 11)	**–**	**(1,688,677)**	**–**	**–**	**(1,688,677)**
Balance at end of period	**–**	**233,856,887**	**45,812,469**	**–**	**279,669,356**
Net book value	**₱308,726,257**	**₱490,333,218**	**₱87,371,369**	**₱–**	**₱886,430,844**

	June 30, 2022 (Audited)				
	Land	Condominium Units and Buildings	Right-of-Use Asset - Building	Construction In-Progress	Total
Cost:					
Balance at beginning of year	₱308,726,258	₱636,233,550	₱133,183,838	₱–	₱1,078,143,646
Additions	88,242,000	76,632,000	–	86,671,554	251,545,554
Disposal	(44,226,000)	(9,724,000)	–	–	(53,950,000)
Balance at end of year	352,742,258	703,141,550	133,183,838	86,671,554	1,275,739,200
Accumulated depreciation:					
Balance at beginning of year	–	202,596,069	29,475,112	–	232,071,181
Depreciation (see Notes 22 and 24)	–	26,978,606	13,100,049	–	40,078,655
Disposal	–	(648,267)	–	–	(648,267)
Balance at end of year	–	228,926,408	42,575,161	–	271,501,569
Net book value	₱352,742,258	₱474,215,142	₱90,608,677	₱86,671,554	₱1,004,237,631

As at September 30, 2022 and June 30, 2022, investment properties primarily include buildings and condominium units of the Group which are held for office or commercial lease.

Investment properties also include parcels of land and land improvements located in Davao City currently held by the Parent Company for capital appreciation and are not used in business. These properties (including the Quezon City dacion properties discussed in Note 10) were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 27) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 27). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were recognized at fair value amounting to ₱1,280.5 million at dacion date.

As discussed in Note 10, on June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties. Consequently, the carrying value of these properties amounting to ₱1,020.7 million was reclassified to "Noncurrent asset held for sale" under current assets (see Note 10).

Land and Buildings Acquired through Extrajudicial Foreclosure. As at September 30, 2022 and June 30, 2022, investment properties include land and buildings acquired through extrajudicial foreclosure.

In 2019, STI ESG and DBP executed a Deed of Assignment wherein DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

The receivable from STI Tanay is secured by real estate mortgages over the following properties: (a) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property), and (b) a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

On March 15, 2022, the extrajudicial foreclosure sale for the Tanay Property was completed and STI ESG was declared as the winning bidder. On April 11, 2022, the Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the certificate of sale and the same was annotated on May 5, 2022. Consequently, STI ESG recognized the said property as part of land and building, under “Investment properties” at appraised values amounting to ₱44.1 million and ₱66.9 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱26.1 million was recognized as part of “Gain on settlement of receivable” for the year ended June 30, 2022.

On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under “Investment properties” at appraised values amounting to ₱44.2 million and ₱9.7 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱19.0 million was recognized as part of “Gain on settlement of receivable” for the year ended June 30, 2022.

STI Tanay and the mortgagors were given a one-year redemption period from the date the certificate of sale was annotated. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig Property for ₱19.0 million. STI ESG executed the Certificate of Redemption and the release and cancellation of the third-party mortgage of the Pasig Property. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from “Investment properties” to “Noncurrent asset held for sale” in view of the expected redemption upon actual receipt of the redemption price (see Note 10).

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the “Agreement”) for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG (discussed above); 2) payment of the ₱19.0 million for the redemption of the Pasig property (see Note 10); (3) assignment of STI Tanay’s rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG; (4) assignment of STI Tanay’s rights to the use of the name of “STI College Tanay”; and (5) change of corporate name of STI Tanay.

On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million. With the transfer of the operations of STI QA to Tanay in September 2022, STI ESG has reclassified this property to Property and Equipment as of September 30, 2022.

Right-of-use Asset - Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for the building along Sen. Gil J. Puyat Avenue for a period of 15 years and three months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three years or the average of the Consumer Price Index for the last three years, whichever is higher. iACADEMY subleases the building to third parties.

On September 6, 2022, iACADEMY entered into a sublease agreement on their leased building, particularly the ground floor unit 1 and the entirety of the second floor up to and including the roofdeck of the building, with another third party, for a period of five years commencing on March 15, 2023 and ending March 14, 2028.

Investment Property under Construction. As at June 30, 2022, the construction-in-progress account pertains substantially to the renovation of office condominium units owned by STI ESG. This includes mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and management services. The related contract costs amounted to ₱88.0 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the project. This project is intended to complete the office fit-out requirements for a new lease agreement. The renovation works for the said office condominium units were completed in August 2022.

13. Investments in and Advances to Associates and Joint Venture

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net losses:		
Balance at beginning of period	**(28,401,837)**	(8,159,640)
Equity in net earnings (losses) of associates and joint venture	**837,983**	(20,242,197)
Balance at end of period	**(27,563,854)**	(28,401,837)
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of period	**329,306**	329,306
	19,328,861	18,490,878
Advances (see Note 25)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱19,328,861	₱18,490,878

There is no movement in the allowance for impairment of investments in and advances to associates and joint venture. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
Global Resource for Outsourced Workers, Inc. (GROW)	**15,074,054**	14,289,422
Joint venture - Philippine Healthcare Educators, Inc (PHEI)	**4,254,807**	4,201,456
	67,463,401	66,625,418
Allowance for impairment loss	**48,134,540**	48,134,540
	₱19,328,861	₱18,490,878

**The share in equity of this associate as at September 30, 2022 and June 30, 2022 is not material to the unaudited interim condensed consolidated financial statements.*

14. **Equity Instruments at Fair Value through Other Comprehensive Income (FVOCI)**

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Quoted equity shares	**₱5,425,728**	₱4,800,312
Unquoted equity shares	**65,388,463**	65,388,463
	₱70,814,191	₱70,188,775

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱30.5 million as at September 30, 2022 and June 30, 2022.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.9 million and nil for the three-month periods ended September 30, 2022 and 2021, respectively.

15. **Goodwill, Intangible and Other Noncurrent Assets**

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Goodwill	**₱243,555,353**	₱243,555,353
Advances to suppliers	**109,984,325**	19,112,618
Intangible assets	**48,524,481**	49,174,773
Rental and utility deposits	**38,125,787**	34,500,378
Deferred input VAT	**21,308,433**	13,755,760
Others	**4,823,112**	4,823,112
	₱466,321,491	₱364,921,994

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

<u>Advances to Suppliers</u>
Advances to suppliers primarily pertain to advance payments made in relation to the acquisition of property and equipment and construction of buildings (see Note 11). These will be reclassified to the "Property and equipment" account when the goods are received or the services are rendered.

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school and related agreements which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired by STI ESG. Such intangible assets with indefinite useful life, representing the fair value of the license and agreements, amounted to ₱27.6 million as at September 30, 2022 and June 30, 2022.

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

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

16. Accounts Payable and Other Current Liabilities

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Accounts payable	**₱349,550,769**	₱446,952,008
Accrued expenses:		
Contracted services	**48,727,529**	40,669,786
Salaries, wages and benefits	**33,355,035**	33,329,119
School-related expenses	**27,113,677**	48,064,848
Utilities	**17,474,392**	10,400,798
Interest	**5,486,334**	26,583,874
Advertising and promotion	**3,814,440**	7,624,460
Rent	**1,635,028**	4,637,426
Others	**5,911,541**	5,441,782
Statutory payables	**30,440,450**	27,438,037
Dividends payable	**26,411,518**	26,411,518
Network events fund	**20,596,047**	12,785,275
Student organization fund	**17,691,213**	14,012,993
Nontrade payable (see Note 27)	**17,000,000**	17,000,000
Current portion of refundable deposits (see Note 19)	**1,883,956**	680,495
Current portion of advance rent (see Note 19)	**1,338,180**	346,370
Others	**10,026,750**	13,696,181
	₱618,456,859	₱736,074,970

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

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

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

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

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

e. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The Parent Company and the Agustin family (former owners of WNU) decided to amicably settle ₱ 50.0 million of the nontrade payable by (a) executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and (b) filing a Joint Motion for Judgment Based on Compromise Agreement dated September 20, 2021. In the Compromise Agreement, the Parent Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the ₱50.0 million, which is the subject of the cases filed by the Agustin family. On September 14, 2021, the Parent Company paid ₱25.0 million to the Agustin family. Accordingly, the Parent Company recognized other income on derecognition of contingent consideration amounting to ₱25.0 million. As at September 30, 2022 and June 30, 2022, the remaining balance of nontrade payable amounting to ₱17.0 million pertains to the portion of the contingent consideration to be released upon collection of STI WNU's trade receivables guaranteed as collectible by the Agustin family. As part of the Compromise Agreement, the parties also agreed to review the financial records of STI WNU to determine the status of collection (see Note 27).

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

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

h. Terms and conditions of payables to related parties (recorded under "Accounts payable") are disclosed in Note 25 to the unaudited interim condensed consolidated financial statements.

17. Interest-bearing Loans and Borrowings

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Term loan facilities[(a)]	**₱992,814,236**	₱1,272,392,785
Corporate Notes Facility[(b)]	**245,111,171**	245,666,028
Landbank ACADEME Program[(c)]	**8,546,012**	12,538,573
	1,246,471,419	1,530,597,386
Less current portion	**107,219,554**	239,135,979
Noncurrent portion	**₱1,139,251,865**	₱1,291,461,407

[(a)]Net of unamortized debt issuance costs of ₱6.8 million and ₱7.2 million as at September 30, 2022 and June 30, 2022, respectively.
[(b)]Inclusive of unamortized premium of ₱5.1 million and ₱5.7 million as at September 30, 2022 and June 30, 2022, respectively.
[c)]Net of unamortized debt issuance costs of ₱0.04 million and ₱0.1 million as at September 30, 2022 and June 30, 2022, respectively.

<u>Term Loan Facilities</u>
iACADEMY. On September 28, 2017, iACADEMY, as Borrower, and Neschester, as Third Party Mortgagor, entered into an Omnibus Loan and Security Agreement (Omnibus Agreement) with China Banking Corporation (China Bank) granting iACADEMY a Term Loan Facility amounting to ₱800.0 million to refinance the ₱200.0 million short-term loan and partially finance the cost of construction of iACADEMY's Yakal campus. The long-term loan is secured by a real estate mortgage on the Yakal land and the building constructed thereon, and all other facilities, machineries equipment and improvements therein (see Note 11). The long-term loan shall mature on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date).

The maturity date of subsequent drawdowns made within the availability period shall coincide with the Loan Maturity Date.

iACADEMY made the following drawdowns:

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

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

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

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

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

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

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

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

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

Breakdown of iACADEMY's Term Loan follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning of period	**₱320,000,000**	₱520,000,000
Payments	**(40,000,000)**	(200,000,000)
Balance at end of period	**280,000,000**	320,000,000
Unamortized debt issuance costs	**(1,430,708)**	(1,635,095)
Balance at end of period	**278,569,292**	318,364,905
Less current portion	**39,591,226**	79,591,226
Noncurrent portion	**₱238,978,066**	₱238,773,679

On September 29, 2022, iACADEMY paid the ₱40.0 million regular amortization. The loan balance of ₱280.0 million was repriced at an interest rate of 5.6699% on September 28, 2022.

Interest expense for the three-month periods ended September 30, 2022 and 2021 amounted to ₱2.6 million and ₱4.4 million, respectively.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the EIR method. These are presented as a contra-liability account in the unaudited interim condensed consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱1.4 million and ₱1.6 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱0.2 million for the three-month periods ended September 30, 2022 and 2021.

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

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

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

As at September 30, 2022 and June 30, 2022, iACADEMY has complied with the above covenants.

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

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.50% divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender’s commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31%. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81%. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% effective September 20, 2020. As at July 31, 2020, the Term Loan Facility is fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.7895% per annum effective September 20, 2021.

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

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

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

The D/E ratios of STI ESG are 0.83x and 0.88x as at September 30, 2022 and June 30, 2022, respectively. DSCRs as at September 30, 2022 and June 30, 2022 are 2.33x and 1.80x, respectively. As at September 30, 2022 and June 30, 2022, STI ESG has complied with the said covenants.

Breakdown of STI ESG's Term Loan follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning of period	**₱960,000,000**	₱1,200,000,000
Repayments	**(240,000,000)**	(240,000,000)
Balance at end of period	**720,000,000**	960,000,000
Unamortized debt issuance costs	**(5,755,056)**	(5,972,120)
Balance at end of period	**714,244,944**	954,027,880
Less current portion	**–**	120,000,000
Noncurrent portion	**₱714,244,944**	₱834,027,880

These loans are unsecured and are due based on the following original schedule:

Fiscal Year	Amount
2022	₱120,000,000
2023	240,000,000
2024	240,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱1,200,000,000

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, China Bank reduced the prepayment penalty from 3.0% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022.

The revised repayment schedule, after the application of the principal prepayment made in September 2021, are as follows:

Fiscal Year	Amount
2023	₱120,000,000
2024	240,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱960,000,000

On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19-23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

The revised repayment schedule, after the application of the principal prepayment in September 2022, are as follows:

Fiscal Year	Amount
2023	₱–
2024	120,000,000
2025	240,000,000
2026	240,000,000
2027	120,000,000
	₱720,000,000

Corporate Notes Facility

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with China Bank granting STI ESG a credit facility amounting to ₱3,000.0 million with a term of either 5 or 7 years. The facility is available in two tranches of ₱1,500.0 million each. The net proceeds from the issuance of the notes were used for capital expenditures and other general corporate purposes.

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500 million.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

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

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

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

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

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

As at September 30, 2022 and June 30, 2022, STI ESG has complied with the above covenants.

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

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from March 19, 2023;

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

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

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

The above modification of terms and conditions resulted in the recognition of premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. The carrying value of the unamortized premium on corporate notes amounted to ₱5.1 million and ₱5.7 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of loan premium amounting to ₱0.6 million and ₱0.4 million for the three-month periods ended September 30, 2022 and 2021, respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income.

Breakdown of STI ESG's Credit Facility Agreement follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning and end of period	**₱240,000,000**	₱240,000,000
Unamortized premium on corporate notes	**5,111,171**	5,666,028
Balance at end of period	**245,111,171**	245,666,028
Less current portion	**60,000,000**	30,000,000
Noncurrent portion	**₱185,111,171**	₱215,666,028

In January 2021, STI WNU fully paid its loan from the Corporate Notes Facility.

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

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

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested China Bank for the waivers of certain covenants in its Term Loan Agreement and Corporate Notes Facility Agreement in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program.

b. On July 23, 2020, China Bank approved the waiver of the following covenants:

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

c. On July 23, 2020, China Bank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ending June 30, 2021.

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

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

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

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

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

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

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

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

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

f. On August 15, 2022, China Bank approved the request of STI ESG for waiver of the DSCR requirement for the periods ending June 30, 2023 and December 31, 2023.

LandBank ACADEME Program

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

The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank. As at June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility with LandBank an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

Interest Expense

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

Interest expense on the loans for the three-month periods ended September 30, 2022 and 2021 amounted to ₱24.3 million and ₱28.4 million, respectively.

18. **Bonds Payable**

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**18,194,129**	19,484,936
	₱2,981,805,871	₱2,980,515,064

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

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

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

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

					Carrying Value		
Issued	Interest Payable	Term	Interest Rate	Principal Amount	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,169,741,472**	₱2,168,699,028	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱812,064,399**	₱811,816,036	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,981,805,871**	₱2,980,515,064	

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

STI ESG's D/E ratios and DSCRs as at September 30, 2022 and June 30, 2022 are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total liabilities[a]	**₱4,812,740,965**	₱5,166,220,433
Total equity	**5,816,634,929**	5,892,251,942
Debt-to-equity ratio	**0.83:1.00**	0.88:1.00

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
EBITDA[b]	**₱916,885,752**	₱868,421,984
Total interest-bearing liabilities[c]	**394,102,929**	483,122,324
Debt service cover ratio	**2.33:1.00**	1.80:1.00

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

STI ESG obtained the required consent of the holders of the Bonds (the "Record Bondholders"), which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement). As at September 30, 2022 and June 30, 2022, STI ESG has complied with the above covenants.

Amendments to the Trust Agreement
On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the Record Bondholders to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Record Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such

assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the DSCR up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50.0%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of Execution Date, the following amendments shall be deemed to have been made to Section 7.02 (Negative Covenants of the Issuer) of the Trust Agreement:

  (a) Section 7.02(a) of the Trust Agreement is hereby amended to read as follows:
  "directly or indirectly, incur or suffer to exist, or permit any Subsidiary to directly or indirectly incur or suffer to exist, any Lien other than Permitted Liens upon any assets and revenues, present and future, of the Issuer and its Subsidiaries, as the case may be, except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

  (b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:
  "incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, xxx except for the assignment by the Issuer to LandBank of sub-promissory notes to be executed by the parents or benefactors of the Issuer's students as security for the ACADEME Lending Program of LandBank";

- Amendment Relating to DSCR Waiver

  Effective as of the date stated in the Majority Bondholders' Consent, the following amendment shall be deemed to have been made to Section 7.01(k) of the Trust Agreement:

  (k) maintain and observe the following financial ratios:

  (i) DSCR of not less than 1.05:1, provided that this DSCR shall be waived up to June 30, 2023.

<u>Bond Issuance Costs</u>
STI ESG incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs were capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱18.2 million and ₱19.5 million as at September 30, 2022 and June 30, 2022, respectively. Amortization of bond issuance costs amounting to ₱1.3 million and ₱1.8 million for the three-month periods ended September 30, 2022 and 2021, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs), net of amount capitalized as property and equipment, associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱46.0 million and ₱46.5 million for the three-month periods ended September 30, 2022 and 2021, respectively.

19. Other Noncurrent Liabilities

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advance rent - net of current portion (see Notes 16 and 28)	**₱42,392,107**	₱11,498,775
Refundable deposits - net of current portion (see Notes 16 and 28)	**33,950,514**	10,399,880
Deferred lease liability	**1,161,390**	1,295,273
Deferred output VAT	**257,191**	162,108
	₱77,761,202	₱23,356,036

Current portion of advance rent and refundable deposits are presented and disclosed in Note 16.

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

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

20. Equity

Capital Stock
Details as at September 30, 2022 and June 30, 2022 are as follows:

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

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

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

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

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

As at September 30, 2022 and June 30, 2022, the Parent Company has a total number of shareholders on record of 1,262.

Cost of Shares Held by a Subsidiary
This account represents 500,433,895 STI Holdings shares owned by STI ESG as at September 30, 2022 and June 30, 2022 amounting to ₱498.1 million which are treated as treasury shares in the unaudited interim condensed consolidated statements of financial position.

Other Comprehensive Income and Non-controlling Interests

	September 30, 2022 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss)	**₱26,733,723**	**(₱360,105)**	**₱26,373,618**
Fair value changes in equity instruments at FVOCI (see Note 14)	**13,872,148**	**204,575**	**14,076,723**
Share in associates' cumulative actuarial gain (see Note 13)	**321,569**	**7,853**	**329,422**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	**(114)**	**(2)**	**(116)**
	₱40,927,326	**(₱147,679)**	**₱40,779,647**

	June 30, 2022 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss)	₱27,664,542	(₱360,105)	₱27,304,437
Fair value changes in equity instruments at FVOCI (see Note 14)	13,255,113	196,194	13,451,307
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱41,241,110	(₱156,060)	₱41,085,050

Retained Earnings

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

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

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

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

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

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

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

<u>Other equity reserve</u>

On August 4, 2021, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000, representing 48.0% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. As a result, De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021. Consequently, the carrying value of the equity attributable to non-controlling interest in De Los Santos-STI College amounting to ₱0.07 million was derecognized and other equity reserve, amounting to ₱15.9 million, representing the difference between the consideration paid by STI ESG and the carrying value of non-controlling interest in De Los Santos-STI College, was recognized in the June 30, 2022 audited consolidated financial statements.

21. Revenues

<u>Disaggregated Revenue Information</u>

The table below shows the disaggregation of revenues of the Group by type of services or goods for three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Tuition and other school fees	**₱370,397,561**	₱303,792,736
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Sale of educational materials and supplies	**68,281,232**	11,999,495
Other revenues	**20,251,619**	20,767,032
Total consolidated revenues	**₱500,350,245**	₱372,799,737

Timing of Revenue Recognition

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Services transferred over time	**₱411,817,394**	₱340,033,210
Goods and services transferred at a point in time	**88,532,851**	32,766,527
	₱500,350,245	₱372,799,737

Contract Balances
The Group’s receivables are disclosed in Note 6 while the contract liabilities are presented as “Unearned tuition and other school fees” in the unaudited interim condensed consolidated statements of financial position. Significant changes in the contract liabilities include the conduct of online classes in May 2020 up to July 2020 to complete the SY 2019-2020 that extended collection of tuition and other school fees after June 30, 2020 and the shift in the school calendar of SHS and tertiary students from June 2019 to March 2020 and from July 2019 to April 2020, respectively, to September 2020 to up to June 2021 for SY 2020-2021 for both STI ESG and STI WNU, while in the case of iACADEMY, the school calendars for SY 2019-2020 for SHS and tertiary levels were from August 2019 to May 2020 and July 2019 to June 2020, respectively, to August 2020 to up to May 2021 and August 2020 to July 2021 in SY 2020-2021 for SHS and tertiary levels, respectively, that resulted to the change in the timing of revenue recognition.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱108.6 million and ₱63.0 million for the three-month periods ended September 30, 2022 and 2021, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2022 and 2021.

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

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

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within thirty (30) days from delivery.

As at September 30, 2022 and June 30, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱1,575.5 million and ₱116.8 million, respectively. These pertain to the advance payment for tuition and other school fees for the school year commencing after the financial reporting date which will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

22. Cost of Educational Services

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation and amortization (see Notes 11, 12 and 15)	**₱83,107,670**	₱83,747,791
Faculty salaries and benefits	**66,644,046**	52,930,328
Student activities, programs and other related expenses	**15,088,158**	14,484,421
Software maintenance	**6,262,080**	6,458,273
Rental	**5,358,061**	5,489,814
School materials and supplies	**1,935,556**	1,081,809
Courseware development costs	**83,083**	236,391
Internet connectivity assistance	**–**	12,592,865
Others	**1,863,921**	705,625
	₱180,342,575	₱177,727,317

23. Cost of Educational Materials and Supplies Sold

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Educational materials and supplies	**₱49,565,128**	₱10,466,120
Promotional materials	**1,286,164**	163,478
	₱50,851,292	₱10,629,598

24. General and Administrative Expenses

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, wages and benefits	**₱84,054,370**	₱75,046,772
Depreciation and amortization (see Notes 11, 12 and 15)	**66,186,893**	65,958,158
Provision for expected credit losses (see Note 6)	**32,320,200**	33,699,608
Light and water	**30,843,073**	15,877,184
Outside services	**26,588,590**	19,143,292
Professional fees	**16,209,591**	16,501,598
Advertising and promotions	**9,410,676**	20,121,706
Taxes and licenses	**8,150,108**	7,171,556
Repairs and maintenance	**5,724,463**	3,387,245
Transportation	**5,686,196**	3,962,333
Insurance	**4,379,802**	4,344,299
Meetings and conferences	**4,072,741**	3,916,836
Rental	**2,352,916**	2,767,438

Forward

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Communication	**2,187,513**	2,329,426
Entertainment, amusement and recreation	**1,783,925**	1,706,143
Office supplies	**1,611,657**	1,554,189
Software maintenance	**1,071,890**	870,374
Association dues	**472,316**	466,133
Others	**6,361,911**	5,592,995
	₱309,468,831	₱284,417,285

25. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the company, key management personnel, including directors and officers of the Group and close members of the family of any such enterprise or individual.

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW						
Rental income and other charges	**170,161**	162,058	**5,574,451**	5,383,871	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses	**129,884**	80,921	**135,229**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**–**	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Alabang						
Educational services and sale of educational materials and supplies	**2,821,843**	2,773,803	**24,340,174**	21,729,896	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**2,854,174**	2,150,283	**920,397**	280,544	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilhealthCare, Inc. (PhilCare)						
Facility sharing and other charges	**2,578,468**	2,817,336	**958,463**	1,389,786	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,963,862**	1,279,243	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	–	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phils First Insurance Co., Inc.						
Utilities and other charges	**–**	–	**10,741**	10,741	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Forward

Related Party	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
Rental and other charges	**₱1,168,470**	₱1,125,733	**₱–**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**250,395**	5,850,129	**(64,570)**	(752,170)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**2,091,248**	3,187,717	**(3,454)**	(268,641)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippine Life Financial Assurance Corporation (PhilLife)						
Facility sharing, utilities and other charges	**3,101,642**	3,104,068	**1,187,091**	2,450,756	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**63,871**	1,033	**(70,258)**	(2,627)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	–	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Officers and employees						
Advances for various expenses	**10,552,565**	2,107,134	**25,673,072**	20,156,347	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**75,000**	75,000	**1,299,354**	1,350,565	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**100,000**	157,293	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱104,096,053	₱95,864,431		

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

Related party receivables and payables are generally settled in cash.

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**25,673,072**	20,156,347
Educational services (see Note 6)	**25,260,571**	22,010,440
Rent, utilities and other related receivables	**9,165,329**	10,585,719
Accounts payable (see Note 16)	**(4,137,459)**	(5,022,615)
	₱104,096,053	₱95,864,431

Outstanding balances of transactions with subsidiaries which were eliminated during consolidation are as follow:

Category	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
Subsidiaries						
STI ESG						
Advisory fee	**₱3,600,000**	₱3,600,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
STI WNU						
Advisory fee	**900,000**	900,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend received	**–**	24,963,736	**–**	–	Due and demandable; noninterest-bearing	Unsecured

Forward

Category	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
AHC						
Payable to AHC	**₱–**	₱–	**(₱63,778,000)**	(₱63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**127,500**	127,500	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

The Parent Company executed a Surety Agreement in relation to STI ESG's loan facility with LandBank (see Notes 17 and 27).

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

26. Basic and Diluted Loss Per Share on Net Loss Attributable to Equity Holders of the Parent Company

The table below shows the summary of net loss and weighted average number of common shares outstanding used in the calculation of loss per share for the three-month periods ended September 30, 2022 and 2021:

	Three months ended September 30 **2022 (Unaudited)**	2021 (Unaudited)
Net loss attributable to equity holders of STI Holdings (a)	**(₱42,369,660)**	(₱114,233,838)
Common shares outstanding at beginning and end of period (b) (see Note 20)	**9,904,806,924**	9,904,806,924
Basic and diluted loss per share on net loss attributable to equity holders of STI Holdings (a)/(b)	**(₱0.004)**	(₱0.012)

The basic and diluted loss per share are the same for the three-month periods ended September 30, 2022 and 2021 as there are no dilutive potential common shares.

27. Contingencies and Commitments

<u>Contingencies</u>

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

December 2014, and demanded the payment of the total combined amount of approximately ₱926.0 million, inclusive of interests, penalties, fees and taxes.

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

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

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

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

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

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

The MOA also provided that the Parent Company would be committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million in order to obtain the CAR and the issuance of new TCT and TD in favor of the Parent Company. In the event that such expenses would be less than ₱150.0 million, the excess would be given to Unlad. However, if the ₱150.0 million would be insufficient to cover the expenses, the Parent Company would provide the deficiency without any right of reimbursement from Unlad.

Consequently, the Parent Company recognized the Quezon City and Davao properties as "Investment properties". On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer, as these properties have not been used in business since its receipt, and had the same reclassified as noncurrent asset held for sale (see Notes 10 and 12).

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

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

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

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

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

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

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

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

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

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

Company, EHT, ABB and AHC. Lastly, the Claimant sought the payment of attorney's fees of not less than ₱5.0 million, ₱0.5 million of which is for expenses and reimbursement of cost of suit, expenses, and other fees.

After receiving the Notice of Arbitration and being informed that the required fees have not been paid by the Claimant, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation ("Manifestation"). In the Manifestation, they informed the PDRCI that the Claimant should be compelled to pay said fees before the arbitration proceedings can proceed.

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

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

As at November 21, 2022, the PDRCI has not issued any response to said letter.

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

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

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

   Simultaneously, EHT filed his Answer wherein he asserted that the Petitioner cannot compel him to submit himself to arbitration when he is not a party to the Loan Documents.

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

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

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

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

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

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

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

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

While the appeal of the Petitioner is pending, the Parent Company filed a Manifestation and Motion dated July 29, 2020. In the said Manifestation and Motion, the Parent Company informed the Court of Appeals about the death of the Petitioner on March 28, 2020. Consequently, the Parent Company moved for the resolution and dismissal of the said appeal.

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

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

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

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

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

After the Court of Appeals required the parties to file their respective Comment to the said Motion for Reconsideration, the Parent Company filed its Comment/Opposition on May 23, 2022.

As of November 21, 2022, the Court of Appeals has not issued any resolution on this matter.

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

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

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

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

After a failed Court-Annexed Mediation, the parties continued the discussion on the possibility of an amicable settlement.

On July 1, 2022, the parties filed the Joint Motion for Approval of Compromise Agreement. Based on the Compromise Agreement, the Parent Company allowed PWC-Davao to use the Subject Premises for one (1) year or until June 29, 2023. In the event that the Parent Company needs to proceed with its plans over the Subject Premises, it will serve a written notice to vacate and/or turn-over of the Subject Premises to PWC-Davao sixty (60) calendar days before the intended day to vacate or turn-over.

On September 30, 2022, the Parent Company received the Decision dated July 4, 2022 issued by the Trial Court adopting the Compromise Agreement as the decision in this case.

With the issuance of said Decision, the case is deemed terminated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

While the aforesaid CA Cases were pending, the parties decided to amicably settle and terminated said cases by executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and filing a *Joint Motion for Judgment Based on Compromise Agreement* dated September 20, 2021. In the Compromise Agreement, the Parent Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the latter's claim against the former in the aforementioned cases (see Note 16).

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

Considering the aforesaid settlement and the Amended Decision, all cases and issues related thereto are deemed terminated.

c. *Labor Cases.*

(i) A former employee filed a Petition with the Supreme Court after the Court of Appeals affirmed the dismissal by the National Labor Relations Commission ("NLRC") of the former employee's claims of illegal dismissal against STI ESG ("illegal Dismissal Case"). On August 13, 2014, STI ESG received the Supreme Court's Decision dated July 9, 2014 which (a) annulled the decision of the Court of Appeals and (b) ordered that STI ESG to reinstate the former employee to her former position, and pay (i) the exact salary, benefits, privileges and emoluments which the current holder of the position was receiving, (ii) damages and (iii) backwages from the date of the former employee's dismissal until fully paid, with legal interest (the "SC Decision").

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

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

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

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

On September 9, 2020, the Labor Arbiter issued the Order, wherein he affirmed that the former employee's refusal to report to work in October 2006 interrupted the running of backwages. Consequently, the former employee was entitled to receive backwages from May 2004 until October 2006. The Labor Arbiter further determined that the attorney's fees of 10% should be computed from the total monetary award of the former employee, including the separation pay in lieu of reinstatement.

Based on said findings, the Labor Arbiter determined that the former employee's total monetary award amounted to around ₱4.4 million. Considering the prior payments made by STI ESG to the former employee, STI ESG is ordered to pay the former employee the balance of ₱0.2 million.

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

After STI ESG opposed said appeal on the ground of improper remedy, the Labor Arbiter issued an Order dated November 5, 2020. In the Order, the Labor Arbiter "noted without action" said appeal considering that the same is a prohibited pleading. The Labor Arbiter further stated that no other pleading and/or motion in relation to said appeal shall be entertained by the NLRC.

The former employee filed a Petition seeking for the NLRC to consider/allow her erroneous appeal as a Petition filed under Rule XII of the NLRC Rules in resolving the correct computation on the monetary award of the former employee.

After STI ESG filed its Comment to the Petition, the NLRC denied the Petition filed by the former employee. The NLRC affirmed that the former employee failed to comply with the required mode of appeal on an order for execution issued by the Labor Arbiter.

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

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

After the Court of Appeals required the parties to file their respective Memoranda, STI ESG filed its Memorandum on August 30, 2022.

On October 14, 2022, the Court of Appeals issued the Decision. In the Decision, the Court of Appeals reversed and set aside the NLRC's denial of the former employee's Petition. The Court of Appeals applied the rule of liberality to excuse the procedural defects of the former employee's appeal on the Labor Arbiter's computation of her judgment award.

Consequently, the Court of Appeals directed the NLRC to resolve the appeal on the computation of the judgment award of the former employee.

Based on the CA Decision, STI ESG will proceed to defend the computation of the Labor Arbiter before the NLRC.

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

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

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

In the June 5, 2017 hearing on the motion for execution, STI ESG reiterated that it is amenable to reinstating complainant but as a Part-time Full Load faculty member. Complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the backwages and separation pay. The complainant manifested that she will file her reply to STI ESG's opposition.

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

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

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

On January 15, 2018, the Court of Appeals resolved that Complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum. Consequently, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

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

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

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21^{st}] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018.

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

As at November 21, 2022, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

The Labor Arbiter issued an Order on December 16, 2009 which granted the Motion to Dismiss filed by STI Davao. The Labor Arbiter ruled that Complainants are corporate officers, and are not mere employees, of STI Davao whose removal from office is not within the ambit of the jurisdiction of the NLRC.

The Complainants filed an appeal before the NLRC. On September 30, 2010, the NLRC issued a Resolution affirming the Labor Arbiter's Order dated December 16, 2009. While they subsequently filed a Motion for Reconsideration, such motion was denied by the NLRC.

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

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

In the September and October 2017 hearings with the Labor Arbiter, Complainants proposed for the amicable settlement of their claims the payment of their separation pay, backwages, monetary benefits, as well as damages with attorney's fees. The Complainants' said they are willing to accept the amicable settlement of the case with a total amount of ₱33.2 million.

No amicable settlement was reached by the parties, hence, they were directed to file their respective position papers. Consequently, STI ESG and the Complainants filed their position paper. On March 14, 2018, STI ESG received a copy of the Position Paper of complainants. On April 5, 2018, STI ESG filed its Reply to the Position Paper of complainants.

In a decision dated June 28, 2018, the Labor Arbiter dismissed the complaint for lack of merit. On August 2, 2018, STI ESG received a copy of the Memorandum of Appeal filed by complainants with the NLRC. STI ESG filed its Answer to Appeal with the Eighth Division of the NLRC in Cagayan De Oro City where it was emphasized that the complainants had failed to show that the Arbiter a quo committed grave abuse of discretion and/or serious errors in rendering the assailed Decision, particularly in declaring that the complainants were lawfully terminated on the ground of loss of trust and confidence.

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

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

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

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

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

As at November 21, 2022, STI ESG is yet to receive the Entry of Final Judgement.

(iv) This is a case for constructive illegal dismissal filed by a former probationary faculty member of STI College Legazpi. In a decision dated July 18, 2020, the Labor Arbiter dismissed the complaint for lack of merit. However, the Labor Arbiter directed the payment of holiday pay covering complainant's period of employment, salary and other benefits covering the period of November 18, 2019 up to date of the decision as backwages during the period of preventive suspension beyond the 30-day period and 10% of the total monetary award as attorney's fees, amounting to a total of ₱0.2 million.

STI ESG filed a partial appeal of the decision of the Labor Arbiter with the NLRC and in the Decision dated 10 March 2021, the NLRC granted the partial appeal of STI ESG and modified the Decision of the Labor Arbiter by deleting the monetary award in the total amount of ₱0.2 million. Thereafter, complainant filed a petition for certiorari with the Court of Appeals.

In a Resolution dated July 29, 2022 received on August 17, 2022, the Court of Appeals directed STI ESG to file its Comment to the Petition for Certiorari of the complainant within ten (10) days from notice without necessarily giving due course to the said petition.
On August 30, 2022, STI ESG filed its Comment to the Petition for Certiorari of complainant.

On September 23, 2022, STI ESG received a copy of a motion for extension of time to file comment on the petition for certiorari and compliance of the Public Attorney's Office, legal counsel for the complainant. However, such motion is erroneous as what is required of the complainant is the filing of a reply to STI ESG's comment to the petition for certiorari. On October 10, 2022, the complainant's legal counsel filed a manifestation (in lieu of reply) stating that the complainant do not intend to file a reply to STI ESG's comment anymore.

STI ESG is waiting for action from the Court of Appeals on the pending incidents.

d. *Specific Performance Case*. STI College Cebu, Inc. (STI Cebu) and STI ESG's Finance Officer were named defendants in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

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

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

In the Decision dated June 18, 2020, the Trial Court determined that there was no perfected contract to sell over the Property. The Trial Court affirmed that the Plaintiffs failed to obtain the consent of STI ESG. There was no evidence showing that STI ESG, through its BOD, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

The Trial Court, however, determined that Defendant Finance Officer is liable to pay the Plaintiffs the total amount of ₱0.2 million representing temperate and exemplary damages ("Damages"). The Trial Court determined that the actions of STI ESG's Finance Officer insofar as (a) receipt of the earnest money, (b) lack of written authority from STI ESG during the negotiation and (c) continued assurances to the Plaintiffs in relation to the BIR ruling on the tax-free exchange and then sudden withdrawal from the transaction constitute bad faith.

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of six percent (6.0%) per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

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

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

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

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

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

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

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

As at November 21, 2022, the appeal filed by the Plaintiffs is deemed submitted for resolution.

e. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15.0% of the amount to be awarded and ₱3.0 thousand per court appearance.

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

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

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

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

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

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

After the parties filed their respective briefs, the Court of Appeals promulgated its Decision on July 12, 2022. In the Decision, the Court of Appeals affirmed the order of the Trial Court.

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022.

The said Motion for Reconsideration is deemed submitted for resolution.

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

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

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

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

On August 4, 2022, the City Prosecutor of Taguig City issued the Resolution, which recommended the filing of Information against the former supervisor/accountant for qualified theft.

Based on the records of the case, the Information for Qualified Theft was filed before Branch 153-RTC Pasig (Taguig Hall of Justice).

While a Warrant of Arrest was issued for the case, the former Supervising Accountant has not been apprehended.

Consequently, the Court, in its Order dated October 27 2022, ordered the case to be archived without prejudice to prosecute the same as soon as the accused is apprehended.

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

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

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

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

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

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

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

The total receivables of STI ESG from MOBEELITY amounted to ₱4.2 million. An equivalent allowance for estimated credit losses has been recognized as at September 30, 2022 and June 30, 2022.

h. *Syndicated Estafa.* This is a complaint filed against STI ESG and its director by the president of a franchisee of STI ESG with the Provincial Prosecution Office of Rizal.

   In the complaint, said officer alleged that STI ESG illegally took over the operations of STI Tanay, and used the tuition fees it collected for its benefit. Based on his estimation, said alleged tuition fees was around ₱12.0 million.

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

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

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

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

   No Motion for Reconsideration was filed by the complainant.

   Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in a related case, this case is deemed terminated.

i. *Extra-Judicial Foreclosure*

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

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

a. Term Loan Agreement dated February 10, 2014 between DBP and STI Tanay for a loan amounting to ₱51.0 million, which is supported by four (4) Promissory Notes (Subject Loan);
b. Term Loan Agreement dated April 5, 2016 between DBP and STI Tanay for a loan amounting to ₱24.5 million, which is supported by five (5) Promissory Notes (Subject Loan);
c. Credit Line Agreement dated June 7, 2018 wherein DBP extended a credit line to STI Tanay up to a maximum amount of ₱6.0 million (Credit Line);
d. Real Estate Mortgage dated May 5, 2014 executed by STI Tanay in favor of DBP over a parcel of land and improvements with an area of 5,502 sq.m. located in Tanay, Rizal, which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage); and
e. Additional Real Estate Mortgage dated April 8, 2016 executed by STI Tanay, and Alejandro J. Bernardo married to Loretta Jabson Bernardo (Third Party Mortgagor) in favor of DBP over a parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property), which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage).

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

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

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

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

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

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

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in the Complaint for annulment of Extrajudicial Foreclosure Proceedings, the Tanay

Property was conveyed/assigned to STI ESG while the Pasig Property was redeemed by the Plaintiffs.

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

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

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

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

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

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

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

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

After the pre-trial conference, the case was referred to Judicial Dispute Resolution upon motion by the parties.

After several negotiations for settlement, the parties entered into a Memorandum of Agreement on July 29, 2022. Based on the Memorandum of Agreement, the parties agreed to settle all liabilities by (a) assigning and conveyance of the Tanay Property and (b) redemption of the Pasig Property by the Plaintiffs. Other commercial terms and conditions were agreed upon by the parties to terminate all pending cases and release of any other claims against each other.

Upon motion by the parties, the aforesaid Agreement was submitted for approval by the parties.

Considering the foregoing circumstances, the case is deemed terminated due to the amicable settlement by the parties.

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

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

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

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

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

   Before the case proceeded to trial proper, the parties have entered into an amicable settlement on, among others, the civil aspect of the case. Pursuant to the Compromise Agreement dated

   October 24, 2022, the former Cashier agreed to pay the civil aspect of the case and other liabilities and damages. In return, iACADEMY agreed not to actively pursue the case and allow the same to be provisionally dismissed.

   The said agreement is being implemented and awaiting for the Court to provisionally dismissed the case.

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

<u>Commitments</u>

a. Financial Commitments

STI ESG. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company in favor of LandBank executed on September 16, 2020. As at June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first drawdown from the Landbank ACADEME program amounting to ₱10.0 million matured in August 2022, while the second drawdown of ₱12.1 million is maturing in January 2023, for the 20-month tenor, while the same is maturing in August 2023 and January 2024, respectively, for the 30-month tenor.

STI ESG has ₱115.0 million domestic bills purchase lines from various local banks as at September 30, 2022 and June 30, 2022, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis.

b. Capital Commitments

As at September 30, 2022 and June 30, 2022, STI ESG has contractual commitments and obligations for the construction of STI Legazpi with an aggregate project cost of ₱251.8 million of which ₱238.3 million have been paid as at September 30, 2022 and June 30, 2022.

STI ESG's contractual commitments also include obligation for the construction of the STI Training Academy Center and renovation works for STI Naga, STI Tanauan and STI Baguio with an aggregate project cost of ₱35.4 million of which ₱33.2 million and ₱32.8 million have been paid as at September 30, 2022 and June 30, 2022, respectively.

As at September 30, 2022, STI ESG's contractual commitments include obligations for the renovation of office condominium units owned by STI ESG. The related contract costs aggregated to ₱88.0 million of which ₱68.7 million have been paid as at September 30, 2022.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱275.0 million and ₱38.9 million as at September 30, 2022 and June 30, 2022, respectively. Of these, ₱98.8 million and ₱28.8 million have been paid as at September 30, 2022 and June 30, 2022, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal campus totaling ₱1,059.9 million as at September 30, 2022 and June 30, 2022. Of these, ₱991.8 million and ₱988.7 million have been paid as at September 30, 2022 and June 30, 2022, respectively.

c. Others

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

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

The equity sharing in the Joint Venture Company would be 60.0%, 25.0% and 15.0% for STI ESG, TTC and Injap, respectively.

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

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

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

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

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

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

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act (UAQTEA)" and its Implementing Rules and Regulations (IRR). The RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under this TES Program, CHED pay directly the schools where these students enrolled.

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

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

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

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

The parties recognize that RAFT has already incurred expenses, including faculty costs in preparation for this cooperation agreement. As such, STI will reimburse RAFT US$150,000, with 50.0% payable upon signing of the agreement while the remaining 50.0% will be payable within calendar year 2020. Additionally, and as compensation for jointly overseeing and providing academic governance, selection and management of faculty, as well as curriculum and courseware preparation and implementation for the courses agreed upon, STI shall pay RAFT the sum of US$10,000 per month beginning January 2020. The parties also agreed that a variable compensation of 5.00% of the tuition fee shall be paid to RAFT when the student population reaches 2,000 plus an additional 1.00% variable compensation for every 1,000 enrollees while RAFT shall receive 5.00% of tuition fee for the culinary/hospitality programs upon reaching a student population of 2,000 plus 1.00% variable compensation for every 1,000 enrollees. Said variable compensation may be increased from year to year at the discretion of the governing board.

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

28. Fair Value Information of Financial Instruments

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

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

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

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

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

Interest-bearing Loans and Borrowings. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

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

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

29. Note to Unaudited Interim Condensed Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱18.5 million and ₱15.1 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱3.4 million and ₱4.3 million as at September 30, 2022 and June 30, 2022, respectively. Unpaid progress billing for construction-in-progress presented under "Investment properties" amounted to nil and ₱52.4 million as at September 30, 2022 and June 30, 2022, respectively (see Notes 11 and 12).

c. Reclassification from "Other noncurrent assets" to "Property and equipment" amounting to ₱3.1 million and ₱15.4 million during the three-month periods ended September 30, 2022 and 2021, respectively.

30. Changes in Liabilities Arising from Financing Activities

			Noncash Movements						
	July 1, 2022	**Cash Flows**	**Income on Rent Concessions**	**Reclassified as Current**	**Effect of Lease Termination/ Modifications** (see Note 11)	**New Leases**	**Interest Expense**	**Dividends Declared**	**September 30, 2022**
Current portion of interest-bearing loans and borrowings	**₱239,135,979**	**(₱284,012,094)**	**₱–**	**₱152,095,669**	**₱–**	**₱–**	**₱–**	**₱–**	**₱107,219,554**
Bonds payable	**2,980,515,064**	**–**	**–**	**–**	**–**	**–**	**1,290,807**	**–**	**2,981,805,871**
Interest-bearing loans and borrowings - net of current portion	**1,291,461,407**	**–**	**–**	**(152,095,669)**	**–**	**–**	**(113,873)**	**–**	**1,139,251,865**
Lease liabilities	**473,316,566**	**(41,677,716)**	**–**	**–**	**(4,533,238)**	**19,713,486**	**7,383,570**	**–**	**454,202,668**
Dividends payable	**26,411,518**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**26,411,518**
Interest payable	**26,583,874**	**(90,250,433)**	**–**	**–**	**–**	**–**	**69,152,893**	**–**	**5,486,334**
	₱5,037,424,408	**(₱415,940,243)**	**₱–**	**₱–**	**(₱4,533,238)**	**₱19,713,486**	**₱77,713,397**	**₱–**	**₱4,714,377,810**

			Noncash Movements						
	July 1, 2021	Cash Flows	Income on Rent Concessions	Reclassified as Current	Effect of Lease Termination/ Modifications (see Note 11)	New Leases	Interest Expense	Dividends Declared*	September 30, 2021
Current portion of interest-bearing loans and borrowings	₱208,812,671	(₱400,000,000)	₱–	₱244,012,094	₱–	₱–	₱–	₱–	₱52,824,765
Bonds payable	2,973,082,875	–	–	–	–	–	1,815,043	–	2,974,897,918
Interest-bearing loans and borrowings - net of current portion	1,771,433,275	–	–	(244,012,094)	–	–	128,485	–	1,527,549,666
Lease liabilities	484,817,384	(26,846,800)	(2,882,909)	–	–	14,799,137	8,129,695	–	478,016,507
Dividends payable	25,934,641	–	–	–	–	–	–	36,264	25,970,905
Interest payable	33,505,531	(102,218,890)	–	–	–	–	75,115,767	–	6,402,408
	₱5,497,586,377	(₱529,065,690)	(₱2,882,909)	₱–	₱–	₱14,799,137	₱85,188,990	₱36,264	₱5,065,662,169

** Share of non-controlling interest on dividends declared by a subsidiary.*

31. **Events after Reporting Period and Other Matter**

a. On October 1, 2022, STI ESG acquired two parcels of land located at Brgy. Saluysoy, Meycauayan, Bulacan for ₱55,000 per square meter or an aggregate cost of ₱135.2 million with a total area of 2,459.0 square meters. The location is intended to be the future site of STI Academic Center Meycauayan.

b. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the NCR effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed Enhance Community Quarantine (ECQ) throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of each cities and municipalities in different levels of community quarantine from March 13, 2020 to date.

   These measures have caused disruptions to businesses and economic activities, and their impact on businesses continue to evolve. The Group has considered the impact of these disruptions to its financial position, performance and cash flows as at and for the three-month period ended September 30, 2022. The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and SHS students beginning February 2022 and April 2022, respectively. For SY 2022-2023, STI ESG and STI WNU are both implementing a flexible learning delivery modality, with full face-to-face classes on certain courses, with STI ESG on full face-to-face classes for SHS and STI WNU on blended learning method for its SHS. iACADEMY has adopted the Hyflex Learning Format for tertiary and the Hybrid set-up (blended learning) for SHS. Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Financial Highlights and Key Performance Indicators

(in ₱ millions except margins, financial ratios and earnings per share)	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Increase (Decrease) Amount	%
Condensed Statements of Financial Position				
Total assets	15,624.3	14,577.9	1,046.4	7
Current assets	4,452.3	3,421.6	1,030.7	30
Cash and cash equivalents	1,776.6	1,568.7	207.9	13
Equity attributable to equity holders of the Parent Company	8,370.9	8,413.6	(42.7)	(1)
Total liabilities	7,177.3	6,083.0	1,094.3	18
Current liabilities	2,409.2	1,201.8	1,207.4	101
Financial ratios				
Debt-to-equity ratio (1)	0.66	0.70	(0.0)	(6)
Current ratio (2)	1.85	2.85	(1.0)	(35)
Asset–to-equity ratio (3)	1.85	1.72	0.1	8

	(Unaudited) Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Income				
Revenues	500.4	372.8	127.6	34
Direct costs (4)	231.2	188.4	42.8	23
Gross profit	269.2	184.4	84.8	46
Operating expenses	309.5	284.4	25.1	9
Operating loss	(40.3)	(100.0)	59.7	(60)
Other expenses – net	(9.8)	(17.0)	7.2	(42)
Loss before income tax	(50.1)	(117.0)	66.9	(57)
Net loss	(47.6)	(116.7)	69.1	(59)
EBITDA (5)	117.1	44.4	72.7	164
Core income (loss) (6)	(78.7)	(163.6)	84.9	(52)
Net income (loss) attributable to equity holders of the Parent Company	(42.4)	(114.2)	71.8	(63)
Earnings (loss) per share (7)	(0.004)	(0.012)	0.0	(67)

	(Unaudited)			
	Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	721.3	298.7	422.6	142
Net cash from (used in) investing activities	(124.2)	(34.1)	(90.1)	264
Net cash used in financing activities	(415.9)	(529.1)	113.2	(21)
Effect of foreign exchange rate changes on cash and cash equivalents	26.7	17.5	9.2	53

Financial Soundness Indicators

	(Unaudited)			
	As at/Three months ended September 30		Increase (Decrease)	
	2022	2021	Amount	%
Liquidity Ratios				
Current ratio (2)	1.85	1.85	0.00	0
Quick ratio (8)	1.31	1.23	0.08	7
Cash ratio (9)	0.74	0.59	0.15	25
Solvency ratios				
Debt-to-equity ratio (1)	0.66	0.73	(0.07)	(10)
Asset-to-equity ratio (3)	1.85	1.90	(0.05)	(3)
Debt service cover ratio (10)	2.49	2.07	0.42	20
Interest coverage ratio (11)	0.35	(0.37)	0.72	(195)
Profitability ratios				
EBITDA margin (12)	24%	12%	0.12	100
Gross profit margin (13)	54%	49%	0.05	10
Operating profit margin (14)	(8%)	(27%)	0.19	(70)
Net profit (loss) margin (15)	(10%)	(31%)	0.21	(68)
Return on equity (annualized) (16)	(2%)	(6%)	0.04	(67)
Return on assets (annualized) (17)	(1%)	(3%)	0.02	(67)

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

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

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

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

(5) EBITDA is net income (loss) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net (earnings) losses of associates and joint venture, nonrecurring losses (gains) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL, gain on derecognition of contingent consideration and income on rent concessions.. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

STI Education Systems Holdings, Inc.
Aging of receivables
As at September 30, 2022

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**1,390,920,957**	**1,113,197,016**	**13,223,045**	**19,482,370**	**245,018,526**
	1,390,920,957	**1,113,197,016**	**13,223,045**	**19,482,370**	**245,018,526**

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

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

OVERVIEW

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

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

  Shortly after, STI ESG's campuses began to grow as it started granting franchises in other locations within Metro Manila, which soon expanded to other key areas in Luzon, Visayas, and Mindanao.

  Over the years, STI ESG began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, STI ESG was granted a permit by the Commission on Higher Education ("CHED") to operate colleges and roll out four-year college programs starting with the Bachelor's degree in Computer Science. STI ESG then slowly diversified its programs beyond Information & Communications Technology by introducing new programs in the fields of Business and Management, Accountancy, Engineering, Education, Hospitality Management, Tourism Management, and Arts and Sciences. STI ESG is also offering Senior High School ("SHS"). In School Year ("SY") 2022-2023, STI ESG began offering Bachelor of Arts in Psychology. STI ESG is 98.7% owned by STI Holdings.

  In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue ("QA") and STI Tuguegarao for SY 2020-2021 and cessation of the operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. ("STI Bohol"), STI College Recto, Inc. ("STI Recto"), Sungold Technologies, Inc. ("STI Zamboanga"), STI College Pasay, Inc. ("STI Pasay"), STI College Dipolog, Inc. ("STI

Dipolog"), STI College San Francisco, Inc. ("STI San Francisco") and suspension of operations of STI College Parañaque, Inc. ("STI Parañaque") effective SY 2020-2021. STI College San Fernando City, Inc. ("STI La Union"), a franchised school, informed CHED in June 2021, and the Department of Education ("DepEd") and Technical Education and Skills Development Authority ("TESDA") in July 2021, of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate beginning SY 2022-2023. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrollment turnout and/or the high cost of rental of facilities. As at September 30, 2022, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 36 schools while franchisees operate 27 schools.

The suspension and cessation of operations of the STI schools mentioned above did not have a material financial impact on STI ESG.

STI ESG's total student capacity, net of the aforementioned school closures, aggregates to 147,982 students, with 104,012 pertaining to owned schools and 43,970 for franchised schools.

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

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

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

- iACADEMY, established in 2002, is a premier school offering specialized programs in SHS and College that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science, and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology. It boasts of its 96% job placement rate for college graduates within 6 to 12 months after graduation.

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

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

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

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

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

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

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

In October 2021, iACADEMY won as the Learning and Development Organization of the Year (Academe) at the Gawad Maestro organized by the Philippine Society for Talent Development. Cited for being a spearhead of innovative, technology-focused, and industry-relevant programs, iACADEMY is lauded for aligning its curriculum and projects with the thrust of the country's educational reform.

In December 2021, World Business Outlook awarded iACADEMY as the Most Innovative Education Provider in the Philippines and Leading Computing, Business and Liberal Arts, and Design Education Provider in the Philippines. The school was recognized for its efforts to hone globally competitive students through the inception of Vision Creative Unit, a prestigious elite group comprising of the best iACADEMY students who are to take on exclusive projects and mentorship sessions with the country's most sought-after creative professionals.

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

In April 2022, iACADEMY landed among the top 10 schools with the highest number of passers at an overall 81% passing rate in the Real Estate Licensure Exam conducted by the Professional Regulation Commission ("PRC"), producing 30 licensed real estate brokers.

On March 25, 2022, iACADEMY inked a partnership with tech giant ASUS through the ASUS Edukasyon School Partner Program which aims to facilitate the technological advancement of education through the improvement of the school's IT facilities, mentorship programs for students, and support for faculty.

In June 2022, iACADEMY was officially renewed as a Toon Boom Center of Excellence ("COE"). Toon Boom Animation is the leading supplier of animation software and storyboard software for animation studios and media publishers.

In July 2022, iACADEMY was announced as the Leading Arts and Design Education Provider in the Philippines, and Most Innovative Education Provider in the Philippines for 2022 by World Business Outlook Magazine in Singapore, having participated in various international competitions such as the Negative Space Comic Book Writing Competition in New York, USA, and the Python Coding Competition hosted by Raffles University in India.

Also in July 2022, iACADEMY was again recognized by the Global Business Review Magazine based in UAE as the Best New School for Music Production and Technology for its innovative approach to education and curriculum integration of industry practices in music production and sound design in partnership with Dolby and Avid.

iACADEMY ranked number one among schools in the Real Estate Appraiser Licensure Exam. With an impressive 93.75% passing rate, iACADEMY landed first among the top-performing schools, having garnered the highest ratings in the Real Estate Appraiser Licensure Exam in September 2022.

Following the exemplary performance of iACADEMY in the education sector, it was announced as the Leading Arts and Design Education Provider in the Philippines 2022 and Most Innovative Education Provider in the Philippines 2022 by World Business Outlook Magazine in Singapore.

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

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

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

STUDENT POPULATION

As the world in general, and the Philippines in particular, adjust to the "new normal" way of life, enrollment in the schools under STI Holdings increased to more than 94,000 students for SY 2022-2023. For the current SY 2022-2023, the total number of new students reached 41,565 compared with the number of new students last school year of 35,566, showing a 17% increase in the total number of new students. The total number of ongoing students for SY 2022-2023 reached 94,312 compared with 82,629 for SY 2021-2022. This represents a 14% or 11,683 increase from the SY 2021-2022 enrollment, with the number of students in the programs regulated by CHED showing a robust 18% increase from 56,342 students last SY to 66,309 this SY which is notably higher than pre-pandemic levels.

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

	SY 2022-2023	**SY 2021-2022**	**Increase**	
			Enrollees	Percentage
STI ESG				
Owned schools	53,476	47,230	6,246	13%
Franchised schools	28,221	25,520	2,701	11%
	81,697	72,750	8,947	12%
iACADEMY	2,397	2,299	98	4%
STI WNU	10,218	7,580	2,638	35%
Total Enrollees	**94,312**	**82,629**	**11,683**	**14%**

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

	SY 2022-2023			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	56,876	1,447	23,374	81,697
iACADEMY	1,917	-	480	2,397
STI WNU	7,516	-	2,702	10,218
Total	**66,309**	**1,447**	**26,556**	**94,312**
Proportion of CHED:TESDA:DepEd	**70%**	**2%**	**28%**	**100%**

	SY 2021-2022			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	49,005	1,040	22,705	72,750
iACADEMY	1,713	-	586	2,299

STI WNU	5,624	-	1,956	7,580
Total	**56,342**	**1,040**	**25,247**	**82,629**
Proportion of CHED:TESDA:DepEd	**68%**	**1%**	**31%**	**100%**

* *STI ESG DepEd count includes 23,077 SHS students and 297 students who are enrolled in basic education in SY2022-2023 and 22,497 SHS students and 208 students who are enrolled in basic education in SY2021-2022. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 2,057 SHS students and 645 students enrolled in basic education in SY 2022-2023 and 1,367 SHS students and 589 students enrolled in basic education in SY 2021-2022.*

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

STI ESG and STI WNU continued implementing the ONline and ONsite Education at STI ("ONE STI") Learning Model that was introduced in SY 2020-2021. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. For SY 2022-2023, classes of SHS and tertiary students of STI ESG started on August 30, 2022 and September 2, 2022, respectively. For STI WNU, classes of SHS and tertiary students started on August 30, 2022 and September 5, 2022, respectively. Meanwhile, classes started on September 10, 2022 for STI WNU's School of Graduate Studies ("SGS").

iACADEMY introduced its fully online learning program entitled Guided Online Autonomous Learning ("GOAL") in SY 2020-2021. GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians. In this setup, all activities or modules are delivered 100% online. Classes for SHS and tertiary students started on August 2, 2022 and August 30, 2022, respectively.

The Group utilizes the electronic Learning Management System ("eLMS"), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. It features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system which students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have been implementing a blended learning model for the past seven years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

The faculty members of the Group regularly undergo competency-based certifications and training programs to ensure that they are proficient in the subject matter and able to deliver the required day-to-day lessons. Training programs are conducted online to equip the faculty members with technical skills and further cultivate the mindset necessary in an online learning environment.

From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG and STI WNU are both implementing a flexible learning delivery modality for SY 2022-2023. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a distribution of 50% onsite/face-to-face and 50% asynchronous. As for SHS in STI ESG, classes are all conducted face-to-face since the opening of SY 2022-2023 while SHS classes in STI WNU are on blended modality with 50% onsite/face-to-face and 50% asynchronous. STI WNU's classes for the National Service Training Program or NSTP are on full face-to-face set up.

iACADEMY implemented the Hyflex Learning Format for tertiary. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide how to participate. The Hyflex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during a disruption. Meanwhile, SHS is implementing the Hybrid setup (blended learning) until the end of SY 2022-2023. This allows grade 11 and 12 students to alternately attend onsite and online classes within the week. Courses, particularly specialized and contextualized subjects like Science and ICT, are conducted onsite in the laboratories. General Education subjects are delivered online using Microsoft Teams, an online classroom teleconferencing platform. Both onsite and online classes use eLMS as the major platform for the repository of learning materials, assessments, and grades.

The Group is continuously ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), CHED, DepEd, local government units ("LGUs"), and all pertinent agencies that have released information on the conduct of the face-to-face classes.

FINANCIAL REVIEW

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

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in September and ends in June of the following year for STI ESG and STI WNU, while the academic year for iACADEMY begins in August and ends in May and July for SHS and tertiary, respectively, of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, revenue is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

I. RESULTS OF OPERATIONS

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

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

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

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

II. FINANCIAL CONDITION

The Group's total assets as at September 30, 2022 amounted to ₱15,624.3million, 7% or ₱1,046.4 million higher than the ₱14,577.9 million balance as at June 30, 2022. The increase was driven by the ₱859.9 million increase in receivables. Receivables from students increased from ₱605.1 million as at June 30, 2022 to ₱1,214.3 million as at September 30, 2022. Receivables from DepEd for the SHS vouchers likewise registered an increase of ₱269.2 million.

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

Total receivables is up by ₱859.9 million from ₱531.0 million as at June 30, 2022 to ₱1,390.9 million as at September 30, 2022. Receivables from students increased by ₱609.2 million from ₱605.1 million to ₱1,214.3 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱283.8 million as at September 30, 2022, posting an increase of ₱269.2 million from ₱14.6 million as at June 30, 2022. The SHS Voucher

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

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

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

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

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

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

Total current liabilities increased by ₱1,207.3 million to ₱2,409.2 million as at September 30, 2021 from ₱1,201.9 million as at June 30, 2022, mainly due to the ₱1,458.7 million increase in unearned tuition and other school fees. Unearned revenues will be recognized as income over the remaining months of the related school term(s).

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

III. TOP 5 KEY PERFORMANCE INDICATORS

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

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

		As at/Three months ended September 30		
		2022	2021	Remarks
Return on equity	Net loss attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	(2%)	(6%)	While the return on equity is expected to be lower during the first quarter of both fiscal years as most of the revenues of the Group, which are mainly tuition and other school fees, are equivalent to only one month, since the school term for most schools only started at the end of August, the return on equity still showed an improvement as at September 30, 2022. The remaining fees will be recognized as income over the remaining months of the school year. The Group expects the ROE to improve by end of fiscal year 2022-2023.
Debt service cover ratio ("DSCR")	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	2.49	2.07	The minimum DSCR set by management, the lender bank and the STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest maturing within the next 12 months (see Note below)
Debt-to-equity ratio	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.66	0.73	Debt-to-equity ratio improved due to the prepayment made by STI ESG on its Term Loan Facility.

Note:
Recognizing the economic effects of the COVID-19 pandemic, China Bank granted the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements for the periods ended September 30, 2020, December 31, 2020, March 31, 2021 and June 30, 2021 for STI ESG. On August 15, 2022, China Bank approved the temporary waiver of the DSCR requirement covering the periods ending June 30, 2023 and December 31, 2023 for STI ESG. The approval of majority of the Record Bondholders for the waiver of the DSCR requirement up to June 30, 2023 was also obtained by STI ESG. As at September 30, 2022, STI ESG has complied with the financial covenants on DSCR and Debt-to-equity ratios.

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

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

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

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

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

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

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2022 represents the carrying value of the land, building and land improvements located in Quezon City ("Quezon City dacion properties"), which were obtained by the Parent Company through the deeds of dacion executed in 2016. The balance of ₱1,039.7 million as at June 30, 2022 includes the Pasig City property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay") as discussed in the succeeding paragraphs. On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since its receipt. Negotiations with other interested parties are ongoing as at September 30, 2022. With the classification as noncurrent asset held for sale, the Parent Company ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. In the same manner, the Pasig City property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property. On July 29, 2022, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig City Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale.

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

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

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

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

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

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

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

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

Current portion of interest-bearing loans and borrowings decreased by ₱131.9 million from ₱239.1 million as at June 30, 2022 to ₱107.2 million as at September 30, 2022. The balance as at September 30, 2022 represents the current portion of the Corporate Notes Facility Agreement of STI ESG with China Banking Corporation ("China Bank") amounting to ₱60.0 million, the current portion of STI ESG's Land Bank of the Philippines ("LandBank") loan amounting to ₱7.6 million and iACADEMY's ₱39.6 million Term Loan balance with China Bank. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate

Notes Facility Agreement of STI ESG with China Bank amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the Land Bank of the Philippines ("LandBank") ACADEME Program amounting to ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On September 23, 2022, China Bank approved STI ESG's request to allow a partial principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests, on the outstanding Term Loan Facility balance covering the period September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. On September 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow a principal prepayment in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment was applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment was applied in the inverse order of maturity according to the repayment schedule.

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

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

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

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

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

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

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

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

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

Tuition and other school fees amounted to ₱370.4 million for the three-month period ended September 30, 2022, up by ₱66.6 million or 22% from same period last year attributed to the

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

Revenues from educational services and royalty fees both increased by 14% attributed to the 11% increase in the student population of franchised schools for SY 2022-2023. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues decreased by ₱0.5 million or 2% compared to the same period last year from ₱20.8 million to ₱20.3 million for the three-month period ended September 30, 2022. As more face-to-face classes are held, internet connectivity assistance was not provided to students for the three-month period ended September 30, 2022, compared to ₱4.5 million charged to STI ESG's franchised schools for the same period last year. This was partially offset by the increase in other income from students' requests for certifications and other forms for the three-month period ended September 30, 2022.

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

Cost of educational services increased by ₱2.6 million from ₱177.7 million for the three-month period ended September 30 last year to ₱180.3 million for the same period this year. The cost of instructors' salaries and benefits increased by ₱13.7 million due to the increased number of faculty members as a result of the increased number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed the Licensure Examination for Teachers ("LET") and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. Depreciation expense decreased by ₱0.6 million, from ₱83.7 million to ₱83.1 million, for the three-month periods ended September 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of September 30, 2021 held by closed schools and those with suspended operations. Rent expense decreased by ₱0.1 million due to savings on rental expenses attributed to the closed schools and those with suspended operations. Other direct expenses decreased by ₱10.0 million. Internet connectivity assistance to students is not provided this school year as more classes are held face-to-face. Also, the increase in school materials and supplies expense of ₱0.9 million or 79% was due to costs incurred in relation to the transition to onsite classes this year.

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

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

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

Rental income increased by ₱12.6 million year-on-year due to new lease agreements entered into by STI ESG during the three-month period ended September 30, 2022 in one of its investment properties.

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

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

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

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

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

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other income aggregating to ₱2.9 million for the three-month period ended September 30, 2021. Included in other income for the three-month period ended September 30, 2021 is the difference between the nontrade payable, contingent liability to the former shareholders of STI WNU amounting to ₱50.0 million and the ₱25.0 million full and final settlement thereof paid on September 14, 2021 in accordance with the terms of the compromise agreement between STI Holdings and the Agustin Family, the former shareholders of STI WNU.

Equity in net earnings of associates and joint venture amounted to ₱0.8 million for the three-month period ended September 30, 2022 compared to the equity in net loss of associates and joint venture amounting to ₱0.1 million recorded for the same period last year.

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

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

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

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

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

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

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

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

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

VI. FINANCIAL RISK DISCLOSURE

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

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

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

In relation to the Group's interest-bearing loans and borrowings, the DSCR, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total principal and interests due in the next twelve months. The Group monitors its DSCR to keep it at a level acceptable to the Group, the lender bank and the STI ESG bondholders. The Group's policy is to keep the DSCR at a level not lower than 1.05:1.00.

As at September 30, 2022 and 2021, the Group's debt service cover ratios are 2.49:1.00 and 2.07:1.00, respectively. As at June 30, 2022, the Group's debt service cover ratio is 1.95:1.00.

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

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

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

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

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

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

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

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

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

b. Except as provided in Note 27 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

e. There are no known trends, demands, commitments, events of uncertainties that will have an impact on the Group's liquidity, net sales/revenues/income from continuing operations, except for the contingencies and commitments enumerated in Note 27 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

f. The various loan agreements entered into by STI ESG, STI WNU and iACADEMY and the issuance of fixed-rate bonds of STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG, STI WNU and iACADEMY are fully compliant with all the covenants in the loan agreements. Please see Notes 17 and 18 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

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

h. The Group's business is linked to the academic cycle. For SY 2022-2023, classes of SHS and tertiary students of STI ESG started on August 30, 2022 and September 2, 2022, respectively. For STI WNU, classes of SHS and tertiary students started on August 30, 2022 and September 5, 2022, respectively. Meanwhile, classes started on September 10, 2022 for STI WNU's School of Graduate Studies ("SGS"). iACADEMY starts its school calendar every August for all levels and ends in May and July for SHS and tertiary level, respectively. The revenues of the Group which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business days if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 18 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements).

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

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

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

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

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

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

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

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

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

k. On December 17, 2018, CHED, Unified Student Financial Assistance System for Tertiary Education Board ("UniFAST") and STI ESG signed a memorandum of agreement ("MOA") to avail of the Tertiary Education Subsidy ("TES") and Student Loan Program ("SLP") for STI ESG's students under the Universal Access to Quality Tertiary Education Act

("UAQTEA") and its Implementing Rules and Regulations ("IRR"). On the same date, STI WNU and iACADEMY executed separate memorandums of agreement with CHED and UniFAST with terms and conditions similar to that of STI ESG's MOA. RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations of the UniFAST, enrolled in State Universities and Colleges ("SUCs") or CHED-recognized Local Universities and Colleges ("LUCs") is ₱40.0 thousand. Students enrolled in select private Higher Education Institutions ("HEIs") who are qualified to receive the TES are entitled to ₱60.0 thousand as subsidy for tuition and other related school fees. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. This subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities ("PWDs") and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled.

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

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

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

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

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

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

m. In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue and STI Tuguegarao and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and the DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate effective SY 2022-2023.

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

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

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

- Preferential income tax rate for proprietary educational institutions is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations are subject to 25% regular corporate income tax ("RCIT") effective July 1, 2020.
- Minimum corporate income tax ("MCIT") is reduced from 2% to 1% effective July 1, 2020

to June 30, 2023.
- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax ("IAET") is repealed.

Pursuant to the provisions of the CREATE Act, the schools in the Group adopted the 1% income tax rate effective July 1, 2020 while the Parent Company and AHC adopted the 25%/1% and 20%/1% RCIT/MCIT rates, respectively.

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