COVER SHEET

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S T I E D U C A T I O N S Y S T E M S
H O L D I N G S , I N C .

(Company's Full Name)

7 T H F L O O R , S T I H O L D I N G S C E N T E R
6 7 6 4 A Y A L A A V E N U E
M A K A T I C I T Y

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

ARSENIO C. CABRERA, JR.	(6 3 2) 8 8 4 4 9 5 5 3
Contact Person	Company Telephone Number

0 6	3 0	Preliminary Information Statement	Third Friday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") will be held and conducted virtually via remote communication through Microsoft Teams on **Thursday, 21 December 2023, at 3:00 p.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

The record date for stockholders entitled to notice and vote at the Annual Stockholders' Meeting is set on 24 November 2023 ("Stockholders of Record").

The 2023 Annual Stockholders' Meeting of STI Holdings will be conducted virtually. Stockholders of Record may attend/participate via proxy, remote communication or vote in absentia. For the detailed registration and voting procedures, please visit http://www.stiholdings.com/2023ASM and refer to the "**Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy**".

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to corsec@stiholdings.com.ph on or before 11 December 2023. Validated stockholders will be provided access to the live streaming of the meeting through Microsoft Teams and can cast their votes in absentia on or before 15 December 2023 through the Company's secure online voting facility. All votes cast shall be subject to validation.

The Company is not soliciting for proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to corsec@stiholdings.com.ph, not later than **15 December 2023**.

Stockholders of record may send their queries and comments to the Management Report and other items in the Agenda to corsec@stiholdings.com.ph on or before 15 December 2023.

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

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

AGENDA OF 2023 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

EXPLANATION AND RATIONALE OF EACH ITEM IN THE AGENDA

1. Call to order

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

2. Certification of notice and quorum

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

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

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

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

3. Approval of the Minutes of the Annual Stockholders Meeting held on 19 December 2022

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

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

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 19 December 2022 as appearing in the Minutes Book of the Corporation be approved."*

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

4. The Management Report

   The President, Mr. Monico V. Jacob, shall render the Management Report, which provides the highlights of the performance of the Company for FY 2022-2023 and the outlook of the Company for FY 2023-2024 and beyond.

The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Company for FY 2022-2023. The report will also include significant events affecting the Company's performance for FY 2022-2023.

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

Below is the proposed resolution:

> *"RESOLVED, that that the Management Report for FY 2022-2023 be noted and approved."*

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

5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023

   The approval of Parent and Consolidated Audited Financial Statements (FS) of the Company as at and for the fiscal year ended 30 June 2023 prepared by SyCip Gorres Velayo & Co., contained in the Annual Report will be presented to the stockholders. The FS will also be embodied in the Definitive Information Statement. The Audit and Risk Committee has recommended, and the Board has approved, the FS.

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

   Below is the proposed resolution:

   > *"RESOLVED, that the Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023 as discussed in the Annual Report be noted and approved."*

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

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023. A list of the corporate acts to be ratified are enumerated in Item 16, pages 23-24 of the Definitive Information Statement.

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

> *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023 be approved, confirmed and ratified."*

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

7. Election of directors, including independent directors

In accordance with Section 2, Article IV of the Company's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 13 November 2023. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Definitive Information Statement.

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

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

8. Appointment of external auditor

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

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

Below is the proposed resolution:

> *"RESOLVED, that the auditing firm of SyCip Gorres Velayo & Co. be, as it is hereby appointed as external auditor of the Corporation for the FY 2023-2024."*

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

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

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

10. Adjournment

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

EDUCATION SYSTEMS HOLDINGS, INC.
2023 ANNUAL STOCKHOLDERS' MEETING
Thursday, 21 December 2023 at 3:00 p.m.
Via remote communication through Microsoft Teams

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

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

1. Stockholders intending to participate by remote communication through Microsoft Teams and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to corsec@stiholdings.com.ph on or before **15 December 2023**, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

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

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

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

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

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

   1.2.3 Other supporting document, as applicable

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

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

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

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

3.2 A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on **15 December 2023**. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at http://www.stiholdings.com/2023ASM and submitted on or before **15 December 2023** via email to corsec@stiholdings.com.ph, complete with the following requirements for validation purposes:

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

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

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

      1.2.1 Valid government-issued ID (with photo)

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

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

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

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

C. Participation and Determination of Quorum and Votes

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

2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to corsec@stiholdings.com.ph not later than **15 December 2023** to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

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

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

For ASM-related matters, please go to http://www.stiholdings.com/2023ASM. For ASM-related queries, please send an email to corsec@stiholdings.com.ph. For account updating/validation concerns, please get in touch with the Company's Stock Transfer Agent, Professional Stock Transfer, Inc. (Attention: Mr. Crescencio P. Montemayor), via email to info@professionalstocktransfer.com].

Date :

From :

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

Subject: Letter of Intent (LOI) to Participate in STI EDUCATION SYSTEM HOLDINGS,
INC. ("STI HOLDINGS") 2023 Annual Stockholders' Meeting ("ASM")

This is to express my intent to participate in STI HOLDINGS' 2023 ASM to be held virtually on Thursday, 21 December 2023 at 3:00 p.m..

Please see my contact information below:

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

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

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

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

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

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

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

Looking forward to your favorable response.

Thank you.

____

(Signature over Printed Name)

PROXY

The undersigned stockholder of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via remote communication through Microsoft Teams on **Thursday, 21 December 2023 at 3:00 p.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 19 December 2022			
2.	Approval of the Management Report for FY 2022-2023			
3.	Approval of Parent Company and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023			
4.	Ratification of all acts of Management and the Board of Directors from 19 December 2022 to 21 December 2023			
5.	Election of Directors			
	Eusebio H. Tanco			
	Monico V. Jacob			
	Maria Vanessa Rose L. Tanco			
	Joseph Augustin L. Tanco			
	Martin K. Tanco			
	Paolo Martin O. Bautista			
	Jesli A. Lapus			
	Robert G. Vergara (Independent Director)			
	Ma. Leonora Vasquez-De Jesus (Independent Director)			
	Raymond Anthony N. Alimurung (Independent Director)			
	Justice Antonio T. Carpio (Ret.) (Independent Director)			
6.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2023-2024			

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

______________________________ ______________________________

Date *Printed Name of Stockholder*

____

Signature of Stockholder/
Authorized Signatory

This proxy should be received by the Corporate Secretary **on or before 15 December 2023**, the deadline for submission of proxies.

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

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

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

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

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

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

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

4. SEC Identification Number **1746**

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

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

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

8. **21 December 2023, 3:00 p.m. via Remote Communication through Microsoft Teams**
   The presiding officer will preside over the meeting through remote communication at STI Holdings Center, 6764 Ayala Avenue, Makati City.
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **24 November 2023**

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

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

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	21 December 2023
Time of Meeting	:	3:00 p.m.
Place of Meeting	:	To be conducted via Remote Communication through Microsoft Teams The presiding officer will preside over the meeting through remote communication at 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City.
Registrant's Mailing Address	:	7/F STI Holdings Center 6764 Ayala Avenue, Makati City
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	24 November 2023

Item 2. Dissenters' Right of Appraisal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Market Information

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

As of 30 June 2023, the high share price of the Company was ₱0.38 and the low share price was ₱0.38. As of 30 September 2023, the high share price of the Company was ₱0.41 and the low share price was ₱0.41. As of 9 November 2023, the high share price of the Company was ₱0.45 and the low share price was ₱0.4350.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second and third quarters of 2023:

	High	**Low**
2023		
Third Quarter	0.43	0.36
Second Quarter	0.41	0.34
First Quarter	0.39	0.33
2022		
Fourth Quarter	0.35	0.32
Third Quarter	0.36	0.32
Second Quarter	0.37	0.31
First Quarter	0.38	0.32
2021		
Fourth Quarter	0.37	0.30
Third Quarter	0.41	0.34
Second Quarter	0.37	0.31
First Quarter	0.50	0.37

The Company's public float as of 30 June 2023 is 3,060,932,687 shares equivalent to 30.90% of the total issued and outstanding shares of the Company. As of 30 September 2023 and 5

October 2023, the Company's public float is 3,057,612,687 shares equivalent to 30.87% of the total issued and outstanding shares of the Company.

(2) Holders

As of 31 October 2023, there were 1,262 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 October 2023.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,636,121,964	36.71%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%
TANCO, EUSEBIO H.	1,253,666,793	12.66%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
EUJO PHILIPPINES, INC.	763,873,130	7.71%
PCD NOMINEE CORP (NON-FILIPINO)	756,504,013	7.64%
TANTIVY HOLDINGS, INC. (FORMERLY: INSURANCE BUILDERS, INC.)	626,776,992	6.33%
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.02%
TANCO, ROSIE L.	13,000,000	0.13%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR , LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
VALDERRAMA , LELEN ITF YASMIN AYN VALDERRAMA	300,000	0.00%
LELEN VALDERRAMA ITF YADIN AYN VALDERRAMA	300,000	0.00%
VALDERRAMA, LELEN A.	300,000	0.00%
LELEN VALDERRAMA ITF GERRENT ARN VALDERRAMA	300,000	0.00%

(3) Cash Dividends

On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2023 payable on January 31, 2023.

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

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

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 31 October 2023

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

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 24 November 2023 will be entitled to vote at the Annual Meeting.

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

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

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

(a) Security Ownership of Certain Record/Beneficial Owners as of 31 October2023

As of 31 October 2023, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Filipino	3,636,121,964 [1]	36.71 %

[1] Eusebio H. Tanco is the beneficial owner of 397,216,651 shares. Prudent Resources, Inc. is the beneficial owner of 6,820,085 shares. Eujo Philippines, Inc. is the beneficial owner of 42,284,000 shares. STI Education Services Group, Inc. is the beneficial owner of 102,524,000 shares. Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares. Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is the beneficial owner of 18,282,861 shares. Eximious Holdings, Inc. (formerly Capital Managers and Advisors, Inc.) is the beneficial owner of 306,890,332 shares.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	Mr. Eusebio H. Tanco (Chairman of the Board) (Direct and Indirect shares through PCD Nominee Corporation) 543 Fordham Street, Wack-Wack Village, Mandaluyong City	Mr. Eusebio H. Tanco	Filipino (Direct) (Indirect- thru PCD Filipino) Total	1,253,666,793 397,216,651 ------------------ 1,650,883,444	12.66% 4.01% ----------- 16.67% ======
Common	Prudent Resources, Inc. 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the Chairman and President of Prudent Resources, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	1,614,264,964 6,820,085 ------------------ 1,621,085,049 ==========	16.30% .07% ----------- 16.37% ======
Common	Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	794,343,934 18,282,861 ---------------- 812,626,795 =========	8.02% 0.18% --------- 8.20% =====
Common	PCD Nominee 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Non-Filipino	790,006,638	7.98%
Common	Eujo Philippines, Inc. (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Eujo Philippines, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	763,873,130 42,284,000 ------------------ 806,157,130 ==========	7.71% 0.43% ---------- 8.14% ======
Common	Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	626,776,992 3,000,000 ------------------ 629,776,992 ===========	6.33% 0.03% ----------- 6.36% ======

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

(b) Security Ownership of Management as of 31 October 2023

The following table sets forth as of 31 October 2023, the beneficial ownership of each director and executive officer of the Company:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Eusebio H. Tanco (Director and Chairman of the Board)	1,253,666,793 397,216,651 ----------------- 1,650,883,444 ==========	Direct Indirect – thru PCD Total	Filipino	12.66% 4.01% ---------- 16.67% =======
Common	Monico V. Jacob (Director, President and CEO)	1 33,784,056 -------------- 33,784,057 ========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.34% ---------- 0.34% =======
Common	Ma. Vanessa Rose L. Tanco (Director)	1 26,968,000 ------------- 26,968,001 ======	Direct Indirect – thru PCD	Filipino	0.00% 0.27% ----------- 0.27%
Common	Joseph Augustin L. Tanco (Director and VP for Investor Relations)	1 2,000,000 --------------- 2,000,001 =========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.02% ----------- 0.02% ======
Common	Martin K. Tanco (Director)	111,601,907	Indirect – thru PCD	Filipino	1.13%
Common	Paolo Martin Bautista (Director and Chief Investment Officer and Head of Corporate Strategy)	4,000,000	Indirect – thru PCD	Filipino	0.04%
Common	Jesli A. Lapus (Non Executive Director)	6,000,000	Indirect – thru PCD	Filipino	0.06%
Common	Robert G. Vergara (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Ma. Leonora V. De Jesus (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Raymond N. Alimurung (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Antonio T. Carpio (Independent Director)	10,0000	Direct	Filipino	0.00%
Common	Yolanda M. Bautista (Treasurer & Chief Finance Officer)	1 5,000,000 -------------- 5,000,001 ========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.05% ---------- 0.05% =======
Common	Arsenio C. Cabrera, Jr. (Corporate Secretary)	6,500,000	Indirect – thru PCD	Filipino	0.06%

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Directors and Officers as a Group	1,845,410,411	Direct and Indirect	Filipino	18.63%

(c) Voting Trust Holders of 5% Or More

As of 31 October 2023, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

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

Item 5. Directors and Executive Officers

(1) Certain Relationships and Related Transactions

(a) Directors and Executive Officers

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

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

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

(1) Eusebio H. Tanco
(2) Monico V. Jacob
(3) Joseph Augustin L. Tanco
(4) Ma. Vanessa Rose L. Tanco
(5) Martin K. Tanco
(6) Paolo Martin O. Bautista
(7) Jesli A. Lapus
(8) Robert G. Vergara
(9) Ma. Leonora Vasquez-De Jesus
(10) Raymond N. Alimurung
(11) Justice Antonio T. Carpio (Ret).

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

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

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

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

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

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

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

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

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

The Chairman of the Corporate Governance Committee is Justice Antonio T. Carpio (Ret). Ms. Ma. Leonora Vasquez-De Jesus and Mr. Raymond N. Alimurung are the members of the Corporate Governance Committee.

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

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Justice Antonio T. Carpio (Ret.)	EHI	N/A	Filipino

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

Summary of Term of Office of Directors:

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

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

Eusebio H. Tanco, 74, Filipino, Chairman of the Board, Executive Director

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

Mr. Tanco is a Director of STI ESG. He serves as the Chairman Emeritus of the Executive Committee and the Chairman of the Compensation Committee and Retirement Committee.

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

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

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

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

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

Monico V. Jacob, 78, Filipino, President and CEO, Executive Director

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

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

Mr. Jacob is the Chairman of STI West Negros University. He is also the President of Eximious Holdings, Inc., Tantivy Holdings, Inc. and Chantilly Nutriment Corporation.

Mr. Jacob is the Chairman of Maestro Holdings, Inc. (formerly STI Investments, Inc.), Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc., Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc., and Rosehills Memorial Phils., Inc. He serves as the Vice-Chairman of PhilPlans First, Inc.

Mr. Jacob is also a non-Executive Director in Asian Terminals, Inc. and Phoenix Petroleum Phils. Inc. and an Independent Director in Rockwell Land Corp. He also serves as a member of the Board of Governors of iACADEMY.

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

Prior to government, he was a Partner of the law firm Jacob Acaban Corvera Valdez and Del Castillo and was an active trial lawyer. Today, he is a partner in the law firm of Jacob & Jacob. His areas of specialization are energy, corporate law, corporate recovery and rehabilitation work, including receivership and restructuring advisory for companies.

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

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

Joseph Augustin L. Tanco, 43, Filipino, Executive Director

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

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

Mr. Tanco is the Chairman of the Board of PhilPlans First, Inc. He also serves as a Director of iACADEMY, STI West Negros University and Philippines First Insurance Co., Inc.

Mr. Tanco is currently the President and Chief Executive Officer of Maestro Holdings, Inc., Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc. and Comm&Sense, Inc. He founded Comm&Sense, Inc., an award-winning public relations agency offering comprehensive services in the areas of creative design, event conceptualization and management, public relations and promotions and its affiliated companies, Roar Agile Communicators and Stitch Tech Solutions, Inc., where he is likewise the President and Chief Executive Officer.

Mr. Tanco is an active member of the American Chamber of Commerce of the Philippines, Inc. (AMCHAM) and has served as the Co-Chairman of the Healthcare and Wellness Committee from 2019 to the present. He was Chapter President of (Junior Chamber International Philippines (JCI) in 2012, an Area Director for Metro Area 2 in 2013 and recently, JCI bestowed him a Senatorship role. He was National Chairman for Nothing but Nets in 2013 and National Chairman for The Outstanding Young Men (TOYM) in 2015. In 2012, he became a mentor for BS Entrepreneurship at the University of Asia and the Pacific (UA&P) and in 2022 was the first recipient of the UA&P Helm Awards, the top honor of the university's inaugural Alumni Achievement Awards, which recognizes the distinct accomplishments of School of Management Graduates.

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

Ma. Vanessa Rose L. Tanco, 45, Filipino, Executive Director

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

Ms. Tanco also serves as a Director and the Chairperson of the Executive Committee of STI ESG.

Ms. Tanco also holds directorships at STI West Negros University, STI ESG, PhilPlans First, Inc., Philhealthcare, Inc. and Chantilly Nutriment Corporation.

Currently, she is the President and CEO of iACADEMY.

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

Martin K. Tanco, 57, Filipino, Non-Executive Director

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

Mr. Tanco is also a director of STI ESG.

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

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

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

Paolo Martin O. Bautista, 54, Filipino, Executive Director

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

Mr. Bautista is also a director of STI ESG.

Mr. Bautista is an advisor to the Investment Committee of PhilPlans First, Inc. and a member of the board of directors. He is also a member of the board of directors at PhilhealthCare, Inc., Philippine Life Assurance Corporation and Maestro Holdings Inc. He has over 20-year experience in the areas of corporate finance, mergers and acquisitions, debt and equity capital markets, credit risk management, and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at the Investment Banking Division of Credit Suisse.

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

Jesli A. Lapus, 74, Filipino, Non-Executive Director

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

Mr. Lapus was first elected as a non-executive director of STI Holdings on 19 December 2022.

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

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

Mr. Lapus currently serves as an Independent Director in Alliance Global Group, Inc. and Emperador, Inc.

Mr. Lapus is the Chairman of the Board of LSERV Corporation and the AIM-ALT Center for Tourism of the Asian Institute of Management where he previously sat as a Trustee.

A multi-awarded executive in the private sector, Mr. Lapus has successfully managed corporations and banks to attaining industry leaderships. He served as Managing Director of Triumph International (Phils.) Inc. and CFO of the RAMCAR Group of Companies. A Certified Public Accountant, he started his professional career at Sycip Gorres Velayo & Co.

With a solid track record as a professional executive, Mr. Lapus has the distinction of having served in the cabinets of three Philippine Presidents namely: Presidents Corazon, Aquino, Ramos and Arroyo. He served as Secretary of Trade and Industry, Secretary of Education, President/CEO of Landbank of the Philippines and Undersecretary of Agrarian Reform.

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

Mr. Lapus is an accredited member of the Singapore Institute of Directors (SIDS), Singapore's national association of company directors.

Robert G. Vergara, 62, Filipino, Independent Director

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

Mr. Vergara has served as an Independent Director of STI ESG since July 27, 2017. He is the Chairman of the Audit and Risk Committee and a member of the Corporate Governance Committee of STI ESG.

Mr. Vergara was appointed as an Independent Director of SM Investments Corporation (SMIC) on April 24, 2019 and as an Independent Director of Metro Pacific Health (MPH) [formerly known as Metro Pacific Hospital Holdings, Inc.) on December 9, 2019.

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

Mr. Vergara was elected as Director of Manila Polo Club on 24 August 2020 and as President in August 2023.

Mr. Vergara has been a Director of Cabanatuan Electric Corporation since June 2010 and was elected as Chairman in August 2022.

Mr. Vergara served as the President and General Manager and Vice- Chairman of the Board of Trustees of the Government Service Insurance System (GSIS) from September 2010 to October 2016. As President and General Manager of GSIS, Mr. Vergara also served as Vice Chairman and Director of National Reinsurance Corporation of the Philippines, Manila Hotel Corporation, and Member of the Board of Directors of Philippine Stock Exchange, Philippine Health Insurance Corporation, Philippine National Construction Corporation and Housing and Urban Development Coordinating Council.

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

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

Ma. Leonora Vasquez- De Jesus, 72, Filipino, Independent Director

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

Ms. Vasquez-De Jesus is an Independent Director of STI ESG. She is the Chairperson of the Corporate Governance Committee and a member of the Audit and Risk Committee of STI ESG.

Ms. Vasquez-De Jesus is currently an independent director of BDO-One Network Bank, Inc., a position which she has held since May 19, 2018.

Ms. Vasquez-De Jesus also serves as a director of Risks, Opportunities Assessment and Management Corporation, which is accredited by the Securities and Exchange Commission as a Corporate Governance Seminars provider. She is likewise a member of New Generation Organization of Women Corporate Directors and Women Corporate Directors.

In the past, Ms. De Jesus was an Independent Director of Dominion Holdings, Inc, BDO Leasing and Finance, Inc., Equitable Savings Bank, PCI Capital Corporation, and BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and a Director of SM Development Corporation.

Ms. Vasquez-De Jesus was formerly the University President of the Pamantasan ng Lungsod ng Maynila and was also professorial lecturer at the University of the Philippines, Diliman, Ateneo de Manila University and at the De La Salle Graduate School of Business and Governance.

Ms. Vasquez-De Jesus attended a course on Portfolio Management at the New York Institute of Finance; and a Housing Finance course at the Wharton School of Business.

Ms. Vasquez-De Jesus was also a member of the Board of Governors of the Philippine National Red Cross. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and also served as a director of the Development Bank of the Philippines.

Ms. Vasquez-De Jesus was a member of the cabinets of Presidents Corazon C. Aquino,(as Undersecretary in the Office of the President); of Fidel V. Ramos (as Head of the Presidential Management Staff , and concurrently Secretary of the Cabinet; and of Joseph E. Estrada as Head, Presidential Management Staff and later as Chairman of the Housing and Urban Development Coordinating Council.

Ms. Vasquez-De Jesus holds Bachelor's (cum laude), Master's and Doctorate degrees in Psychologyo from the University of the Philippines-Diliman.

Raymond N. Alimurung, 50, Filipino, Independent Director

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

Mr. Alimurung presently holds the position of a general partner at Kaya Founders, an early-stage investment firm. Before this role, he served as Lazada's first Filipino CEO, overseeing its Philippine expansion from 2018 to 2022. Additionally, Mr. Alimurung held the position of CEO at aCommerce Philippines and gained experience working with Amazon.

Mr. Alimurung was elected as Independent Director of Paymongo Philippines, Inc. and Philippine Seven Corp. on 2 May 2023 and 20 July 20223, respectively.

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

Justice Antonio T. Carpio (Ret.), 74, Filipino, Independent Director

Justice Antonio T. Carpio was first elected as an Independent Director of STI Holdings on 19 December 2022. He is the Chairman of the Corporate Governance Committee and a member of the Related Party Transactions Committee. He is an Independent Director at iACADEMY.

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

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

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

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

In May 2017, Justice Carpio published the book titled "The South China Sea Dispute: Philippine Sovereign Rights and Jurisdiction in the West Philippine Sea." For his adherence to the Rule of Law and defense of Philippine sovereignty and sovereign rights in the West Philippine Sea, both his alma mater, the University of the Philippines and the Ateneo de Manila University, conferred on him the Doctor of Laws, honoris causa, in December 2020 and May 2021, respectively. Earlier in 2009, his grade school and high school alma mater, the Ateneo de Davao University, conferred on him the Doctor of Laws, honoris causa, for his adherence to the Rule of Law. In February 2021, the De La Salle University awarded Justice Carpio the Ka Pepe Diokno Award for his defense of Philippine sovereignty and the civil liberties of the Filipino people.

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

Yolanda M. Bautista, 71, Filipino, Treasurer

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

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

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

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

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

Arsenio C. Cabrera, Jr., 63, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

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

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

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

Atty. Cabrera is a Managing Partner of Herrera Teehankee & Cabrera Law Offices. He also serves as Corporate Secretary of Agustin Tanco Foundation, Inc., Amina, Inc., Arani Realty Corporation, Asiateleservices, Inc., Attenborough Holdings Corporation, BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Cement Center, Inc., Citicore Holdings Investment, Inc., Classic Finance, Inc., Comm & Sense, Inc., Digitalme Services, Inc., Drysor, Inc., ESA Group of Companies, Inc., Eximious Holdings, Inc., EUJO Phils. Incorporated, Fieldtech Asia, Inc., First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Greener and Partner Properties, Inc., Heritage Park Management, Inc., iACADEMY, International Hardwood & Veneer Company of the Philippines, Juska, Inc., Lasik Surgery, Inc., Maestro Holdings, Inc., Manila Bay

Hosiery Mills, Inc., Manila Bay Spinning Mills, Inc., Megacore Holdings, Inc., NiHAO Mineral Resources International, Inc., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, PhilsFirst, PhilLife, PhilCare, Inc., Philplans., Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI WNU, Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Ujobi Global Philippines, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

He was also elected as Chairman of Bauhinia 17 Equity Holdings, Inc., Excelsior Holdings, Inc., Excelsium, Inc., PlusHomes Communities, Inc. and Rue Bau 17 Holdings, Inc.

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

Anna Carmina S. Herrera, 48, Filipino, Assistant Corporate Secretary

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

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

(b) Significant Employees

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

(c) Family Relationships

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

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

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

(d) Involvement in Certain Legal Proceedings

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

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

(2) any conviction by final judgment;

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

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

(2) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Consultancy Agreement with STI ESG

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

Consultancy Agreement with STI WNU

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

Service Level Agreement with Comm & Sense

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

AHC

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

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

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million.

Advisory Agreement with iACADEMY

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

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

For further details, refer to Note 31, Related Party Transactions, of the Audited Consolidated Financial Statements.

Transactions with Promoters

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

(3) Disagreement with a Director

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

Item 6. Compensation of Directors and Executive Officers

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

From FY 2021-2022 up to 2022-2023, the CEO and top four (4) executive officers as a group, did not receive compensation from the Company. There is no employment contract between the Company and any of its executive officers.

(2) The following table summarizes the aggregate compensation for the fiscal years ended June 30, 2021, 2022 and 2023. The amounts set forth in the table below have been prepared based on what the Parent Company paid its directors and named executive officers as a group and other officers for the fiscal years ended June 30, 2021, 2022 and 2023 and what the Parent Company expects to pay for the fiscal year ending June 30, 2024.

The compensation for board members comprises of per diems.

ANNUAL COMPENSATION

Name and Principal Position	Year Ended	Salary (₱)	Bonus (₱)	Other annual compensation (₱)
All other Officers as a Group	2021	5,147,471	-	-
	2022	4,816,367	-	-
	2023	3,411,390	-	-
	2024 [a]	3,417,212	-	-
All Named Executive Officers [b] and Board of Directors as a Group	2021			2,091,813
	2022			1,814,912
	2023			
	2023			1,577,485
	2024 [a]			1,577,485

Notes:
[a] Figure is an estimated amount. ear ended March 31
[b] Named executives include: Eusebio H. Tanco (Chairman of the Board), Monico V. Jacob (President and CEO), Joseph Augustin L. Tanco (Vice President, Investor Relations), Yolanda M. Bautista (Treasurer and CFO) Paolo Martin O. Bautista (Vice President/Chief Investment Officer and Chief Risk Officer) and Atty. Arsenio Cabrera Jr. (Corporate Secretary).

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

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

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

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. ("SGV") has been the Company's External Auditors for the past years (2010 up to the present). They were reappointed in the Annual Stockholders' Meeting held on 19 December 2022, as external auditors for the ensuing fiscal year.

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

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

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

As stated in the June 30, 2023 “Statement of Management Responsibility for Financial Statements”, SGV is the appointed independent auditors of STI Holdings. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

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

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

In the Organizational Meeting of the Board of Directors immediately succeeding the stockholders' meeting held on 19 December 2022, the following were elected as the Chairman and Members of the Audit and Risk Committee of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

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

The fees for the professional services rendered by SGV to the Company, particularly for the audit of the financial statements for the past three years are shown below:

	Year ended June 30, 2023	Year ended June 30, 2022	Year ended June 30, 2021
Audit fees	₱1,680,000	₱1,550,000	₱1,467,500
Special audit fees*	-		₱440,200

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

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 19 December 2022 Annual Stockholders' Meeting. The Minutes of the 19 December 2022 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Rules of Conduct and Voting Procedures
4. Declaration of Dividends
5. Approval of the Minutes of the 3 December 2021 Annual Shareholders' Meeting
6. Presentation of Management Report
7. Approval of Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2022
8. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 3 December 2021 to 19 December 2022
9. Election of Directors
10. Appointment of External Auditor
11. Adjournment

Item 16. Matters Not Required to be Submitted

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

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 19 December 2022 up to 21 December 2023. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 19 December 2022 include, among others: (a) the appointment of officers; (b) the opening of bank accounts and the appointment of signatories; (c) execution of contracts in the ordinary course of business; and (d) the approval of Audited Financial Statements.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 19 December 2022 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

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

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

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

(1) Vote required

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

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

(2) Method

A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on 14 December 2023. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting.

Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to a designated email address not later than 14 December 2023 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

The Company will seek the approval of the following:

(a) Approval of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022

(b) Approval of Management Report

(c) Approval of the Parent and Consolidated Audited Financial Statements as at and for the fiscal year ending 30 June 2023

(d) Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business, from 19 December 2022 to 21 December 2023

(e) Election of Directors

(f) Appointment of external auditor

Discussion on Compliance with Leading Practices on Corporate Governance

The Company filed the latest version of its Manual on Corporate Governance with the Securities and Exchange Commission (SEC) on May 31, 2017 (the "Revised Manual").

The Company strives to fully comply with the best practices and principles of good corporate governance contained in the Revised Manual. The Company annually assesses its compliance with the SEC Code of Corporate Governance for Publicly Listed Companies and the Revised Manual though the Integrated Annual Corporate Governance Reports (the "iACGR Reports") that are submitted to the SEC. Moreover, the Board of Directors of the Company also completes annual Board performance self-assessments. The results of these Board performance self assessments are submitted to the Compliance Officer who prepares and files the iACGR Reports.

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

The 2022 Integrated Annual Corporate Governance Report of STI Holdings was submitted to the SEC and PSE on May 30, 2023 and posted in the Parent Company's Official Website http://www.stiholdings.com on the same day.

There have been no deviations from the Revised Manual.

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

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

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

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

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

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the 19 December 2022 Annual Stockholders' Meeting with the directors, officers and stockholders who attended the meeting is attached hereto as Annex "F".

The attendance of the directors in the Board and stockholders' meetings held for the calendar year 2023 is as follows:

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

The 2022 Self-Evaluation Performance Report of the Board of Directors was presented during the 13 October 2023 meeting of the Board of Directors.

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

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into related party transactions. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Company in 2023.

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

STI EDUCATION SYSTEMS HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 JUNE 2023. SUCH WRITTEN REQUESTS SHOULD BE ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14 November 2023.

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organizations	Position/Relationship	Period of Service
Cabanatuan Electric Corporation	Chairman/ Director	August 2022 to present 26 June 2010 to present
Manila Polo Club, Inc.	Director/ President	24 August 2020 to present August 2023 to present
Metro Pacific Health	Independent Director	9 December 2019 to present
SM Investments Corporation	Independent Director	24 April 2019 to present
Vergara Advisory Management, Inc.	President/Director	June 2018 to present
STI Education Services Group, Inc.	Independent Director	27 July 2017 to present
SEA CREST Fund	Director	30 March 2009

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Director this 13th day of November 2023 at Makati City.

ROBERT G. VERGARA

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

SUBSCRIBED AND SWORN to before me this 13th day of November 2023 at Makati City, affiant personally appeared and exhibited to me his Passport No. P5668049B issued on 12 October 2020 at DFA Manila.

STEPHEN DANIEL H. JAVIER
Notary Public for Makati City
Appointment No. M-283
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 81371
PTR No. 9567586 / Makati / 04 January 2023
IBP No. 216285 / Makati / 24 May 2022

Doc. No. 385;
Page No. 78;
Book No. II;
Series of 2023.

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organizations	Position/Relationship	Period of Service
BDO- One Network Bank, Inc.	Independent Director	September 2018 to present
Risks, Opportunities Assessment and Management Corporation	Director	2011 to present
STI Education Services Group, Inc.	Independent Director	27 July 2017 to present
New Generation Organization of Women Corporate Directors	Member	September 2023 to present
Women Corporate Directors	Member	November 2023

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors this 13th day of November 2023 at Makati City.

MA. LEONORA VASQUEZ-DE JESUS

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

SUBSCRIBED AND SWORN to before me this 13th day of November 2023 at Makati City, affiant personally appeared to me and exhibited to me her Passport No. P6145077A issued on 22 February 2018 at DFA Manila.

Doc. No. 386;
Page No. 79;
Book No. II;
Series of 2023.

STEPHEN DANIEL H. JAVIER
Notary Public for Makati City
Appointment No. M-283
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 81371
PTR No. 9567586 / Makati / 04 January 2023
IBP No. 216285 / Makati / 24 May 2022

Annex "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organizations	Position/Relationship	Period of Service
Kaya Founders Investment, LLC	General Partner	11 April 2023 to present
Paymongo Philippines, Inc.	Independent Director	2 May 2023 to present
Philippine Seven Corp.	Independent Director	20 July 2023 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors this 13th day of November 2023 at Makati City.

RAYMOND ANTHONY N. ALIMURUNG

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

SUBSCRIBED AND SWORN to before me this 13th day of November 2023 at Makati City, affiant personally appeared to me and exhibited to me his Tax Identification No. 212-599-852.

STEPHEN DANIEL H. JAVIER
Notary Public for Makati City
Appointment No. M-283
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 81371
PTR No. 9567586 / Makati / 04 January 2023
IBP No. 216285 / Makati / 24 May 2022

Doc. No. 387;
Page No. 79;
Book No. II;
Series of 2023.

Annex "E"

SECRETARY'S CERTIFICATE

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

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

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

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this 14th day of November 2023 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 14th day of November 2023 in Makati City, affiant exhibiting to me his Passport No. P6534927B issued on 23 March 2021 at DFA NCR South.

STEPHEN DANIEL H. JAVIER
Notary Public for Makati City
Appointment No. M-283
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 81371
PTR No. 9567586 / Makati / 04 January 2023
IBP No. 216285 / Makati / 24 May 2022

Doc. No. 393;
Page No. 80;
Book No. II;
Series of 2023.

Annex "F"

MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF
STI EDUCATION SYSTEMS HOLDINGS, INC.
Held on 19 December 2022, 3:00 p.m.
via remote communication through Microsoft Teams

PRESENT:	**NO. OF SHARES**
Total Number of Shares Present in Person	**1,966,505,447**
Total Number of Shares Present by Proxy	**5,665,981,624**
Total Number of Shares Represented In Person and By Proxy	**7,632,487,071**
Total Outstanding Shares:	**9,904,806,924**
Attendance Percentage to Total Outstanding Shares	**77.06%**

I. CALL TO ORDER

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

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

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

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

(c) Accordingly, stockholders of record as of 18 November 2022 were notified of this meeting. The stockholders were also notified of the internal guidelines of the Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(c) Present in person and represented in proxy are 7,632,487,071 shares or 77.06% of the total issued and outstanding capital stock of Nine Billion Nine Hundred Four Million Eight Hundred Six Thousand Nine Hundred Twenty Four (9,904,806,924) shares of the Corporation, and that a quorum existed for the valid transaction of business.

The Affidavit of Publication dated 25 November 2022 executed by The Philippine Star and the Affidavit of Publication dated 29 November 2022 executed by The Manila Standard, respectively attesting the publication of the notice of this meeting are attached hereto as Annexes "A" and "B", respectively.

III. RULES OF CONDUCT AND VOTING PROCEDURES

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

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

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

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

3. Votes cast as of 12 December 2022 for each proposed resolution have been tabulated and results will be announced during the meeting.

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

5. Relevant questions which have been submitted on or before12 December 2022 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 3 December 2021 were uploaded for inspection on the Corporation's website.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Minutes of the Annual Stockholders; Meeting held on 3 December 2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution approving the Minutes of the Annual Stockholders' Meeting held on 3 December 2021 was adopted by the stockholders.

V. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Monico V. Jacob, rendered the Management Report for Fiscal Year 2021-2022. A copy of the Management Report for Fiscal Year 2021-2022 is attached hereto as Annex "C".

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Management Report for Fiscal Year 2021-2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution noting and approving the Management Report for Fiscal Year 2021-2022 was adopted by the stockholders.

VI. APPROVAL OF PARENT AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE FISCAL YEAR ENDED 30 JUNE 2022.

The Corporate Secretary stated that copies of the Corporation's Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2022 were included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution noting and approving the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2022 was adopted by the stockholders.

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

The Corporate Secretary stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders since the3 December 2021 Annual Stockholders' Meeting up to today's meeting has been included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the legal acts, proceedings and resolutions of the Board of Directors and of Management of the Corporation, done in the ordinary course of business, since the Annual Stockholders' Meeting held on 3 December 2021 up to 19 December 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution approving, confirming, and ratifying all the legal acts, resolutions, and proceedings of the Board of Directors and of the Management of the Corporation since 3 December 2021 up to 19 December 2022 was adopted by the stockholders.

VIII. ELECTION OF DIRECTORS

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

Under the Corporation's By-Laws and 2017 Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate

Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

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

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

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Joseph Augustin L. Tanco
4. Ma. Vanessa Rose L. Tanco
5. Martin K. Tanco
6. Paolo Martin O. Bautista
7. Jesli A. Lapus

For Independent Directors:

8. Robert G. Vergara
9. Ma. Leonora Vasquez-De Jesus
10. Raymond Anthony N. Alimurung
11. Justice Antonio T. Carpio (Ret.)

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

Nominee	***Votes***
Eusebio H. Tanco	*7,632,487,071*
Monico V. Jacob	*7,632,487,071*
Joseph Augustin L. Tanco	*7,632,487,071*
Ma. Vanessa Rose L. Tanco	*7,632,487,071*
Martin K. Tanco	*7,632,487,071*
Paolo Martin O. Bautista	*7,632,487,071*
Jesli A. Lapus	*7,632,487,071*
Robert G. Vergara (Independent Director)	*7,632,487,071*
Ma. Leonora Vasquez-De Jesus (Independent Director)	*7,632,487,071*
Raymond N. Alimurung (Independent Director)	*7,388,174,071*
Justice Antonio T. Carpio (Ret.) (Independent Director)	*7,632,487,071*

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

IX. APPOINTMENT OF EXTERNAL AUDITOR

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

SGV Partner	Position
Loubelle V. Mendoza	Partner
Wilson P. Tan	Managing Partner
Noel P. Rabaja	Tax Partner

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the appointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for Fiscal Year 2022-2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution appointing Sycip Gorres Velayo and Co. as the Corporation's external auditor for the period Fiscal Year 2022-2023 was adopted by the stockholders.

X. OTHER MATTERS

The Corporate Secretary stated that, as of 12 December 2022, the cut-off date for submission of questions and/or queries on the Management Report for Fiscal Year 2021-2022, no questions and/or queries were submitted to the Corporation.

XI. ADJOURNMENT

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

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:

EUSEBIO H. TANCO
Chairman

Annex "A"

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

AFFIDAVIT OF PUBLICATION

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

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

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

That the order of **STI EDUCATION SYSTEMS HOLDINGS, INC.**

captioned as follows: **NOTICE OF ANNUAL STOCKHOLDERS' MEETING**

Please see attached printed text which had been published in **The Philippine STAR** in its issues of: **November 24 and 25, 2022**

FURTHER AFFIANT SAYETH NAUGHT.
Manila, Philippines

ARLYN F. SERVAÑEZ
Affiant

SUBSCRIBED AND SWORN to before me this **25th** day of **November** 2022 affiant exhibited to me her Driver's License No. NO1-01-259491 issued by LTO on September 21, 2018 which expiry date is September 24, 2023.

Doc. No. 356
Page No. 73
Book No. XXVIII
Series of 2022

ATTY. GARY A. SANCIO
Notary Public
Until December 31, 2022
Adm. Matter No. NP-146(2021-2022)
Roll No. 44261
IBP No. 1082447/06-30-17/Q.C. (LIFETIME)
PTR No. 2369275/01-07-22/Q.C.
MCLE Compliance No. VII-0011638/03-01-22

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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

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

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

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

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

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

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

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

Very truly yours,

(SGD.) ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "B"

Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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

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

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

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

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

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

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

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

Very truly yours,

(SGD.) ARSENIO C. CABRERA, JR.
Corporate Secretary

(MS-NOV. 24 & 25, 2022)

AFFIDAVIT OF PUBLICATION

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

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

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

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

Manila Standard published on

November 24 & 25, 2022

a Notice:

STI EDUCATION SYSTEMS HOLDINGS

RE: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 29TH day of NOVEMBER 2022 in Makati City.

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 29TH day of NOVEMBER, 2022 in Makati City, affiant exhibiting to me his SSS No. 33-0476897-7.

Doc. No.: 273;
Page No.: 56;
Book No.: 57;
Series of 2022.

ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-260 until Dec. 31, 2022
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 244653 / 06-30-2022/ Pasig City
PTR No. 8852016 / 01-03-2022/ Makati City
MCLE Compliance No. VII-0020869/April 14, 2025

Annex "F"

MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF

STI EDUCATION SYSTEMS HOLDINGS, INC.

Held on 19 December 2022, 3:00 p.m.
via remote communication through Microsoft Teams

PRESENT:	**NO. OF SHARES**
Total Number of Shares Present in Person	**1,966,505,447**
Total Number of Shares Present by Proxy	**5,665,981,624**
Total Number of Shares Represented In Person and By Proxy	**7,632,487,071**
Total Outstanding Shares:	**9,904,806,924**
Attendance Percentage to Total Outstanding Shares	**77.06%**

I. CALL TO ORDER

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

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

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

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

(c) Accordingly, stockholders of record as of 18 November 2022 were notified of this meeting. The stockholders were also notified of the internal guidelines of the Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(c) Present in person and represented in proxy are 7,632,487,071 shares or 77.06% of the total issued and outstanding capital stock of Nine Billion Nine Hundred Four Million Eight Hundred Six Thousand Nine Hundred Twenty Four (9,904,806,924) shares of the Corporation, and that a quorum existed for the valid transaction of business.

The Affidavit of Publication dated 25 November 2022 executed by The Philippine Star and the Affidavit of Publication dated 29 November 2022 executed by The Manila Standard, respectively attesting the publication of the notice of this meeting are attached hereto as Annexes "A" and "B", respectively.

III. RULES OF CONDUCT AND VOTING PROCEDURES

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

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

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

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

3. Votes cast as of 12 December 2022 for each proposed resolution have been tabulated and results will be announced during the meeting.

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

5. Relevant questions which have been submitted on or before12 December 2022 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 3 December 2021 were uploaded for inspection on the Corporation's website.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Minutes of the Annual Stockholders; Meeting held on 3 December 2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution approving the Minutes of the Annual Stockholders' Meeting held on 3 December 2021 was adopted by the stockholders.

V. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Monico V. Jacob, rendered the Management Report for Fiscal Year 2021-2022. A copy of the Management Report for Fiscal Year 2021-2022 is attached hereto as Annex "C".

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Management Report for Fiscal Year 2021-2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution noting and approving the Management Report for Fiscal Year 2021-2022 was adopted by the stockholders.

VI. APPROVAL OF PARENT AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE FISCAL YEAR ENDED 30 JUNE 2022.

The Corporate Secretary stated that copies of the Corporation's Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2022 were included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution noting and approving the Parent and Consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2022 was adopted by the stockholders.

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

The Corporate Secretary stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders since the3 December 2021 Annual Stockholders' Meeting up to today's meeting has been included in the Definitive Information Statement which was uploaded on the Corporation's website and the PSE Edge portal.

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the legal acts, proceedings and resolutions of the Board of Directors and of Management of the Corporation, done in the ordinary course of business, since the Annual Stockholders' Meeting held on 3 December 2021 up to 19 December 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution approving, confirming, and ratifying all the legal acts, resolutions, and proceedings of the Board of Directors and of the Management of the Corporation since 3 December 2021 up to 19 December 2022 was adopted by the stockholders.

VIII. ELECTION OF DIRECTORS

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

Under the Corporation's By-Laws and 2017 Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate

Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

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

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

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Joseph Augustin L. Tanco
4. Ma. Vanessa Rose L. Tanco
5. Martin K. Tanco
6. Paolo Martin O. Bautista
7. Jesli A. Lapus

For Independent Directors:

8. Robert G. Vergara
9. Ma. Leonora Vasquez-De Jesus
10. Raymond Anthony N. Alimurung
11. Justice Antonio T. Carpio (Ret.)

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

Nominee	***Votes***
Eusebio H. Tanco	*7,632,487,071*
Monico V. Jacob	*7,632,487,071*
Joseph Augustin L. Tanco	*7,632,487,071*
Ma. Vanessa Rose L. Tanco	*7,632,487,071*
Martin K. Tanco	*7,632,487,071*
Paolo Martin O. Bautista	*7,632,487,071*
Jesli A. Lapus	*7,632,487,071*
Robert G. Vergara (Independent Director)	*7,632,487,071*
Ma. Leonora Vasquez-De Jesus (Independent Director)	*7,632,487,071*
Raymond N. Alimurung (Independent Director)	*7,388,174,071*
Justice Antonio T. Carpio (Ret.) (Independent Director)	*7,632,487,071*

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

IX. APPOINTMENT OF EXTERNAL AUDITOR

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

SGV Partner	Position
Loubelle V. Mendoza	Partner
Wilson P. Tan	Managing Partner
Noel P. Rabaja	Tax Partner

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the appointment of SyCip Gorres Velayo & Co. as the Corporation's external auditor for Fiscal Year 2022-2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,632,487,071		
% of Shares of Shareholders Present	100%		

The Corporate Secretary certified that the resolution appointing Sycip Gorres Velayo and Co. as the Corporation's external auditor for the period Fiscal Year 2022-2023 was adopted by the stockholders.

X. OTHER MATTERS

The Corporate Secretary stated that, as of 12 December 2022, the cut-off date for submission of questions and/or queries on the Management Report for Fiscal Year 2021-2022, no questions and/or queries were submitted to the Corporation.

XI. ADJOURNMENT

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

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:

EUSEBIO H. TANCO
Chairman

Annex "A"

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

AFFIDAVIT OF PUBLICATION

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

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

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

That the order of STI EDUCATION SYSTEMS HOLDINGS, INC.

captioned as follows**:** NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please see attached printed text which had been published in **The Philippine STAR** in its issues of: November 24 and 25, 2022

FURTHER AFFIANT SAYETH NAUGHT.
Manila, Philippines

ARLYN F. SERVAÑEZ
Affiant

SUBSCRIBED AND SWORN to before me this 25th day of November 2022 affiant exhibited to me her Driver's License No. NO1-01-259491 issued by LTO on September 21, 2018 which expiry date is September 24, 2023.

Doc. No. 356
Page No. 73
Book No. XXVIII
Series of 2022

ATTY. GARY A. SANCIO
Notary Public
Until December 31, 2022
Adm. Matter No. NP-146(2021-2022)
Roll No. 44261
IBP No. 1082447/06-30-17/Q.C. (LIFETIME)
PTR No. 2369275/01-07-22/Q.C.
MCLE Compliance No. VII-0011638/03-01-22

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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

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

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

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

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

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

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

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

Very truly yours,

(SGD.) ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "B"

Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax (632) 8844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

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

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

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

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

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

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

Very truly yours,

(SGD.) ARSENIO C. CABRERA, JR.
Corporate Secretary

(MS-NOV. 24 & 25, 2022)

AFFIDAVIT OF PUBLICATION

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

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

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

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

Manila Standard published on

November 24 & 25, 2022

a Notice:

STI EDUCATION SYSTEMS HOLDINGS

RE: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 29TH day of **NOVEMBER** 2022 in Makati City.

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 29TH day of NOVEMBER, 2022 in Makati City, affiant exhibiting to me his SSS No. **33-0476897-7.**

Doc. No.: 223;
Page No.: 56;
Book No.: 52;
Series of 2022.

ATTY. SHERLUCK JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-260 until Dec. 31, 2022
Unit 3C LTA Building, 118 Perea St.
Legaspi Village, Makati City
Roll No. 70942
IBP No. 244653 / 06-30-2022/ Pasig City
PTR No. 8852016 / 01-03-2022/ Makati City
MCLE Compliance No. VII-0020869/April 14, 2025

MANAGEMENT REPORT

Group History and Structure

STI Education Systems Holdings, Inc.

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

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

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

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

As of June 30, 2023 and June 30, 2022, STI Holdings has outstanding shares totaling 9,904,806,924 out of its authorized capital stock of 10 billion shares.

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

Consolidation of STI ESG into STI Holdings

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

In view of the increase in its authorized capital stock and pursuant to the Share Swap, STI Holdings issued 5,901,806,924 shares to STI ESG Shareholders in exchange for 907,970,294 common shares of STI ESG. As a result, immediately after the Share Swap, the STI ESG Shareholders who joined the

Share Swap owned approximately 84% interest in STI Holdings while STI Holdings increased its shareholdings to 96.0% of the total issued and outstanding capital stock of STI ESG.

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

Acquisition of West Negros University

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

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

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

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

Acquisition of iACADEMY

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

AHC

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

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

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million.

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

As of 30 June 2023, the high share price of the Company was ₱0.38 and the low share price was ₱0.38. As of 30 September 2023, the high share price of the Company was ₱0.41 and the low share price was ₱0.41. As of 9 November 2023, the high share price of the Company was ₱0.45 and the low share price was ₱0.4350.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second and third quarters of 2023:

	High	**Low**
2023		
Third Quarter	0.43	0.36
Second Quarter	0.41	0.34
First Quarter	0.39	0.33
2022		
Fourth Quarter	0.35	0.32
Third Quarter	0.36	0.32
Second Quarter	0.37	0.31
First Quarter	0.38	0.32
2021		
Fourth Quarter	0.37	0.30
Third Quarter	0.41	0.34
Second Quarter	0.37	0.31
First Quarter	0.50	0.37

The Company's public float as of 30 June 2023 is 3,060,932,687 shares equivalent to 30.90% of the total issued and outstanding shares of the Company. As of 30 September 2023 and 5 October 2023, the Company's public float is 3,057,612,687 shares equivalent to 30.87% of the total issued and outstanding shares of the Company.

(2) Holders

As of 31 October 2023, there were 1,262 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 31 October 2023.

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,636,121,964	36.71%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%
TANCO, EUSEBIO H.	1,253,666,793	12.66%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
EUJO PHILIPPINES, INC.	763,873,130	7.71%
PCD NOMINEE CORP (NON-FILIPINO)	756,504,013	7.64%
TANTIVY HOLDINGS, INC.	626,776,992	6.33%

(FORMERLY: INSURANCE BUILDERS, INC.)		
STI EDUCATION SERVICES GROUP, INC.	397,908,895	4.02%
TANCO, ROSIE L.	13,000,000	0.13%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR , LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
VALDERRAMA , LELEN ITF YASMIN AYN VALDERRAMA	300,000	0.00%
LELEN VALDERRAMA ITF YADIN AYN VALDERRAMA	300,000	0.00%
VALDERRAMA, LELEN A.	300,000	0.00%
LELEN VALDERRAMA ITF GERRENT ARN VALDERRAMA	300,000	0.00%

(3) Cash Dividends

On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2023 payable on January 31, 2023.

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

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

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

(4) Recent Sales of Unregistered or Exempt Securities

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

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

This discussion summarizes the significant factors affecting the financial condition of STI Education Systems Holdings, Inc. (“STI Holdings” or the “Parent Company”) and its subsidiaries (hereafter collectively referred to as the “Group”) as at June 30, 2023 and 2022 and operating results for the years ended June 30, 2023, 2022 and 2021.

The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as at and for the years ended June 30, 2023 and 2022, and for all the other periods presented.

Financial Condition

June 30, 2023 vs. June 30, 2022

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2023**	**June 30, 2022**	**June 2023 vs. June 2022**	
			Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	15,083.2	14,577.9	505.3	3.5%
Current assets	3,781.6	3,421.6	360.0	10.5%
Cash and cash equivalents	1,958.8	1,568.7	390.1	24.9%
Total liabilities	5,873.4	6,083.0	(209.6)	(3.4%)
Current liabilities	3,451.9	1,201.8	2,250.1	187.2%
Total equity	9,209.8	8,495.0	714.8	8.4%
Equity attributable to equity holders of the parent	9,127.9	8,413.6	714.3	8.5%
Financial ratios				
Debt-to-equity ratio	0.62	0.70	(0.08)	(11.4%)
Current ratio	1.10	2.85	(1.75)	(61.4%)
Debt service cover ratio	0.60	1.95	(1.35)	(69.2%)
Asset to equity ratio	1.64	1.72	(0.08)	(4.7%)

**DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization, and nonrecurring gains/losses (EBITDA) for the last twelve months divided by total principal and interest due for the next twelve months and is pegged at 1.05:1.00. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. iACADEMY is compliant with China Bank's DSCR requirement as at June 30, 2023 and 2022. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement as at June 30, 2023 and 2022 at 2.36 and 1.70, respectively.*

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

The Group's consolidated total assets amounted to ₱15,083.2 million as at June 30, 2023 compared to ₱14,577.9 million as at June 30, 2022. Current assets grew by₱359.9 million, from ₱3,421.6 million to ₱3,781.5 million. The overall increase in consolidated total assets is the result of another school year of strong operations. The net increase in cash and cash equivalents amounting to ₱390.1 million was primarily contributed by cash generated from the Group's net income for the current fiscal year, which is more than double that of the previous year. The more efficient collection of receivables from students was also a key factor in the huge increase in cash balances. This is also reflected in the reduction of the receivables balance from ₱531.0 million as at June 30, 2022 to ₱470.6 million as at June 30, 2023 even with the increase in the number of students this SY 2022-2023.

Cash and cash equivalents increased by ₱390.1 million or 25% from last year's ₱1,568.7 million to ₱1,958.8 million as at June 30, 2023. The Group generated net cash from operating activities amounting to ₱1,885.3 million arising from the collection of tuition and other school fees from students and collection from the Department of Education (DepEd) for the Senior High School (SHS) vouchers and Commission on Higher Education (CHED) for Tertiary Education Subsidy (TES). These funds were partly utilized to acquire parcels of land in Meycauayan City, Bulacan and to pay the contractors and suppliers for the construction of iACADEMY's Cebu campus and STI WNU's new School of Basic Education (SBE) building, and the renovation of STI WNU's Engineering building. Net cash used in investing activities aggregated to ₱497.9 million. The Group registered ₱999.7 million net cash used in financing activities, composed substantially of the ₱459.5 million principal payments on interest-bearing loans, ₱263.7 million interest payments on the said loans and on STI ESG's bonds, and ₱143.0 million dividend payments to the stockholders of STI Holdings and STI ESG.

Total receivables amounted to ₱470.6 million as at June 30, 2023, posting a decrease of ₱60.4 million from ₱531.0 million as at June 30, 2022. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and Development Bank of the Philippines (DBP) for the SHS vouchers, TES and financial assistance to students, respectively. Receivables from students 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.

Receivables from students pertaining to tuition and other school fees decreased by ₱17.5 million from ₱613.5 million as at June 30, 2022 to ₱596.0 million as at June 30, 2023. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱10.0 million as at June 30, 2023, compared to ₱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 who enroll in participating institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED amounted to ₱3.7 million and ₱12.9 million as at June 30, 2023 and 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement (MOA) with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.6 million as at June 30, 2023. Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱55.5 million as at June 30, 2023, lower by ₱20.0 million from ₱75.5 million as at June 30, 2022, representing an improvement in the collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Rent receivables increased by ₱21.6 million to ₱63.3 million as at June 30, 2023 from ₱41.7 million as at June 30, 2022 as receivables from the new tenants of STI ESG and iACADEMY were recognized on June 30, 2023. STI ESG entered into a lease agreement with a third party for a segment of its STI Academic Center PasayEDSA property comprising a total area of 610 square meters. STI ESG funded the fit-out requirements in advance, and the third party will reimburse these costs with an additional 7.5% to cover the cost of money. The related fit-out costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date. Also, iACADEMY entered into a sublease agreement with a third party for portions of their leased building at Sen. Gil Puyat Avenue in Makati City for a period of five (5) years commencing on March 15, 2023 and ending on March 15, 2028. The rent receivables are expected to be collected within the next fiscal year.

The Group’s allowance for expected credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments, increased from ₱312.4 million as at June 30, 2022 to ₱382.4 million as at June 30, 2023 due to the provision for ECL recognized during the year. Further, STI ESG and STI WNU implemented an interim policy on the deferral of write-off of receivables for the years ended June 30, 2023 and 2022 as approved by the respective BODs of the two companies.

Inventories decreased by 18% or ₱28.7 million from ₱158.2 million as at June 30, 2022 to ₱129.5 million as at June 30, 2023 representing substantially the sale of school uniforms, net of acquisitions, during the year ended June 30, 2023.

Prepaid expenses and other current assets increased by ₱78.6 million or 69% from ₱114.3 million as at June 30, 2022 to ₱192.9 million as at June 30, 2023, attributed primarily to advances to suppliers, increase in input VAT, increases in creditable withholding taxes/prior years’ excess tax credits, and prepaid rent. Current advances to suppliers as at June 30, 2023 amounting to ₱32.6 million primarily relate to prepayments for the procurement of school uniforms in preparation for the upcoming SY 2023-2024. The increase in the Input VAT of ₱24.6 million from ₱23.0 million as at June 30, 2022 to ₱47.6 million as at June 30, 2023 arose mainly from the acquisition of two parcels of land in Meycauayan City, Bulacan from which STI ESG recognized input VAT amounting to ₱16.2 million and the payments made by STI WNU for the construction of its new SBE building and the renovation of its Engineering Building which included ₱9.8 million input VAT. This account also includes input VAT recognized on the purchase of goods and services. Prepaid taxes posted an increase of ₱20.5 million or 36% from ₱57.2 million as at June 30, 2022 to ₱77.7 million as at June 30, 2023 representing business taxes and excess prior year’s credits and creditable taxes that can be applied against future tax liabilities. Business taxes paid to local governments will be recognized as expense over the respective periods covered. Prepaid rent increased to ₱6.1 million as at June 30, 2023 from ₱0.8 million as at June 30, 2022 representing advance rental payments by iACADEMY for its Cebu campus. On July 15, 2022, iACADEMY entered into a lease agreement with Filinvest Land Inc. for the 5th floor of Filinvest Cebu Cyberzone Tower Two located in Cebu City for a period of 10 years, subject to renewal upon mutual agreement.

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 as at June 30, 2023 and 2022. The carrying value of the equity instruments designated at FVPL amounted to ₱5.80 and ₱6.20 per share or an aggregate value of ₱9.0 million and ₱9.6 million as at June 30, 2023 and 2022, respectively. STI ESG recognized dividend income from RCR amounting to ₱0.6 million and ₱0.4 million in 2023 and 2022, respectively.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2023 represents the carrying value of the land, building and land improvements located in Quezon City (the “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 property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. (STI Tanay) as discussed in the succeeding paragraphs. On June 24, 2021, the Parent Company’s BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since its receipt. Negotiations with other interested parties are ongoing as at June 30, 2023. With the classification as noncurrent asset held for sale, the Parent Company ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. In the same manner, the Pasig property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property. 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 ₱9,684.7 million from ₱9,672.5 million as at June 30, 2023 and 2022, respectively. 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 for a Dacion Price of ₱81.2 million. STI ESG then released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price. On August 5, 2022, CHED approved the site transfer of STI Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. STI ESG accordingly reclassified the take-up of its Tanay property from “Investment properties” to “Property and equipment” account in September 2022. As of the date of transfer, the Tanay property had a carrying value of ₱115.7 million, inclusive of documentary stamp and transfer taxes. As at June 30, 2023 the said property has a carrying value of ₱112.8 million. The Group acquired new computers and various school equipment and furniture during the year ended June 30, 2023, as more classes were conducted onsite. Property and equipment likewise increased as the Group recognized the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, Leases. The property and equipment balance as at June 30, 2023 also includes costs related to the construction of iACADEMY’s campus in Cebu amounting to ₱40.8 million which was completed in January 2023, the renovation of STI WNU’s Engineering building amounting to ₱28.8 million which was completed in February 2023 and the on-going construction of STI WNU’s new SBE building with costs of ₱65.3 million as of June 30, 2023. These additions to the “Property and equipment” account were partially offset by the depreciation expense recorded for the year ended June 30, 2023. Further, in 2023, STI ESG reclassified the parcels of land situated in Las Piñas City with a carrying value of₱40.5 million as of June 30, 2023, including the fully depreciated buildings thereon, to “Investment properties.” These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

Investment properties increased by ₱33.3 million from ₱1,004.2 million as at June 30, 2022 to ₱1,037.5 million as at June 30, 2023. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees. This property is intended to be the future site of STI Academic Center Meycauayan. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered into by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property agreeing that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms expiring in 2024 up to 2025. This account also includes STI ESG’s parcels of land, including the improvements thereon, located in Las Piñas City. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026. STI ESG also recognized the cost of the renovation of its office condominium units. This project, with a total contract cost of ₱88.0 million, 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. These additions to “Investment properties” account were partially offset by the reclassification of the Tanay property from “Investment properties” to “Property and equipment” account since the said property is now being used by STI Quezon Avenue as its school building and grounds (as discussed in the previous paragraphs).

Investments in and advances to associates and joint venture increased by 12% or ₱2.2 million from ₱18.5 million to ₱20.7 million as at June 30, 2022 and 2023, respectively, upon recognition of the Group’s equity share in net income of associates.

Deferred tax assets (DTA), net of the related deferred tax liability (DTL), increased by ₱24.7 million from ₱26.0 million to ₱50.7 million as at June 30, 2022 and 2023, respectively, representing taxes due on tuition and other school fees and monthly rentals collected in advance. Following statutory regulations, these revenues that are collected in advance are subject to income tax upon receipt. Also, the notable increase in deferred tax assets is attributed to the change in the preferential income tax rate for proprietary educational institutions. This rate reverted from 1.0% under the CREATE Law to 10.0% effective July 1, 2023. Therefore, the Group remeasured its deferred tax assets and liabilities reflecting the increased income tax rate which resulted to the increase of net DTA to ₱50.7 million as at June 30, 2023.

Goodwill, intangible and other noncurrent assets increased by ₱71.0 million from ₱364.9 million as at June 30, 2022 to ₱435.9 million as at June 30, 2023. Noncurrent advances to suppliers, which increased by ₱52.5 million from ₱19.1 million to ₱71.6 million as at June 30, 2022 and 2023, respectively, substantially pertain to the advance payment made by STI WNU in the amount of ₱53.4 million for the design and construction of a 3-storey SBE building which will house its pre-elementary, elementary, JHS and SHS students beginning SY 2023-2024. This account also includes other payments made in relation to the acquisition of capital assets and various capital expenditures for ongoing projects of the schools. These will be reclassified primarily to “Property and equipment” when the goods are received, or the services are completely rendered.

Goodwill increased by ₱23.0 million from ₱243.6 million to ₱266.6 million as at June 30, 2022 and 2023, respectively, due to the recognition of goodwill by STI ESG on its acquisition of 60% of the issued and outstanding capital stock of STI-College Alabang, Inc. (STI Alabang) from the former franchisee. STI Alabang then became a wholly-owned subsidiary of STI ESG from its purchase of the said 60% in March 2023. The identifiable assets and liabilities of STI Alabang were recognized based on the assessment of the fair values of these assets and liabilities at the time of acquisition resulting in the ₱23.0 million excess of the purchase consideration.

Accounts payable and other current liabilities increased by ₱37.1 million from ₱736.1 million to ₱773.2 million as at June 30, 2022 and 2023, respectively. Vouchers payable of iACADEMY increased by ₱11.1 million primarily for rental and utilities of its Cebu campus. Accruals for outside services and expenses related to school activities amounted to ₱105.0 million as at June 30, 2023, for an increase of ₱16.3 million from the ₱88.7 million balance as at June 30, 2022, largely representing increased expenses due to face-toface classes and in-person commencement ceremonies.

Unearned tuition and other school fees increased by ₱24.3 million from ₱116.8 million as at June 30, 2022 to ₱141.1 million as at June 30, 2023. This account refers to advance payment of tuition and other school fees for the school year commencing after the financial reporting date and will be recognized to revenues in the related school term(s) within the next fiscal year.

Income tax payable amounted to ₱1.1 million and ₱551.5 thousand as at June 30, 2023 and 2022, respectively. The balances as at June 30, 2023 and 2022 represent the income tax obligations of STI ESG's subsidiaries and STI WNU. Income tax obligations of STI ESG, iACADEMY, and the Parent Company for the years ended June 30, 2023 and 2022 were entirely offset by their available tax credits and previous quarters' payments.

Current portion of interest-bearing loans and borrowings increased by ₱23.7 million from ₱239.1 million as at June 30, 2022 to ₱262.8 million as at June 30, 2023. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with China Bank amounting to ₱60.0 million and ₱120.0 million, respectively, and the Land Bank of the Philippines (Land Bank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to₱3.0 million. It also includes iACADEMY's ₱79.8 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 LandBank ACADEME Program amounting to ₱9.5 million, which was also due within the next twelve months. The current portion of iACADEMY's term loan balance stood at ₱79.6 million as at June 30, 2022.

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 are to 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 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow principal prepayments in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment has been applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment has been applied in the inverse order of maturity according to the repayment schedule. 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% per annum on September 28, 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 March 9, 2023, China Bank approved iACADEMY's request to partially prepay the term loan and to waive the 3% prepayment penalty. On March 29, 2023, iACADEMY made the prepayment of ₱100.0 million in addition to the regular amortization of ₱40.0 million. The prepayment was applied in the inverse order of maturity according to the repayment schedule.

On March 19, 2023, STI ESG made ₱30.0 million principal payment for its outstanding loan under its Corporate Notes Facility with China Bank. On September 19, 2023, STI ESG settled the amortization due on this Corporate Notes Facility amounting to ₱30.0 million and paid in full the remaining balance of ₱180.0 million. There was no prepayment penalty imposed since this Corporate Notes Facility is a restructured loan.

On July 22, 2020, Land Bank 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 that families were facing due to the COVID-19 pandemic. The Land Bank 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 Land Bank 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 is 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, 2023, of which ₱19.1 million has been paid as of June 30, 2023. Of the ₱3.0 million outstanding balance, ₱2.1 million has been settled in August 2023 while the remaining ₱0.9 balance is maturing in January 2024.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱482.8 million due to the partial prepayments made by STI ESG and iACADEMY totaling ₱340.0 million as well as the reclassification of the amount of ₱223.0 million to current portion of interest-bearing loans.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") with the Philippine Dealing and Exchange Corp. (PDEx) on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3- year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,988.4 million and ₱2,980.5 million as at June 30, 2023 and 2022, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱11.6 million and ₱19.5 million as at June 30, 2023 and 2022, respectively. The first tranche of the bond issue with a carrying value of ₱2,175.1 million will mature in March 2024 and thus has been reclassified to current liabilities. The second tranche of the bond issue which will mature in March 2027, with a carrying value of ₱813.3 million is reported as "Bonds payable – net of current portion" under noncurrent liabilities. As at June 30, 2023, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.79:1.00 and DSCR at 2.36:1.00. DSCR as defined in the bond trust agreement is computed as EBITDA for the last twelve (12) months over total principal and interest due in the last 12 months. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and DSCR of not less than 1.05:1.00 computed based on its consolidated financial statements.

Current portion of lease liabilities decreased by ₱10.7 million from ₱109.2 million as at June 30, 2022 to ₱98.5 million as at June 30, 2023, representing payments made during the year net of reclassification of lease obligations due within the next twelve months. Noncurrent lease liabilities increased by ₱74.1 million from ₱364.1 million as at June 30, 2022 to ₱438.2 million as at June 30, 2023 due to the recognition of the Group's new and renewed lease agreements. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases.*

Pension liabilities increased by ₱31.1 million from ₱108.7 million to ₱139.8 million as at June 30, 2022, and June 30, 2023, respectively, representing increased pension expense and changes in the market value of the investments under the pension plan assets of the Group for the year ended June 30, 2023.

Other noncurrent liabilities increased by ₱88.7 million from ₱23.4 million to ₱112.1 million as at June 30, 2022 and 2023, respectively, representing advance rent and refundable security deposits received by STI ESG and iACADEMY in relation to new lease agreements.

Cumulative actuarial gain decreased by ₱22.2 million from ₱27.7 million to ₱5.5 million as at June 30, 2022 and 2023, respectively, due to the impact of unrealized remeasurement losses for the year ended June 30, 2023 resulting from the decline in market value of the investments under the Group's pension plan assets. STI ESG also closed to "Retained earnings" the cumulative actuarial gain of schools that had ceased operations.

Unrealized fair value adjustment on equity instruments at FVOCI is up by ₱1.8 million representing fair value adjustments resulting from the increase in the market value of STI ESG's quoted equity shares, as well as the unquoted equity shares of De Los Santos Medical Center, Inc. (DLSMC).

Retained earnings increased by ₱734.6 million from ₱4,485.3 million to ₱5,219.9 million as at June 30, 2022 and 2023, respectively, substantially due to the net income attributable to equity holders of the Parent Company recognized for the year ended June 30, 2023, net of cash dividends declared by the Parent Company on December 19, 2022 amounting to ₱148.6 million.

June 30, 2022 vs. June 30, 2021

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

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

Investment properties increased by ₱158.1 million from ₱846.1 million as at June 30, 2021 to ₱1,004.2 million as at June 30, 2022. In 2019, STI ESG and DBP executed a Deed of Assignment wherein DBP assigned, transferred, and conveyed, without recourse, all its collectibles from STI Tanay, a franchisee, to STI ESG. DBP likewise granted to STI ESG all the rights, title, and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect, and receive payment on the said loan and Promissory Notes. This loan of STI Tanay is secured by real estate mortgages over the following properties: 1) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay, and 2) a third-party mortgage over land and building including improvements therein, located in Pasig City. STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay. The extrajudicial foreclosure sale for the property located in Tanay, Rizal was conducted on March 15, 2022 by the Office of the Clerk of Court of Rizal. At the conclusion of the extrajudicial foreclosure sale, STI ESG was declared as the winning bidder for the said Tanay property. The Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the Certificate of Sale on April 11, 2022, which certified that the real estate covered by a mortgage, where STI Tanay is situated, was sold at a public auction to STI ESG as the highest bidder on March 15, 2022. The Certificate of Sale was annotated on the title on May 5, 2022. The one (1) year redemption period commenced on the date the Certificate of Sale was annotated on the title. STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱44.1 million and ₱66.9 million, equivalent to the latest appraised values of the land and building, respectively. The extrajudicial foreclosure resulted in a gain on settlement of receivable amounting to ₱26.1 million for the year ended June 30, 2022.

The extrajudicial foreclosure sale for the property located in Pasig City was conducted on March 16, 2021 by the Office of the Clerk of Court of Pasig City. At the conclusion of the extrajudicial foreclosure sale, STI ESG was declared as the winning bidder for the said Pasig City property. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the Certificate of Sale which certified that the real estate covered by a mortgage on the property located in Pasig City was sold at a public auction on March 16, 2021 to STI ESG as the highest bidder. The Certificate of Sale was annotated on the title on August 5, 2021. The one (1) year redemption period commenced to run from the date the Certificate of Sale was annotated on the title. STI ESG recognized the said property as part of its "Investment properties" amounting to ₱44.2 million and ₱9.7 million, equivalent to the latest appraised values of the land and building, respectively. The foreclosure resulted in a gain on settlement of receivable amounting to ₱19.0 million for the year ended June 30, 2022. On June 30, 2022, STI Tanay and the third-party mortgagors sought the redemption of the mortgaged property located in Pasig City for ₱19.0 million. STI ESG executed the Certificate of Redemption which restored the mortgagors to their full ownership of the mortgaged property situated in Pasig City, including all its improvements, free and clear of the mortgage lien thereon. On the same date, STI ESG executed the release and cancellation of the third-party mortgage of the property situated in Pasig City. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price. Management likewise considered the Pasig Property to have met the criteria for financial statement presentation as

noncurrent asset held for sale. Upon cessation of the recognition of the Pasig property as part of investment properties, the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The payment for the redemption price was received on July 29, 2022. The gain on settlement of receivable and provision for impairment of noncurrent asset held for sale were presented in the consolidated statement of comprehensive income as “gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale” in the amount of ₱10.8 million.
The “Investment Properties” account also includes properties under construction as at June 30, 2022 pertaining to the renovation of office condominium units owned by STI ESG. The related contract costs amounted to ₱88.0 million, inclusive of mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and the related construction management services. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

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

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

Goodwill, intangible and other noncurrent assets decreased by ₱116.9 million from ₱481.8 million as at June 30, 2021 to ₱364.9 million as at June 30, 2022. As at June 30, 2021, STI ESG had receivables from STI Tanay resulting from the Deed of Assignment executed by STI ESG and DBP wherein DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay. The Extrajudicial Foreclosure Sale for the real estate covered by mortgages on properties located in Pasig City and Tanay, Rizal declared STI ESG as the winning bidder. STI ESG then recognized the real estate mortgaged to secure the said loans as part of its “Investment Properties” and derecognized the receivable from STI Tanay as at June 30, 2022. Receivable from STI Tanay, related to the loans assigned by DBP, amounted to nil and ₱75.5 million as at June 30, 2022 and June 30, 2021, respectively (see foregoing discussions). Noncurrent advances to suppliers decreased by ₱17.9 million representing the amount reclassified to “Property and Equipment” as at June 30, 2022 pertinent to the cost of construction works completed as at June 30, 2022. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million representing deposits for the acquisition of shares of stock in De Los Santos-STI College held by the shareholders owning 48% of the outstanding capital stock. On August 3, 2021, STI ESG paid the remaining ₱4.0 million to one of the shareholders. In the same month, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. STI ESG then applied its deposits as payment for the consideration relative to the acquisition of the non-controlling interest in De Los Santos-STI College.

Accounts payable and other current liabilities decreased by ₱70.9 million from ₱807.0 million to ₱736.1 million as at June 30, 2021 and 2022, respectively, substantially due to payments made by STI ESG to various contractors for obligations related to construction works as well as to suppliers of equipment and furniture for the new STI Academic Center Legazpi. Accounts payable decreased by ₱17.2 million due to payments to the contractors and suppliers of recently completed construction projects. Accrued expenses, on the other hand, increased by ₱17.0 million, largely representing expenses related to in-person commencement ceremonies for SY 2021-2022. Interest payable as at June 30, 2022 decreased by ₱6.9 million as interests accruing as at June 30, 2021 on the Group's Corporate Notes Facility and Term Loan Facility were settled as at June 30, 2022. STI Holdings' nontrade payable decreased by ₱50.0 million. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. On September 6, 2021, the Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement for the payment of ₱25.0 million as final and full settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The payable to STI Diamond amounting to ₱24.1 million as at June 30, 2021, which represents STI Novaliches' obligations to the former resulting from the assignment, transfer, and conveyance of all rights, title, and interest in assets and liabilities of STI Diamond to STI Novaliches in 2016, has been settled in full as at June 30, 2022. Further, the current portion of advance rent and security deposits presented under "Accounts payable and other current liabilities" decreased by an aggregate amount of ₱9.4 million due to reclassifications made to "Other Noncurrent Liabilities" of the advance rent and security deposit related to a lease contract renewed for a three-year term.

Current portion of interest-bearing loans and borrowings increased by ₱30.3 million from ₱208.8 million as at June 30, 2021 to ₱239.1 million as at June 30, 2022. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Bank amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the Land Bank of the Philippines ("LandBank") ACADEME Program amounting to ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. Meanwhile, in July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities ("ACADEME") Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students, but not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2022. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The first and second drawdowns with outstanding balances as at June 30, 2022 amounting to ₱5.7 million and ₱6.9 million are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

On September 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow a principal prepayment in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment has been applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment has been applied in the inverse order of maturity according to the repayment schedule.

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

The Consolidated Statements of Comprehensive Income reflect the changes in owners' equity originating from non-owner and traditional income sources. Comprehensive income includes net income and unrealized income/loss arising from fair value changes in equity instruments at FVOCI as well as remeasurement adjustments on pension plans. The operating results shown in the Group's consolidated statements of comprehensive income reflect the Group's recovery from the economic impact of the Novel Coronavirus Disease 2019 (COVID-19) pandemic and show substantial growth, both in terms of revenue and profitability, over the past three fiscal years. The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2023, June 30, 2022, and June 30, 2021

Years ended June 30, 2023 vs. 2022

Enrollment in schools under STI Holdings increased to more than 94,000 students for SY 2022-2023. For the current SY 2022-2023, the total count of new students reached 41,565 compared with the 35,566 new students in SY 2021-2022, showing a 17% increase in the total new student population. The total count 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 in SY 2021-2022.

The enrollment figures at the start of the School Year of the schools under STI Holdings for SY 2022-2023 are as follows:

	SY 2022-2023	**SY 2021-2022**	**Increase**	
			Enrollees	Percentage
STI ESG				
Owned schools[1]	54,158	47,230	6,928	15%
Franchised schools[1]	27,539	25,520	2,019	8%
	81,697	72,750	8,947	16%
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, Technical Education and Skills Development Authority (TESDA) students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including Junior High School (JHS) and SHS, yields the following numbers:

	SY 2022-2023			
	CHED	**TESDA**	**DEPED[2]**	**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%**

[1] *Enrollment numbers of STI Alabang are reported as part of owned schools' category effective January 2023.*
[2]*STI ESG DepEd count consists of 23,077 SHS and 297 JHS students in SY2022-2023 and 22,497 SHS and 208 JHS students 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.*

STI ESG and STI WNU introduced the ONline and ONsite Education at STI (ONE STI) Learning Model in SY 2020-2021. This model was implemented in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of COVID-19. 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 JHS and SHS started on August 30, 2022 while classes of tertiary students commenced on September 5, 2022 for both STI ESG and STI WNU. Classes for STI WNU's School of Graduate Studies (SGS) started on September 10, 2022.

iACADEMY implemented 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 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 that students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a twoway 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 eight 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-today lessons. During the SYs 2020-2021 and 2021-2022, the training programs were conducted online while the Group has been holding a combination of in-person and online faculty members' training beginning SY 2022-2023. These training programs are conducted to ensure that the faculty members of the Group possess an acceptable level of competencies and have industry-based experience and credentials necessary to teach the courses assigned to them.

From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG and STI WNU both implemented a flexible learning delivery modality in the first semester of SY 2022-2023. Highstake 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% online/asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes starting on its second semester of SY 2022-2023. STI WNU continued with its flexible learning delivery modality which it started in the first semester of SY 2022-2023. As for JHS and SHS in STI ESG, classes are all conducted face-to-face since the opening of SY 2022-2023. SHS classes in STI WNU are on a blended modality with 50% onsite/face-to-face and 50% online/asynchronous in the first semester with online classes transitioning to synchronous classes starting in the middle of the first semester up to the present. STI WNU's classes for the National Service Training Program or NSTP are on full face-to-face setup.

iACADEMY implemented the Hyflex Learning Format for tertiary for SY 2022-2023. 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 implemented the Hybrid setup (blended learning) until the end of SY 2022-2023. This allowed students from grades 11 and 12 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 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 and guidance on the conduct of face-to-face classes.

The consolidated gross revenues of the Group for the year ended June 30, 2023 amounted to ₱3,405.5 million, reflecting a 27% increase compared to ₱2,677.6 million generated for the year ended June 30, 2022.

Tuition and other school fees increased by ₱636.6 million from ₱2,437.0 million for the year ended June 30, 2022 to ₱3,073.6 million for the year ended June 30, 2023 attributed to the 14% robust growth of enrollment or the 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. Percentagewise, STI WNU registered the highest increase at 35% for this SY compared to last SY. Further, the Group's enrollment mix showed consistent improvement 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 and 57% for SY 2020-2021. 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 19%. This resulted from the higher number of enrollees of franchised schools from 25,520 students in SY 2021-2022 to 27,539 in SY 2022-2023 or an 8% increase as well as an improvement in the collection efficiency of the franchised schools. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies increased dramatically by 292% or ₱85.7 million to ₱115.0 million for the year ended June 30, 2023 from ₱29.3 million for the same period last year. Sale of educational materials and supplies recognized in the current year largely pertains to the 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.

Other revenues decreased by ₱20.4 million from ₱73.5 million for the year ended June 30, 2022 to ₱53.1 million for the year ended June 30, 2023. During SY 2021-2022, the Group extended internet connectivity assistance to its students. The share of data connectivity costs charged to the franchised schools was recognized as part of other revenues for the year ended June 30, 2022. As more face-to-face classes were held, internet connectivity assistance was no longer provided to students during SY 2022-2023.

The cost of educational services rose by ₱84.5 million from ₱955.5 million to ₱1,040.0 million for the years ended June 30, 2022 and 2023, respectively. Instructors' salaries and benefits increased by ₱75.1 million from ₱359.4 million to ₱434.5 million due to the increased number of faculty members, concomitant with the increase in number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. Depreciation and amortization expenses included as part of direct costs increased by ₱12.0 million from ₱372.6 million to ₱384.6 million for the years ended June 30, 2022 and 2023, respectively, substantially due to the amortization cost of iACADEMY Cebu's right-of-use asset. Direct costs of software subscriptions and maintenance increased by ₱7.1 million from ₱25.8 million for the year ended June 30, 2022 to ₱32.9 million for the current year, mostly driven by the increased enrollment. Rent expense is higher by ₱3.8 million, from ₱20.9 million to ₱24.7 million for the years ended June 30, 2022 and 2023, respectively, attributed to increase in monthly rental rates of renewed lease agreements. The cost of developing courseware during the year ended June 30, 2023 increased by ₱2.7 million due to STI ESG's streamlining of program curricula in response to market needs and industry developments. Courseware materials for JHS and SHS were likewise developed. Expenses related to student activities and programs rose by ₱52.9 million attributed to the expenses incurred for the resumption of in-person activities and programs for the students, higher subscription costs for Microsoft, eLMS and Amadeus software primarily driven by higher enrollment for SY 2022-2023, and distribution of laptops to ninety (90) students across the network. Huawei Philippines

(Huawei), donated cash which was partly allocated to the provision of laptops distributed to select students who were awarded multiple certificates at the Huawei ICT Academy. STI ESG, in partnership with Huawei, integrated in-demand ICT technologies into some of its programs tackling five technology domains namely, (1) cloud computing (2) big data (3) artificial intelligence (4) routing and switching, and (5) storage. The savings generated from the shift to a more efficient cloud subscription plan partially offset these increases in costs. Also, the internet connectivity assistance provided to students by STI ESG in SY 2021- 2022 amounting to ₱70.0 million was no longer given in SY 2022-2023 as in-person classes were conducted by all schools.

Gross profit improved by 34% from ₱1,698.0 million to ₱2,274.9 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment.

General and administrative expenses posted an 18% increase or ₱201.5 million from ₱1,129.3 million to ₱1,330.8 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment and the resumption of face-to-face classes.

Light and water expenses increased by ₱87.3 million from ₱75.3 million to ₱162.6 million for the years ended June 30, 2022 and 2023, respectively, as more face-to-face classes were held and electric power consumption increased. Salaries and benefits are higher by ₱61.2 million for the year ended June 30, 2023 compared to the same period last year as salary adjustments were implemented this year. Also, certain plantilla positions were filled up during the year in line with the face-to-face classes in SY 2022-2023. Expenses for outside services such as clerical, security and janitorial services increased by ₱41.6 million year-on-year as the Group conducted more in-person classes and activities in SY 2022-2023 while classes for SY 2021-2022 were mostly held online. This also resulted in increases in other administrative expenses such as repairs and maintenance, transportation, and office supplies, which rose by ₱16.3 million, ₱4.8 million, and ₱4.5 million, respectively.

The Group recognized a provision for ECL amounting to ₱85.2 million for the year ended June 30, 2023, largely representing ECLs on outstanding receivables from students' tuition and other school fees as at June 30, 2023. This is lower by ₱27.5 million compared to ₱112.7 million for the year ended June 30, 2022 due mainly to the improvement of the Group's collection efficiencies. 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 students relating to prior years. The provision for impairment of goodwill amounting to ₱3.8 million which was recognized during the year ended June 30, 2022 is linked to the cessation of operations of STI Iloilo. The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and ₱2.0 million for the years ended June 30, 2023 and 2022, respectively.

The Group generated an operating income of ₱944.0 million for the year ended June 30, 2023, an improvement of ₱375.4 million or 66% from the operating income of ₱568.6 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with the 18%increase in the number of students enrolled in CHED programs, as well as strict control of direct and administrative expenses. Operating margins likewise improved from 21% to 28% for the years ended June 30, 2022 and 2023, respectively.

Interest expense decreased by ₱2.3 million year-on-year from ₱313.3 million to ₱311.0 million mainly due to the partial principal prepayments made by STI ESG and iACADEMY on their loans with China Bank. The reduction in principal balances outstanding partially mitigated the increases in interest rates on the bank loans. Interest rate on the outstanding balance of the Term Loan and Corporate Notes

Facilities of STI ESG was repriced at 6.5789% per annum effective September 20, 2022 compared to 5.7895% per annum in the previous year. Interest rate on the ₱280.0 million balance of iACADEMY's Term Loan with China Bank was repriced at an interest rate of 5.6699% per annum effective on September 28, 2022 compared to 3.2068% per annum in the previous year.

Rental income increased by ₱107.1 million year-on-year from ₱71.0 million to ₱178.1 million due to new lease agreements entered into by STI ESG and iACADEMY during the year ended June 30, 2023 in some of their investment properties.

Interest income earned during the year ended June 30, 2023 amounted to ₱22.6 million, down by ₱15.5 million from last year's ₱38.1 million. The interest income recorded for the year ended June 30, 2022 is substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the properties, mortgaged as collateral to STI Tanay's loans, situated in Pasig City and Tanay, Rizal on March 16, 2021 and March 15, 2022, respectively. This account also includes interest income on the Group's investments in short-term placements.

Collection efficiencies resulted in the recovery of previously written-off receivables amounting to ₱11.3 million for the year ended June 30, 2023 compared to ₱9.7 million collected during the previous year.

STI ESG recorded dividend income from RCR and DLSMC amounting to ₱2.5 million and ₱1.2 million for the years ended June 30, 2023 and 2022, respectively.

The Group recognized unrealized gain on foreign exchange rate differences amounting to ₱2.3 million and ₱44.6 million for the years ended June 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱0.1 million and ₱1.3 million for the years ended June 30, 2023 and 2022, respectively. These are attributed to STI ESG's and iACADEMY's dollar-denominated cash and cash equivalents.

Equity share in net income of associates and a joint venture amounted to ₱2.3 million for the year ended June 30, 2023 compared to equity in net losses of associates and a joint venture of ₱20.2 million recognized for the same period last year.

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the year ended June 30, 2022. The Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement on September 6, 2021 for the full and final settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The amount of ₱50.0 million had been set up as contingent consideration in prior years. With the full and final settlement in the amount of ₱25.0 million, the balance of ₱25.0 million has been derecognized.

STI ESG recognized a gain on settlement of receivables, net of provision for impairment of noncurrent asset held for sale, amounting to ₱10.8 million for the year ended June 30, 2022. The gain on settlement of receivables from STI Tanay amounted to ₱45.1 million while the provision for impairment of noncurrent asset held for sale was recognized at ₱34.3 million, net of depreciation recognized on the Pasig property from the date of the annotation on the property's title up to June 30, 2022 (see preceding discussions).

The Group recognized a gain on sale amounting to ₱0.8 million for the year ended June 30, 2023 due to the disposal of STI ESG's obsolete and fully depreciated equipment and furniture and iACADEMY's transportation equipment. For the year ended June 30, 2022, gain on sale of STI ESG's transportation equipment largely accounted for the ₱1.6 million income recorded.

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, COVID-19-related Rent Concessions resulting in recognition of other income aggregating to ₱6.1 million for the year ended June 30, 2022, presented as part of "Other income (expenses) - net" in the audited consolidated statements of comprehensive income. Also included in the account "Other income (expenses) – net" is the reversal of interest income from past due accounts of consolidated subsidiaries of STI ESG in the amount of ₱15.9 million.

The Group also recognized other income amounting to ₱4.7 million, presented as part of "Other income (expenses) – net" for the year ended June 30, 2023. This represents a donation from Huawei as part of the partnership program between STI ESG and Huawei. The proceeds from this donation were used to purchase Ideahub equipment which was eventually used to put up a Huawei Smart Classroom in STI Academic Center Ortigas-Cainta. The smart classroom is equipped with Huawei Smart TVs together with an intelligent board, digital blackboard and all the related software and cameras. The Ideahub board combines smart writing, wireless projection, and open applications into a single board. The board is also equipped with premium anti-blue light protection. This project is part of STI ESG and Huawei's partnership program in delivering certification courses, simulation tools, and training materials to eligible students.

Benefit from income tax amounting to ₱15.7 million was recognized by the Group for the year ended June 30, 2023 compared to ₱10.8 million income tax provision for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10% to 1% following the enactment of the CREATE Act in April 2021. The reduced income tax rate had a retroactive effect beginning July 1, 2020 and would be effective up to June 30, 2023. Upon expiration of the temporary tax relief provided by the CREATE Act for proprietary educational institutions, the Group remeasured its deferred tax assets and liabilities which resulted in an increase in deferred tax assets as at June 30, 2023.

The Group reported a net income of ₱873.8 million for the year ended June 30, 2023, more than double the ₱416.2 million net income earned for the same period last year.

Remeasurement loss on pension liability, net of income tax effect, amounted to ₱16.9 million for the year ended June 30, 2023 compared to remeasurement gain on pension liability of ₱8.5 million recognized for the same period last year. These fluctuations reflect the movements in the value of equity shares forming part of the Group's pension assets.

The unrealized fair value adjustments on equity instruments at FVOCI amounted to ₱1.9 million for the year ended June 30, 2023, compared to ₱1.1 million for the year ended June 30, 2022 due to the movement in the price of quoted equity shares held by STI ESG.

Total comprehensive income increased to ₱858.8 million from ₱425.8 million for the years ended June 30, 2023 and 2022, respectively. This improvement is attributed to the higher number of enrollees and an improvement in the enrollment mix in favor of CHED programs for SY 2022-2023 compared to that of SY 2021-2022.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) which is defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint venture and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale (net of capital gains tax), income on rent concessions, gain on derecognition of contingent consideration, gain on settlement of receivable (net of provision for impairment of noncurrent asset held for sale), gain on foreign exchange differences, fair value loss on equity instruments at FVPL and loss on loan modification increased from ₱1,128.6 million for the year ended June 30, 2022 to ₱1,628.4 million for the year ended June 30, 2023. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 48% compared to 42% 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 ₱868.9 million for the year ended June 30, 2023 compared to core income for the same period last year of ₱330.8 million

Years ended June 30, 2022 vs. 2021

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

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

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

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

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

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

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

STI ESG and STI WNU continue to implement the ONline and ONsite Education at STI ("ONE STI") Learning Model that was introduced in SY 2020-2021. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. For SY 2021-2022, classes of SHS and tertiary students of both STI ESG and STI WNU started on September 13, 2021. Meanwhile, classes started on October 2, 2021 for STI WNU's School of Graduate Studies ("SGS"). For SY 2022-2023, classes of SHS and tertiary students of both STI ESG and STI WNU started on August 30, 2022 and September 2, 2022, respectively. Meanwhile, classes started on October 2, 2022 for STI WNU's School of Graduate Studies.

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

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

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

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

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

Tuition and other school fees increased by ₱554.3 million from ₱1,882.7 million for the year ended June 30, 2021 to ₱2,437.0 million for the year ended June 30, 2022 attributed to the 18% robust growth or 12,406 increase in the student population for SY 2021-2022 at 82,629 compared to 70,223 enrollees for SY 2020-2021. Private schools reported a dip in enrollment for SY 2020-2021 due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. STI ESG's wholly-owned and franchised schools registered an enrollment of 72,750 students for SY 2021-2022, 10,260 or 16% more than the enrollment in SY 2020-2021. Percentage-wise, STI WNU registered the highest increase at 36% for this SY compared to last SY. Further, the increase in tuition and other school fees is also attributable to the improvement in the Group's enrollment mix, with enrollees in programs regulated by CHED comprising 68% of the total student population in SY 2021-2022 compared to 57% for SY 2020-2021. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 75% or 9,463 from 12,679 to 22,142 for SY 2020-2021 and SY 2021-2022, respectively.

Revenues from educational services and royalty fees both increased by 17%. This resulted from the higher number of enrollees of franchised schools from 22,600 students in SY 2020-2021 to 25,520 in SY 2021-2022 or a 13% increase. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies increased by 18% or ₱4.4 million to ₱29.3 million for the year ended June 30, 2022 from ₱24.9 million last year. The sale of uniforms increased by ₱6.8 million with the implementation of limited face-to-face classes for identified high-stake tertiary courses. This was partially offset by the decline in sales of textbooks and other education related materials by ₱3.7 million due to the lower number of SHS students. The cost of educational materials and supplies sold increased by 20%, concomitant with the increase in the sale of educational materials and supplies.

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

The cost of educational services rose by ₱103.3 million from ₱852.2 million to ₱955.5 million for the years ended June 30, 2021 and 2022, respectively. Instructors' salaries and benefits increased by ₱73.3 million from ₱286.1 million to ₱359.4 million due to the increased number of faculty members, concomitant with the increase in number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed the Licensure Examination for Teachers ("LET") and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. Software maintenance costs increased by ₱6.0 million from ₱19.8 million to ₱25.8 million for the years ended June 30, 2021 and 2022, respectively. iACADEMY upgraded its subscription to Adobe Creative Cloud-All Apps in line with the increase in the number of its enrollees for SY 2021-2022. Adobe Creative Cloud is a collection of more than 20 desktop and mobile applications and services for photography, design, video, web, User Experience ("UX") design and more, used by the faculty members and administrative staff as well as the students. Further, STI WNU subscribed to GTI Software Developer's School Automate system, an online school management software used to assign teaching loads, schedule classes, maintain students' accounts and academic records, and manage employees' records from recruitment to separation. Other direct expenses increased by ₱37.0 million substantially due to commencement expenses/cost of various student activities and programs and the Group's subscriptions to eLMS and CloudSwyft solutions. Commencement expenses amounted to ₱31.9 million and ₱14.4 million for the years ended June 30, 2022 and 2021, respectively. The Group held in-person graduation ceremonies for SHS and tertiary graduates of SY 2021-2022 while virtual graduation ceremonies were held for graduates of SY 2020-2021. The Group increased its eLMS subscriptions due to the higher enrollment in SY 2021-2022. The Group's subscription to CloudSwyft amounted to ₱3.3 million for the year 2022. CloudSwyft is a tool for the education sector where each student can access multiple applications such as AutoCAD, Microsoft 365, and Adobe Systems, among others. This virtual laboratory technology provides off-the-shelf and customizable virtual laboratory templates that are automated, highly accessible, and available on-demand to foster hands-on digital learning for thousands of STI students nationwide. The Group continued to increase the frequency of cleaning, sanitizing and disinfecting high-touchpoint surfaces, thus, school materials and supplies increased by ₱1.5 million from ₱3.6 million to ₱5.1 million for the years ended June 30, 2021 and 2022, respectively. Depreciation expense decreased by ₱9.7 million, from ₱382.3 million to ₱372.6 million, for the years ended June 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of June 30, 2021 held by closed/suspended schools.

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

General and administrative expenses posted a 10% increase or ₱104.2 million from ₱1,025.1 million to ₱1,129.3 million for the years ended June 30, 2021 and 2022, respectively. The Group recognized a provision for ECL amounting to ₱112.7 million for the year ended June 30, 2022, largely representing ECLs on outstanding receivables from students for tuition and other school fees as at June 30, 2022. This is higher by ₱70.9 million compared to the ₱41.8 million recorded for the year ended June 30, 2021. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students for the receivables pertaining to SY 2020-2021. Light and water expenses increased by ₱23.6 million from ₱51.7 million to ₱75.3 million for the years ended June 30, 2021 and 2022, respectively. The Group deployed only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination and likewise embraced the work-from-home arrangements to the furthest extent possible during the Enhanced Community Quarantine ("ECQ") and Modified Enhanced Community Quarantine ("MECQ") periods. With the improvement in the COVID-19 situation, all members of the administrative support staff are now reporting to their offices, thus the increase in utilities cost. This also resulted in a ₱11.2 million increase in clerical, security and janitorial costs. Repairs and maintenance costs likewise increased by ₱7.6 million year-on-year due to preventive maintenance costs of generator set and chillers. Provision for impairment of goodwill related to the closure of STI Iloilo amounting to ₱3.8 million was recognized during the year ended June 30, 2022. The Group likewise recognized provision for inventory obsolescence amounting to ₱2.0 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively. Provision for impairment of investments in and advances to associates and joint ventures decreased by ₱10.3 million. This amount represents advances to STI Accent, which were recognized during the year ended June 30, 2021. Depreciation expense decreased by ₱5.2 million year-on-year largely due to full depreciation of office furniture and equipment held by closed/suspended schools as of June 30, 2021. For SY 2021-2022, the Group toned down its TV and radio advertisements and connected with students and potential customers largely through social media ads, as these reach people more quickly and easily. Thus, the Group recognized advertising and promotions expenses amounting to ₱38.0 million for the year ended June 30, 2022, lower by ₱15.1 million compared to ₱53.1 million for the same period last year.

The Group posted an operating income of ₱568.6 million for the year ended June 30, 2022, an improvement of ₱381.9 million or 205% from the operating income of ₱186.7 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with the 40%increase in the number of students enrolled in CHED programs.

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

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

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

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the year ended June 30, 2022. The Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement on September 6, 2021 for the full and final settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The amount of ₱50.0 million had been set up as contingent consideration in prior years. With the full and final settlement in the amount of ₱25.0 million, the balance of ₱25.0 million has been derecognized.

Interest income increased by ₱32.4 million from last year's ₱5.7 million to ₱38.1 million for the year ended June 30, 2022, substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the properties, mortgaged as collateral to STI Tanay's loans, situated in Pasig City and Tanay, Rizal on March 16, 2021 and March 15, 2022, respectively. This account also includes interest income on STI ESG's investments in short-term placements.

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

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

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

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

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other income aggregating to ₱6.1 million and ₱39.7 million for the years ended June 30, 2022 and 2021, respectively, presented as part of "Other income (expenses) - net" in the audited consolidated statements of comprehensive income. Also included in the account "Other income (expenses) – net" is the reversal of interest income from past due accounts of consolidated subsidiaries of STI ESG in the amount of ₱15.9 million.

The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱61.4 million, which is the difference between the recorded fair value of the investments and the selling price. For tax purposes, however, the gain is ₱306.4 million, which is the difference between the acquisition cost of ₱174.1 million and the selling price, on which capital gains tax of ₱46.0 million was paid. These were recognized in the Group's audited consolidated statement of comprehensive income for the year ended June 30, 2021.

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

Provision for income tax amounting to ₱10.8 million was recognized by the Group for the year ended June 30, 2022 compared to ₱76.9 million income tax benefit for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10% to 1% following the enactment of the CREATE Act in April 2021. The reduced income tax rate has a retroactive effect beginning July 1, 2020 and will be effective up to June 30, 2023.

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

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

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

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱330.8 million for the year ended June 30, 2022 compared to core income for the same period last year of ₱55.4 million.

Years ended June 30, 2021 vs. 2020

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

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

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

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

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

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

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

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

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

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

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

June 5, 2020 for Grade 12 students and June 11, 2020 for Grade 11 students. For tertiary, online classes resumed on April 15, 2020 and the school year was completed on July 15, 2020.

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

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

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

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

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

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

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

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

General and administrative expenses decreased by 16% or ₱189.0 million from ₱1,214.1 million to ₱1,025.1 million for the years ended June 30, 2020 and 2021, respectively. The highest decline was registered by light and water expenses which decreased by ₱69.2 million. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraced work-from-home arrangements to the maximum extent possible and likewise optimized its manpower structure resulting in a reduced workforce. Salaries and benefits of non-teaching personnel, as well as security and janitorial expenses, decreased by ₱43.2 million and ₱47.8 million, respectively, for the year ended June 30, 2021 compared to the year ended June 30, 2020. Depreciation expense decreased by ₱16.3 million from ₱248.4 million for the year 2020 to ₱232.1 million for the year 2021 attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets because of terminated lease agreements. The Group recognized a provision for ECL amounting to ₱41.8 million for the year ended June 30, 2021, largely representing ECLs on receivables from students' tuition and other school fees, resulting to a ₱12.9 million decrease from the prior year's ₱54.7 million provision. This is due to the reversal of prior years' provisions amounting to ₱27.5 million reflecting the Group's improved collection efficiency. The Group recognized advertising and promotions expense amounting to ₱53.1 million for the year ended June 30, 2021.

Bulk of the marketing activities and programs for SY 2019-2020 were concluded as at June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, marketing activities were mostly conducted from July to September 2020. This resulted in an increase in advertising and promotions expense by ₱25.4 million as compared to ₱27.7 million incurred during the same period in 2020. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million was recognized for the year ended June 30, 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key Performance Indicators

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

		June 30, 2023	**June 30, 2022**	**Remarks**
EBITDA margin	EBITDA* divided by total revenues	48%	42%	
Net profit margin	Net income (loss) after provision for income tax divided by total revenues	26%	16%	
Return on equity	Annualized net income (loss) attributable to equity holders of the parent company divided by average equity attributable to equity holders of the parent company	10%	5%	
Debt service cover ratio ("DSCR")**	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	0.60	1.95	
Debt-to-equity ratio	Total liabilities less unearned tuition and other school fees, divided by total equity	0.62	0.70	

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

***DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months and is pegged at 1.05:1.00. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. iACADEMY is compliant with China Bank's DSCR requirement as at June 30, 2023 and 2022. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total* *principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement as at June 30, 2023 and 2022 at 2.36 and 1.70, respectivel*

Financial Risk Disclosure

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

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

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

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to associates and joint venture with credit terms of thirty (30) to one hundred eighty (180) days.

As at June 30, 2023 and 2022, the Group's current assets amounted to ₱3,781.6 million and ₱3,421.6 million, respectively, while current liabilities amounted to ₱3,451.9 million and ₱1,201.8 million, respectively. The current liabilities as at June 30, 2023 include the 7-year bonds aggregating to ₱2,175.1 million, net of unamortized issue costs, maturing in March 2024.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at October 13, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank and the STI bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00. DSCR as defined in the loan agreements with the local bank, as at June 30, 2023 and 2022, is 0.60:1.00 and 1.95:1.00, respectively. In anticipation of the reclassification to current liabilities of the STI bonds maturing in March 2024, STI ESG requested for a waiver of the DSCR from the local bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by the local bank on August 15, 2022. STI ESG is compliant with the DSCR imposed under the bond trust agreement. iACADEMY is compliant with the DSCR required by the local lender bank.

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

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

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

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

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

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

As at June 30, 2023 and 2022, the Group's debt-to-equity ratios are 0.62:1.00 and 0.70:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

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

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

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

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

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

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

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

h. The Group’s business is linked to the academic cycle. The academic cycle, which is one academic year, begins in late August and September, for JHS and SHS, and the tertiary level, respectively, 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. Meanwhile, classes started on September 10, 2022 for STI WNU’s School of Graduate Studies. 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, 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 the 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 19 of the Audited Consolidated Financial Statements).

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

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

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

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

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

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

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

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

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

k. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (“UniFAST”) and STI ESG signed a memorandum of agreement to avail of the TES and Student Loan Program (“SLP”) for STI ESG’s students under the Universal Access to Quality Tertiary Education Act (“UAQTEA”) and its Implementing Rules and Regulations (“IRR”). Republic Act (“RA”) No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private Higher Education Institutions (“HEIs”). Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to persons with disabilities (“PWDs”) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED pays directly the schools where these students enrolled.
l. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the ‘study now, pay later’ program of the government for students amid the financial difficulties families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility

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

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

m. 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. Earlier, the following owned schools ceased operations: STI Cebu, STI Iloilo and STI Tuguegarao. In addition, the following franchised schools likewise ceased to operate: STI Bohol, STI Recto, STI Zamboanga, STI Pasay, STI Dipolog, STI San Francisco and STI Parañaque. These schools closed as a result of the pandemic. NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees only for JHS and SHS in SY 2021-2022. The grade school students were advised to transfer to another school and refunded the fees paid, if any. NPIM ceased to operate effective June 30, 2022. The JHS and SHS students of NPIM were given the option to transfer to STI Sta. Mesa, a school owned by STI ESG. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of the STI schools mentioned above did not have a material financial impact on the Group.

   On August 5, 2022, CHED approved the transfer of the school operations of STI QA to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI QA announced the suspension of its operations. In September 2022, CHED granted permits to STI QA to offer BS in Business Administration, BS in Tourism Management and BS in Hospitality Management. The permit to offer BS in Information Technology was issued in October 2022. The permits received in 2022 replaced the permits issued by CHED in 2009 due to the transfer of location of STI QA from Quezon City to Tanay, Rizal. 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 Republic Act (“RA”) No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability.

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

   - Preferential income tax rate for proprietary educational institutions is reduced from 10%

to 1% effective July 1, 2020 to June 30, 2023.

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations are subject to 25% regular corporate income tax ("RCIT") effective July 1, 2020.
- Minimum corporate income tax ("MCIT") is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax ("IAET") is repealed.

Pursuant to the provisions of the CREATE Act, the schools in the Group adopted the 1% income tax rate effective July 1, 2020 while the Parent Company and AHC adopted the 25%/1% and 20%/1% RCIT/MCIT rates, respectively.

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

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

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A AS OF 30 JUNE 2023 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2023, WILL BE PROVIDED WITHOUT CHARGE, TO ANY STOCKHOLDERS OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

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

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 14 November 2023

The following document has been received:

Receiving: Francisco Raba
Receipt Date and Time: October 31, 2023 11:54:40 AM

Company Information

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

Document Information

Document ID: OST11031202381765945
Document Type: Financial Statement
Document Code: FS
Period Covered: June 30, 2023
Submission Type: Consolidated, Annual
Remarks: None

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

STI EDUCATION SYSTEMS HOLDINGS

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, Inc. and subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at June 30, 2023 and 2022 and for the years ended June 30, 2023, 2022, and 2021, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUTISTA
Treasurer and Chief Financial Officer

Signed this ____ day of October 2023

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

SUBSCRIBED AND SWORN to me this OCT 20 2023 day of ______, 2023 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS Numbers as follows:

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

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Page No. 57
Book No. LIV
Series of 2023

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2023
Appt. No. M-002 (2022-2023) Attorney's Roll No. 34562
MCLE Compliance No. VII-0004035/7-19-2021
PTR No. 9563801/1-3-2023/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	7	4	6

COMPANY NAME

STI EDUCATION SYSTEMS HOLDINGS INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,264	Third Friday of November	06/30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera, Jr.	accabrera@htc-law.com.ph	(632) 88137111	

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

Opinion

We have audited the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2023 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for ECL, net of reversal, for the year ended June 30, 2023 amounted to ₱85.2 million.

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

Audit response

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

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

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

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

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2023, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱266.6 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically forecasted revenue growth, long-term growth rate and discount rate.

The Group's disclosures about goodwill are included in Notes 4 and 16 to the consolidated financial statements.

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2023 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended June 30, 2023, which are expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Loubelle V. Mendoza.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 9564665, January 3, 2023, Makati City

October 13, 2023

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,958,767,553**	₱1,568,718,083
Receivables (Note 6)	**470,634,562**	531,008,186
Inventories (Note 7)	**129,498,300**	158,185,754
Prepaid expenses and other current assets (Note 8)	**192,952,697**	114,302,639
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,990,000**	9,610,000
	2,760,843,112	2,381,824,662
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,039,728,064
Total Current Assets	**3,781,571,176**	3,421,552,726
Noncurrent Assets		
Property and equipment (Notes 11 and 29)	**9,684,707,918**	9,672,515,491
Investment properties (Note 12)	**1,037,538,155**	1,004,237,631
Investments in and advances to associates and joint venture (Notes 13 and 14)	**20,749,617**	18,490,878
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15)	**72,061,627**	70,188,775
Deferred tax assets - net (Notes 3 and 30)	**50,743,290**	26,016,008
Goodwill, intangible and other noncurrent assets (Notes 16 and 39)	**435,809,520**	364,921,994
Total Noncurrent Assets	**11,301,610,127**	11,156,370,777
TOTAL ASSETS	**₱15,083,181,303**	₱14,577,923,503
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of bonds payable (Note 19)	**₱2,175,083,335**	₱–
Accounts payable and other current liabilities (Note 17)	**773,228,468**	736,074,970
Current portion of interest-bearing loans and borrowings (Note 18)	**262,837,889**	239,135,979
Unearned tuition and other school fees (Note 22)	**141,137,203**	116,842,319
Current portion of lease liabilities (Note 29)	**98,513,595**	109,244,620
Income tax payable	**1,086,546**	551,497
Total Current Liabilities	**3,451,887,036**	1,201,849,385
Noncurrent Liabilities		
Bonds payable (Note 19)	**813,339,649**	2,980,515,064
Interest-bearing loans and borrowings - net of current portion (Note 18)	**808,707,735**	1,291,461,407
Lease liabilities - net of current portion (Note 29)	**438,246,184**	364,071,946
Pension liabilities - net (Note 28)	**139,799,322**	108,655,427
Deferred tax liabilities - net (Note 30)	**109,306,874**	113,049,596
Other noncurrent liabilities (Note 20)	**112,084,004**	23,356,036
Total Noncurrent Liabilities	**2,421,483,768**	4,881,109,476
Total Liabilities *(Carried Forward)*	**5,873,370,804**	6,082,958,861

	June 30	
	2023	2022
Total Liabilities *(Brought Forward)*	**₱5,873,370,804**	₱6,082,958,861
Equity Attributable to Equity Holders of the Parent Company (Note 21)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain (Note 28)	**5,481,945**	27,664,542
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**15,104,760**	13,255,113
Other equity reserve	**(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	**5,219,942,618**	4,485,334,148
Total Equity Attributable to Equity Holders of the Parent Company	**9,127,868,960**	8,413,593,440
Equity Attributable to Non-controlling Interests	**81,941,539**	81,371,202
Total Equity	**9,209,810,499**	8,494,964,642
TOTAL LIABILITIES AND EQUITY	**₱15,083,181,303**	₱14,577,923,503

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2023	2022	2021
REVENUES (Note 22)			
Sale of services:			
Tuition and other school fees	**₱3,073,613,413**	₱2,436,975,046	₱1,882,717,358
Educational services	**149,075,492**	125,387,103	107,311,098
Royalty fees	**14,736,299**	12,386,738	10,560,747
Others	**53,066,737**	73,548,480	58,569,796
Sale of educational materials and supplies	**114,976,012**	29,334,526	24,904,944
	3,405,467,953	2,677,631,893	2,084,063,943
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**1,040,010,599**	955,509,592	852,201,805
Cost of educational materials and supplies sold (Note 25)	**90,603,824**	24,171,066	20,074,097
General and administrative expenses (Note 26)	**1,330,808,026**	1,129,340,841	1,025,084,135
	2,461,422,449	2,109,021,499	1,897,360,037
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**944,045,504**	568,610,394	186,703,906
OTHER INCOME (EXPENSES)			
Interest expense (Note 18, 19, 23 and 29)	**(311,019,124)**	(313,339,583)	(337,065,915)
Rental income (Notes 12, 29 and 31)	**178,082,749**	71,020,655	116,833,364
Interest income (Notes 5, 6, 10 and 23)	**22,595,338**	38,060,878	5,691,709
Foreign exchange gain - net	**2,455,311**	45,835,968	3,869,142
Recovery of accounts written off (Note 6)	**11,326,257**	9,722,680	6,833,368
Dividend income (Notes 9 and 15)	**2,495,044**	1,206,828	798,524
Equity in net earnings (losses) of associates and joint venture (Note 13)	**2,258,739**	(20,242,197)	(4,603,590)
Fair value loss on equity instruments at FVPL (Note 9)	**(620,000)**	(387,500)	–
Derecognition of contingent consideration (Notes 17 and 34)	**–**	25,000,000	–
Gain on:			
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	10,832,534	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	–	15,460,821
Loss on loan modification (Note 18)	**–**	–	(8,298,502)
Other income (expenses) - net (Note 29)	**6,490,801**	(9,277,015)	38,630,065
	(85,934,885)	(141,566,752)	(161,851,014)
INCOME BEFORE INCOME TAX	**858,110,619**	427,043,642	24,852,892
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**10,017,458**	4,088,974	632,436
Deferred	**(25,741,122)**	6,711,275	(77,510,016)
	(15,723,664)	10,800,249	(76,877,580)
NET INCOME *(Carried Forward)*	**873,834,283**	416,243,393	101,730,472

	Years Ended June 30		
	2023	2022	2021
NET INCOME *(Brought Forward)*	**₱873,834,283**	₱416,243,393	₱101,730,472
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liabilities (Note 28)	**(18,793,451)**	8,639,206	17,070,655
Income tax effect	**1,885,573**	(182,627)	(1,429,856)
Fair value change in equity instruments at FVOCI (Note 15)	**1,872,852**	1,141,043	1,169,224
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(15,035,026)**	9,597,622	16,810,023
TOTAL COMPREHENSIVE INCOME	**₱858,799,257**	₱425,841,015	₱118,540,495
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱870,268,404**	₱414,028,434	₱102,820,252
Non-controlling interests	**3,565,879**	2,214,959	(1,089,780)
	₱873,834,283	₱416,243,393	₱101,730,472
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱855,341,130**	₱423,521,830	₱119,444,571
Non-controlling interests	**3,458,127**	2,319,185	(904,076)
	₱858,799,257	₱425,841,015	₱118,540,495
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 32)	**₱0.088**	₱0.042	₱0.010

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2023, 2022 AND 2021

	Equity Attributable to Equity Holders of the Parent Company (Note 21)												
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain (Note 28)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 15)	Other Equity Reserve	Share in Associates' Cumulative Actuarial Gain (Note 13)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 13)	Other Comprehensive Income Associated with Noncurrent Asset Held for Sale	Retained Earnings	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 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 income	–	–	–	–	–	–	–	–	–	**870,268,404**	**870,268,404**	**3,565,879**	**873,834,283**
Other comprehensive income	–	–	–	**(16,776,920)**	**1,849,647**	–	–	–	–	–	**(14,927,273)**	**(107,753)**	**(15,035,026)**
Total comprehensive income	–	–	–	**(16,776,920)**	**1,849,647**	–	–	–	–	**870,268,404**	**855,341,131**	**3,458,126**	**858,799,257**
Dividend declaration	–	–	–	–	–	–	–	–	–	**(141,065,611)**	**(141,065,611)**	–	**(141,065,611)**
Transfer of remeasurement gain on pension liabilities to retained earnings	–	–	–	**(5,405,677)**	–	–	–	–	–	**5,405,677**	–	–	–
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	**(2,887,789)**	**(2,887,789)**
Balance at June 30, 2023	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱5,481,945**	**₱15,104,760**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱–**	**₱5,219,942,618**	**₱9,127,868,960**	**₱81,941,539**	**₱9,209,810,499**
Balance at July 1, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱19,277,239	₱12,149,020	(₱1,670,477,910)	₱321,569	(₱114)	₱–	₱4,165,349,454	₱8,100,007,100	₱81,152,838	₱8,181,159,938
Net income	–	–	–	–	–	–	–	–	–	414,028,434	414,028,434	2,214,959	416,243,393
Other comprehensive income	–	–	–	8,387,303	1,106,093	–	–	–	–	–	9,493,396	104,226	9,597,622
Total comprehensive income	–	–	–	8,387,303	1,106,093	–	–	–	–	414,028,434	423,521,830	2,319,185	425,841,015
Dividend declaration	–	–	–	–	–	–	–	–	–	(94,043,740)	(94,043,740)	–	(94,043,740)
Acquisition of De Los Santos-STI College minority shares of stock (Note 21)	–	–	–	–	–	(15,891,750)	–	–	–	–	(15,891,750)	(74,378)	(15,966,128)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(2,026,443)	(2,026,443)
Balance at June 30, 2022	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱27,664,542	₱13,255,113	(₱1,686,369,660)	₱321,569	(₱114)	₱–	₱4,485,334,148	₱8,413,593,440	₱81,371,202	₱8,494,964,642
Balance at July 1, 2020	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱3,803,874	₱10,998,066	(₱1,670,477,910)	₱321,569	(₱114)	₱90,645,302	₱4,006,680,084	₱8,015,358,713	₱82,592,356	₱8,097,951,069
Net income (loss)	–	–	–	–	–	–	–	–	–	102,820,252	102,820,252	(1,089,780)	101,730,472
Other comprehensive income	–	–	–	15,473,365	1,150,954	–	–	–	–	–	16,624,319	185,704	16,810,023
Total comprehensive income (loss)	–	–	–	15,473,365	1,150,954	–	–	–	–	102,820,252	119,444,571	(904,076)	118,540,495
Disposal of noncurrent asset held for sale (Note 10)	–	–	–	–	–	–	–	–	(90,645,302)	90,645,302	–	–	–
Dividend declaration	–	–	–	–	–	–	–	–	–	(34,796,184)	(34,796,184)	–	(34,796,184)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	–	(535,442)	(535,442)
Balance at June 30, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱19,277,239	₱12,149,020	(₱1,670,477,910)	₱321,569	(₱114)	₱–	₱4,165,349,454	₱8,100,007,100	₱81,152,838	₱8,181,159,938

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱858,110,619**	₱427,043,642	₱24,852,892
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12, 16, 24 and 26)	**613,400,100**	599,456,835	614,399,065
Interest expense (Notes 18, 19, 23 and 29)	**311,019,124**	313,339,583	337,065,915
Interest income (Notes 5, 6, 10 and 23)	**(22,595,338)**	(38,060,878)	(5,691,709)
Net change in net pension liabilities (Note 28)	**12,350,444**	11,885,169	7,077,277
Dividend income (Notes 9 and 15)	**(2,495,044)**	(1,206,828)	(798,524)
Unrealized foreign exchange gain – net	**(2,338,828)**	(44,559,464)	(543,220)
Equity in net losses (earnings) of associates and joint venture (Note 13)	**(2,258,739)**	20,242,197	4,603,590
Fair value loss on equity instruments at FVPL (Note 9)	**620,000**	387,500	–
Loss (gain) on:			
Sale of property and equipment	**(826,707)**	(1,634,265)	106,373
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	(10,832,534)	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	–	(15,460,821)
Derecognition of contingent consideration (Notes 17 and 34)	**–**	(25,000,000)	–
Income on rent concessions (Note 29)	**–**	(6,054,606)	(39,727,038)
Provision for impairment of:			
Goodwill (Notes 16 and 26)	**–**	3,806,174	–
Investments in and advances to associates and joint venture (Notes 13 and 26)	**–**	–	10,265,554
Loss on loan modification (Note 18)	**–**	–	8,298,502
Operating income before working capital changes	**1,764,985,631**	1,248,812,525	944,447,856
Decrease (increase) in:			
Receivables	**33,687,911**	(62,665,075)	(142,938,422)
Inventories	**29,647,945**	20,585,916	(38,308,235)
Prepaid expenses and other current assets	**(87,582,686)**	(20,929,696)	(20,967,497)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(8,434,772)**	(99,287,435)	(67,108,402)
Unearned tuition and other school fees	**44,988,021**	15,087,482	123,358,686
Other noncurrent liabilities	**88,727,969**	10,394,664	(72,466,115)
Net cash generated from operations	**1,866,020,019**	1,111,998,381	726,017,871
Income tax paid	**(3,101,596)**	(3,627,008)	(17,956,573)
Interest received	**22,402,910**	20,968,006	5,691,709
Net cash provided by operating activities	**1,885,321,333**	1,129,339,379	713,753,007
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 11 and 37)	**(332,240,724)**	(121,215,122)	(281,882,633)
Investment properties (Notes 12 and 37)	**(147,999,761)**	(34,230,335)	–
Subsidiary, net of cash received (Note 39)	**9,232,049**	–	–
Equity instruments at FVPL (Note 9)	**–**	(9,997,500)	–
Proceeds from (acquisition of/payments for) intangible and other noncurrent assets	**(49,262,888)**	(9,082,578)	4,384,874
Advances to associates and joint venture (Note 13)	**–**	–	(10,265,554)
Proceeds from:			
Sale of noncurrent asset held for sale (Note 10)	**19,000,000**	–	480,540,000
Sale of property and equipment	**826,964**	1,652,430	356,131
Dividends received (Notes 9 and 15)	**2,495,944**	1,998,712	6,640
Capital gains tax paid (Note 10)	**–**	–	(45,963,285)
Net cash provided by (used in) investing activities	**(497,948,416)**	(170,874,393)	147,176,173

(Forward)

	Years Ended June 30		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term loans (Note 18)	**(₱459,544,756)**	(₱449,544,753)	(₱239,400,000)
Interests	**(263,727,425)**	(281,249,555)	(297,514,241)
Dividends (Note 21)	**(142,953,699)**	(95,665,835)	(35,327,186)
Lease liabilities (Note 29)	**(133,436,395)**	(78,349,815)	(73,912,834)
Short-term loans (Note 18)	**–**	–	(400,000,000)
Net proceeds from:			
Availment of short-term loans (Note 18)	**–**	–	400,000,000
Availment of long-term loans (Note 18)	**–**	–	397,000,000
Landbank ACADEME Program (Note 18)	**–**	–	21,971,627
Net cash used in financing activities	**(999,662,275)**	(904,809,958)	(227,182,634)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,338,828**	44,559,464	543,220
NET INCREASE IN CASH AND CASH EQUIVALENTS	**390,049,470**	98,214,492	634,289,766
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,568,718,083**	1,470,503,591	836,213,825
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,958,767,553**	₱1,568,718,083	₱1,470,503,591

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

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

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

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

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings' ownership of STI ESG is at 98.7% as at June 30, 2023 and 2022.

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

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

Other features of the licensing agreements are as follows:

- Exclusive right to use proprietary marks and information such as but not limited to courseware programs, operational manuals, methods, standards, systems, that are used exclusively in the STI network of schools;
- Continuing programs for faculty and personnel development, including evaluation and audit of pertinent staff;
- Development and adoption of the enrollment and registration system;

- Assistance on matters pertaining to financial and accounting procedures, faculty recruitment and selection, marketing and promotion, record keeping and others.

Merger with Several Majority and Wholly-owned Subsidiaries

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

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

On September 25, 2013, STI ESG's BOD approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares, at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at October 13, 2023, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, 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, STI ESG applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As of October 13, 2023, STI ESG has not received the CARs from the BIR. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Previous to this, the following owned schools have ceased operations: STI Cebu, STI College Iloilo, Inc. (STI Iloilo), STI College Pagadian, Inc. (STI Pagadian) and STI College Tuguegarao, Inc. (STI Tuguegarao). In addition, the following franchised schools likewise ceased to operate: 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 STI College Parañaque, Inc. (STI Parañaque). These schools closed as a result of the pandemic. In SY 2021-2022, NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees for Junior High School (JHS) and SHS only. The grade school students were advised to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned by STI ESG. NPIM ceased operations effective June 30, 2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of the STI schools mentioned above did not have a material financial impact on the Group.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue 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.

On March 16, 2023, STI ESG and the majority owners of STI College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owned 40.0% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60.0% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG (see Note 39).

As at June 30, 2023, STI ESG's network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at June 30, 2023 and 2022, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million (see Notes 17 and 34). As at June 30, 2023 and 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, JHS 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. Further, STI WNU 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 and Data Science. 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 on September 30, 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings. 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 CAR by the concerned Revenue District Office (RDO). On February 8, 2023, iACADEMY applied for the CAR with the concerned RDO. The concerned RDO is currently evaluating iACADEMY's application for CAR.

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

On February 7, 2023 the BOG and stockholders of iACADEMY, at separate meetings, approved the change in the corporate name from Information and Communications Technology Academy, Inc. to iACADEMY, Inc. iACADEMY applied for the amendment of its AOI and By-Laws with the SEC on February 23, 2023. The application with the SEC is pending approval as of report date.

e. Attenborough Holdings Corp. (AHC)

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University (PWU) and Unlad Resources Development Corporation (Unlad). Under the Agreements, AHC is set to own up to 20.0% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 34).

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

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings (see Note 34).

On September 20, 2019, the BOD and stockholders of AHC approved the amendments in its By-Laws, as follows: (1) change in its fiscal year from beginning April 1 of each year and ending on March 31 of the following year to beginning July 1 of each year and ending on June 30 of the following year; and (2) change in the date of its Annual Stockholders' meeting from every last Thursday of July to every last Thursday of November. The SEC and BIR approved the amendments on January 29, 2020 and June 24, 2020, respectively.

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD of STI Holdings on October 13, 2023.

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

Basis of Preparation

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

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 late August and September for JHS and SHS and the tertiary level, respectively, 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. In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes.

For SY 2021-2022, STI ESG and STI WNU continued to implement the ONline and ONsite Education at STI (ONE STI) Learning Model that was introduced in SY 2020-2021. This model was in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of the Coronavirus Disease 2019 (COVID-19). 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.

iACADEMY, on its part, continued to implement for SY 2021-2022 its fully online learning program entitled Guided Online Autonomous Learning (GOAL) that was introduced in SY 2020-2021. GOAL is iACADEMY’s systematic approach to guiding all the activities that involve the delivery of online instruction to the students, including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning and collaborating with parents and guardians. In this setup, all activities or modules are delivered 100.0% online.

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 built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system that students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past eight (8) 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. During the SYs 2020-2021 and 2021-2022, the training programs were conducted online, while the Group has been holding a combination of in-person and online faculty members' training beginning SY 2022-2023. These training programs are conducted to ensure that the faculty members of the Group possess the acceptable level of competencies and have industry-based experience and credentials necessary to teach the courses assigned to them.

Classes of SHS and JHS students for SY 2022-2023 started on August 30, 2022 and September 5, 2022 for tertiary students while classes for all levels for SY 2021-2022 started on September 13, 2021. From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG and STI WNU both implemented a flexible learning delivery modality in the first semester of SY 2022-2023. 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 50.0% onsite/face-to-face and 50.0% online/asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes for tertiary enrollees starting on its second semester of SY 2022-2023. STI WNU continued with its flexible learning delivery modality which started in the first semester of SY 2022-2023 while SHS classes in STI WNU are on a blended modality with 50.0% onsite/face-to-face and 50.0% online/asynchronous in the first semester with online classes transitioning to synchronous classes starting middle of the first semester up to the present. STI WNU's classes for the National Service Training Program (NSTP) are on full face-to-face setup.

iACADEMY implemented the Hyflex Learning Format for tertiary for SY 2022-2023. 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 implemented the Hybrid setup (blended learning) until the end of SY 2022-2023. This allowed grades 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), were conducted onsite in the laboratories. Classes for SHS and tertiary started on August 2, 2022 and August 30, 2022, respectively in SY 2022-2023.

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 and guidance on the conduct of the face-to-face classes.

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2023and 2022 and for the years ended June 30, 2023, 2022 and 2021.

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

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

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

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

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

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

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

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

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

		Effective Percentage of Ownership					
		2023		2022		2021	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–	99	–
STI WNU	Educational Institution	**99**	**–**	99	–	99	–
iACADEMY	Educational Institution	**100**	**–**	100	–	100	–
AHC	Holding Company	**100**	**–**	100	–	100	–
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**–**	**99**	–	99	–	99
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**	–	99	–	99
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**	–	99	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**	–	99	–	99
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**	–	99	–	99
STI Iloilo	Educational Institution	**–**	**99**	–	99	–	99
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**	–	99	–	99
STI Pagadian	Educational Institution	**–**	**99**	–	99	–	99
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**–**	**99**	–	99	–	99
STI Tuguegarao	Educational Institution	**–**	**99**	–	99	–	99
NPIM [(b)]	Educational Institution	**–**	**99**	–	99	–	99
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**	–	93	–	93
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**–**	**99**	–	99	–	51
STI Alabang [(d)]	Educational Institution	**–**	**99**	–	39	–	39
STI Quezon Avenue [(e)]	Educational Institution	**–**	**99**	–	99	–	51

[(a)] A subsidiary of STI ESG through a management contract.
[(b)] NPIM ceased operations effective June 30, 2022.
[(c)] On June 28, 2016, De Los Santos-STI College advised CHED of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021 (see Note 21). De Los Santos-STI College has not resumed its school operations as at October 13, 2023.
[(d)] On March 16, 2023, STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Notes 13, 16, 31 and 39). STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.
[(e)] A wholly owned subsidiary of De Los Santos-STI College.

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2022. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated.

- Amendments to PFRS 3, *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.

- 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.

- 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.

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 amendments have no impact on the Group since the 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.

- 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.

  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

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective for Fiscal Year 2024

- 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:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - 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 January 1, 2023. Early application is permitted as long as this fact is disclosed.

- 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.

Effective for Fiscal Year 2025

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

  The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  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 ventures.

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2023 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Business Combination Involving Entities under Common Control

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory (business combinations under common control), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of the consideration received, is also accounted for as an equity transaction. The Group records the difference as excess of consideration over carrying amount of disposed subsidiary and presents as separate component of equity in the consolidated statement of financial position.

Comparatives shall be restated to include balances and transactions of the entities that had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

Business Combination and Goodwill

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

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

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

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

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

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

Current versus Noncurrent Classification

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

The Group measures financial instruments such as equity instruments at FVOCI and equity instruments at FVPL, at fair value at each reporting date. Also, fair values of investment properties and financial instruments measured at amortized cost are disclosed in Notes 12 and 36 to the consolidated financial statements, respectively.

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

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

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

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Notes 12 and 36).

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

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

a. Financial assets

   Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

   In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at FVPL

a. *Financial assets at amortized cost (debt instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

    - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
    - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

    Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

    The Group's financial assets at amortized cost include cash and cash equivalents, receivables (except for advances to officers and employees) and rental and utility deposits under "Goodwill, intangible and other noncurrent assets" account as at June 30, 2023 and 2022 (see Notes 6 and 16).

b. *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

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

As at June 30, 2023 and 2022, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI.

c. *Financial assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

As at June 30, 2023 and 2022, the Group's listed equity investments for trading are classified as financial assets at FVPL.

Impairment of Financial Assets. The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL. For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired. For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade", or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the Stage for Impairment. The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group applies a simplified approach in calculating ECLs for receivables from students. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets. Where possible, the Group seeks to modify or re-negotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Write-off Policy. The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and/or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

In June 2023 and July 2022, the BOD of STI ESG approved an interim policy for the deferral of the write-off of STI ESG's receivables for the years ended June 30, 2023 and 2022, respectively.

In June 2023 and March 2022, the BOD of STI WNU approved an interim policy for the deferral of the write-off of STI WNU's receivables for the years ended June 30, 2023 and 2022, respectively.

Reclassification of Financial Assets. The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs which include STI ESG's bond issuance costs, such as, taxes and various fees paid to investment banks, law firms, auditors, regulators, and so on.

As at June 30, 2023 and 2022 the Group has no financial liabilities at FVPL. The Group's financial liabilities as at June 30, 2023 and 2022 are measured at amortized cost.

Subsequent Measurement. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), lease liabilities, and refundable deposits classified under "Other noncurrent liabilities" (see Notes 17, 18, 19 and 20).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.0% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of Financial Liability. The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10.0% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the consolidated statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

c. Offsetting of financial instruments

Financial assets and liabilities are offset with the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The NRV of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV of promotional and school materials and supplies is the current replacement cost.

Prepaid Expenses and Other Current Assets
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented as part of “Prepaid taxes” under the “Prepaid expenses and other current assets” account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Investment properties are not depreciated or amortized once classified as held for sale. Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment

The Group's property and equipment consists of land, buildings, equipment, furniture and fixtures, leasehold improvements, library holdings, construction in-progress and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives or lease term (in the case of ROU assets), whichever is shorter:

Asset Type	Number of Years
Buildings	20 to 25 years
Office and school equipment	3 to 15 years
Office and school furniture and fixtures	3 to 5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	3 to 5 years
Computer equipment and peripherals	3 years
Library holdings	5 years
Machineries and equipment	10 years
Right-of-use asset - land	25 years
Right-of-use asset - building	2 to 10 years
Right-of-use asset - transportation equipment	3 to 5 years

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for operational use.

Investment Properties
Investment properties include land, condominium units and buildings held by the Group for capital appreciation and rental purposes. Investment properties also include right-of-use asset involving a building that is being subleased. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Depreciation of condominium units and buildings is computed on a straight-line basis over 20 to 25 years. Unless the Group is reasonably certain to obtain ownership of the leased building at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for use, capital appreciation and or rental purposes.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the

year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to all borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Asset Acquisition
When property is acquired, through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Investments in Associates and Joint Venture
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group has interest in Philippine Healthcare Educators, Inc. (PHEI) a joint venture company. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint venture and the Parent Company are identical, except for Global Resource for Outsourced Workers, Inc. (GROW) which has December 31 as financial reporting date, and the associates' and joint venture accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint venture and the financial reporting date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The indirect associates of the Group, which are all incorporated in the Philippines, are as follows :

		Effective Percentage of Ownership		
Associate	**Principal Activities**	**2023**	2022	2021
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related services	**49**	49	49
STI – College Marikina, Inc. (STI Marikina)	Educational Institution	**24**	24	24
GROW	Recruitment Agency	**20**	20	20
STI Alabang [(b)]	Educational Institution	**–**	40	40

[(a)] *Dormant entity*
[(b)] *On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Notes 13, 15 and 31). STI Alabang became a wholly-owned subsidiary of STI ESG effective March 31, 2023.*

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has assessed the intangible assets as having a finite useful life, which is the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets

The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Provisions for impairment are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGUs, to which goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Unearned Tuition and Other School Fees

Unearned tuition and other school fees refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized to earned income proportionately until the end of the related school term. This also includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date. This represents contract liabilities under PFRS 15, *Revenue from Contracts with Customers*.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as “Interest expense” in the consolidated statement of comprehensive income.

Capital Stock and Additional Paid-in Capital

Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Cost of Shares Held by a Subsidiary

Cost of shares held by a subsidiary is accounted for similar to treasury shares which are recorded at cost. Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or the cancellation of the Group’s own equity instruments.

Retained Earnings and Dividend on Common Stock of the Parent Company

The amount included in retained earnings includes profit attributable to the Parent Company’s equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings/Loss Per Share Attributable to the Equity Holders of the Parent Company

Earnings/loss per share is computed by dividing net income/loss attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to stock split and stock dividend declaration, if any.

Diluted earnings per share (EPS) is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to PFRS 15:

Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract. The Group's "Unearned tuition and other school fees" account represents contract liabilities which will be recognized as revenue when the related educational services are rendered. This includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time and is recognized as income over the corresponding school term to which they pertain on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenues from educational services and royalty fees are satisfied over time based on a percentage of monthly franchise receipts and is recognized on an accrual basis in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods is transferred to the customer.

Other Revenues. Other revenues include income related to the software license subscriptions provided to franchised schools. These revenues are satisfied at a point in time and are recognized at the time of sale when control or rights to the goods or services are transferred to the customer.

The following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the year these are incurred.

Pension Costs

The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
STI ESG	Funded, noncontributory defined benefit plan
STI WNU	Funded, noncontributory defined benefit plan
iACADEMY	Unfunded, noncontributory defined benefit plan
Indirect subsidiaries (except De Los Santos-STI College and STI Quezon Avenue)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI Quezon Avenue	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non- routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI Queozon Avenue were members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP) up to May 2022. CEAP's coverage was a funded, noncontributory, defined contribution plan for De Los Santos-STI College's and STI Quezon Avenue's qualified employees under which De Los Santos-STI College and STI Quezon Avenue paid fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI Quezon Avenue, however, were covered under Republic Act (RA) No. 7641, the Philippine Retirement Law, which provided for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee was equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI Quezon Avenue accounted for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability was determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation was calculated annually by a qualified independent actuary using the projected unit credit method. The net interest expense (income) on the net DB liability (asset) for the period were determined by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan were recognized in profit or loss.

The DC liability, on the other hand, was measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this was reflected in the DC benefits. Remeasurements of the net DB liability, which comprised actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), were recognized immediately in OCI.

When the benefits of a plan were changed or when a plan was curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment was recognized immediately in profit or loss. De Los Santos-STI College and STI Quezon Avenue recognized gains or losses on the settlement of a DB plan when the settlement occurred (see Note 28).

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

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

Right-of-use Assets. The Group classifies its ROU assets as part of property and equipment; and investment properties.

Lease Liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases with Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to a lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. A lessee recognizes the effect of the rent concession by recognizing the reduction in payment as other income in profit or loss in the consolidated statement of comprehensive income.

Group as Lessor. Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits NOLCO and MCIT can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account or "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

<u>Operating Segment</u>
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3 to the consolidated financial statements.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
Post year-end events that provide additional information about the Group's financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Segment Information

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

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

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

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

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA:

	2023	2022	2021
Consolidated net income	**₱873,834,283**	₱416,243,393	₱101,730,472
Depreciation and amortization* (see Notes 11, 12, 16, 24 and 26)	**527,925,632**	524,769,336	537,108,249
Interest expense* (see Notes 18, 19, 23 and 29)	**277,879,376**	281,966,280	301,536,491
Interest income (see Notes 5, 6 and 23)	**(22,595,338)**	(38,060,878)	(5,691,709)
Foreign exchange gain - net	**(2,455,311)**	(45,835,968)	(3,869,142)
Provision for (benefit from) income tax	**(15,723,664)**	10,800,249	(76,877,580)
Equity in net losses (earnings) of associates and joint venture (see Note 13)	**(2,258,739)**	20,242,197	4,603,590
Fair value loss on equity instruments at FVPL	**620,000**	387,500	–
Gain on derecognition of contingent consideration (see Notes 17 and 33)	–	(25,000,000)	–
Gain on settlement of receivables, net of provision for impairment of noncurrent asset held for sale (see Notes 10 and 12)	–	(10,832,534)	–
Income on rent concessions** (see Note 29)	–	(6,054,606)	(39,727,038)
Gain on sale of noncurrent asset held for sale*** (see Note 10)	–	–	(15,460,821)
Loss on loan modification (see Note 18)	**–**	–	8,298,502
Consolidated EBITDA	**₱1,637,226,239**	₱1,128,624,969	₱811,651,014

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
***Presented as part of "Other income (expenses) - net".*
****Net of capital gains tax amounting to ₱45.9 million paid during the year ended June 30, 2021.*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the years ended June 30, 2023, 2022 and 2021:

	June 30, 2023					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱1,795,363,020**	**₱239,585,468**	**₱835,133,394**	**₱468,767,206**	**₱66,618,865**	**₱3,405,467,953**
Results						
Income before other income (expenses) and income tax	**347,641,458**	**59,994,011**	**345,144,878**	**189,083,546**	**2,181,611**	**944,045,504**
Interest expense	**(298,316,780)**	**(3,865,002)**	**(5,278,958)**	**(1,501,233)**	**(2,057,151)**	**(311,019,124)**
Other income	**191,111,066**	**1,159,502**	**5,667,640**	**1,896,181**	**395,773**	**200,230,162**
Benefit from (provision for) income tax	**11,158,774**	**577,047**	**(355,163)**	**4,343,006**	**–**	**15,723,664**
Interest income	**21,174,847**	**29,320**	**123,621**	**1,260,017**	**7,533**	**22,595,338**
Equity in net earnings of associates and joint venture	**2,258,739**	**–**	**–**	**–**	**–**	**2,258,739**
Net Income	**₱275,028,104**	**₱57,894,878**	**₱345,302,018**	**₱195,081,517**	**₱527,766**	**₱873,834,283**
EBITDA						**₱1,637,226,239**

	June 30, 2022					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,432,614,200	₱189,663,625	₱680,470,698	₱310,073,376	₱64,809,994	₱2,677,631,893
Results						
Income (loss) before other income (expenses) and income tax	181,703,296	31,823,797	246,948,516	111,137,645	(3,002,860)	568,610,394
Interest expense	(299,611,661)	(3,883,675)	(6,249,868)	(835,656)	(2,758,723)	(313,339,583)
Other income	127,889,989	–	693,110	371,051	–	128,954,150
Benefit from (provision for) income tax	(11,766,572)	1,302,025	(848,610)	512,908	–	(10,800,249)
Gain on derecognition of contingent consideration	25,000,000	–	–	–	–	25,000,000
Interest income	37,684,497	32,615	163,395	155,531	24,840	38,060,878
Equity in net losses of associates and joint venture	(20,242,197)	–	–	–	–	(20,242,197)
Net Income (Loss)	₱40,657,352	₱29,274,762	₱240,706,543	₱111,341,479	(₱5,736,743)	₱416,243,393
EBITDA						₱1,128,624,969

	June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,149,483,317	₱138,515,524	₱523,630,921	₱222,436,557	₱49,997,624	₱2,084,063,943
Results						
Income (loss) before other income (expenses) and income tax	(41,811,677)	(2,584,788)	179,615,112	59,705,062	(8,219,803)	186,703,906
Interest expense	(320,664,413)	(4,989,637)	(7,057,175)	(1,429,120)	(2,925,570)	(337,065,915)
Other income	159,935,797	7,362,793	2,895,222	1,303,272	2,629,698	174,126,782
Benefit from (provision for) income tax	84,500,157	(189,770)	498,048	(7,850,455)	(80,400)	76,877,580
Interest income	5,044,289	55,958	243,715	336,552	11,195	5,691,709
Equity in net losses of associates and joint venture	(4,603,590)	–	–	–	–	(4,603,590)
Net Loss	(117,599,437)	(₱345,444)	₱176,194,922	₱52,065,311	(₱8,584,880)	₱101,730,472
EBITDA						₱811,651,014

The following tables present certain assets and liabilities information regarding geographical segments as at June 30, 2023 and 2022:

	June 30, 2023					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,600,397,084**	**₱717,138,215**	**₱1,382,644,996**	**₱897,933,931**	**₱126,266,793**	**₱13,724,381,019**
Noncurrent asset held for sale	**1,020,728,064**	**–**	**–**	**–**	**–**	**1,020,728,064**
Investments in and advances to associates and joint venture	**20,749,617**	**–**	**–**	**–**	**–**	**20,749,617**
Goodwill	**250,898,081**	**–**	**–**	**15,681,232**	**–**	**266,579,313**
Deferred tax assets – net	**25,626,907**	**3,065,113**	**4,796,366**	**15,559,510**	**1,695,394**	**50,743,290**
Total Assets	**₱11,918,399,753**	**₱720,203,328**	**₱1,387,441,362**	**₱929,174,673**	**₱127,962,187**	**15,083,181,303**
Segment liabilities[(b)]	**₱703,581,220**	**₱59,149,312**	**₱115,631,192**	**₱116,585,816**	**₱32,588,682**	**₱1,027,536,222**
Interest-bearing loans and borrowings	**1,071,545,624**	**–**	**–**	**–**	**–**	**1,071,545,624**
Bonds payable	**2,988,422,984**	**–**	**–**	**–**	**–**	**2,988,422,984**
Pension liabilities – net	**84,438,951**	**5,775,501**	**12,226,482**	**34,838,456**	**2,519,932**	**139,799,322**
Lease liabilities	**321,668,393**	**57,706,097**	**103,871,119**	**25,298,373**	**28,215,797**	**536,759,779**
Deferred tax liabilities – net	**109,306,873**	**–**	**–**	**–**	**–**	**109,306,873**
Total Liabilities	**₱5,278,964,045**	**₱122,630,910**	**₱231,728,793**	**₱176,722,645**	**₱63,324,411**	**₱5,873,370,804**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱487,673,587**
Depreciation and amortization[(c)]						**527,925,632**
Noncash expenses other than depreciation and amortization						**109,043,611**

[(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					
	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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

In response to the COVID-19 outbreak, which has caused global economic disruption, the Group has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2023 and 2022 consolidated financial statements from those applied in the previous financial year, other than for those disclosed under this section.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognition of Revenue from Tuition and Other School Fees, Educational Services and Royalty Fees over time. The Group concluded that tuition and other school fees, educational services and royalty fees are to be recognized over time on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Determination of Control Arising from a Management Contract. STI ESG has a management contract with STI Caloocan. Management has concluded that STI ESG, in substance, has the power to direct its relevant activities and has the means to obtain majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control over STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Noncurrent Asset Held for Sale. Quezon City Dacion Properties - On June 24, 2021, the Parent Company's BOD approved the sale to an interested buyer of the Parent Company's properties located in Quezon City ("Quezon City dacion properties") which were obtained by the Parent Company through the deeds of dacion in 2016 as these properties have not been used in business since acquisition. Management considered these properties to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the Quezon City dacion properties
- The Quezon City dacion properties are available for immediate sale in its present condition
- Negotiations with an interested buyer have been initiated
- The properties will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, the Parent Company ceased to account for the properties as investment properties effective June 30, 2021 and carried such properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized as a result of such classification (see Notes 10 and 12).

In May and June 2022, the Parent Company issued to certain brokers an authority to sell and to perform all efforts in connection with the sale of the Quezon City properties to prospective buyers.

In 2023, the Company started its negotiation with a certain real estate group for the sale of the properties. As of June 30, 2023 and October 13, 2023, the negotiation is still ongoing.

Property Acquired through Extrajudicial Foreclosure Sale - As discussed in Note 10, the receivable from STI Tanay is secured by real estate mortgages over certain properties which include STI Tanay's land and building, including improvements thereon, and a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property).

As at June 30, 2022, management considered the Pasig Property to have met the criteria to be classified as held for sale for the following reasons:

- STI Tanay and the mortgagors have a one-year redemption period from the date the certificate of sale was annotated (i.e., August 5, 2021); hence, management expects to complete the sale within one year from the date of classification
- The Pasig Property is available for immediate sale/redemption in its present condition
- The Pasig Property will be redeemed at a reasonable price in relation to its fair value
- STI Tanay is the specified buyer of the property and actions to complete the redemption have been initiated

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell in the consolidated statement of financial position as at June 30, 2022.

Maestro Holdings - On June 27, 2017, STI ESG's BOD approved the disposal of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposal of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- Actions to locate a buyer and complete the sale have been initiated
- The shares will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification.

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings effective June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell.

On September 24, 2020, STI ESG's BOD approved the sale of its 20% stake in Maestro Holdings to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, the BOD of STI ESG approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio (Chita SPC Limited), for a purchase price US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG (see Note 10).

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to collection of receivables and labor. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 34).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of Expected Credit Losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of Default.* The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.
- *Loss Given Default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.
- *Exposure at Default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified Approach for Receivables from Students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group then adjusts the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of the customer’s actual default in the future.

The Group’s impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group’s criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group’s policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of the COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information at the end of the first three months subsequent to report date.

Incorporation of Forward-looking Information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL, net of reversal, amounting to ₱85.2 million, ₱112.7 million and ₱41.8 million for the years ended June 30, 2023, 2022 and 2021, respectively. Allowance for ECL on receivables amounted to ₱382.4 million and ₱312.4 million as at June 30, 2023 and 2022, respectively. The carrying amounts of receivables as at June 30, 2023 and 2022 are disclosed in Note 6.

Valuation of Noncurrent Asset Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount.

Provision for impairment loss on noncurrent assets held for sale amounted to ₱34.3 million for the year ended June 30, 2022. No impairment was recognized for the years ended June 30, 2023 and 2021.

As at June 30, 2023 and 2022, the carrying value of noncurrent asset held for sale follows:

	2023	2022
Quezon City dacion properties (see Notes 10 and 12)	**₱1,020,728,064**	₱1,020,728,064
Property acquired through extrajudicial foreclosure (see Notes 10 and 12)	**–**	19,000,000
	₱1,020,728,064	₱1,039,728,064

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties (excluding land) and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation, and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2023 and 2022. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2023	2022
Property and equipment (excluding land and construction in-progress) (see Note 11)	**₱6,176,004,577**	₱6,252,502,763
Investment properties (excluding land and construction and in-progress) (see Note 12)	**548,171,442**	564,823,819
Intangible assets (see Note 16)	**48,483,245**	49,174,773

Impairment of Nonfinancial Assets. PFRSs require nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include property and equipment, investment properties, investment in and advances to associates and joint venture and intangible assets and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group. The carrying value of property and equipment, investment properties, investment in and advances to associates and joint venture and intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12, 13, 14 and 16, respectively.

The Group recognized a provision for impairment of investments in and advances to associates and joint venture amounting to ₱10.3 million for the year ended June 30, 2021. No impairment was recognized for the years ended June 30, 2023 and 2022. As at June 30, 2023 and 2022, the carrying value of the investments in and advances to associates and joint venture amounted to ₱20.7 million and ₱18.5 million, respectively (see Note 13).

Impairment of Goodwill and Intangible Assets with Indefinite Useful Life. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill and intangible assets with indefinite useful life which are subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill and intangible assets with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impact and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting date was conducted.

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital (WACC) wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate ranging from 10.18% to 12.6% and from 12.9% to 13.9% were used as at June 30, 2023 and 2022, respectively. The growth rate used in extrapolating cash flows beyond the period covered by the CGUs' recent budgets was 5.00%.

Impairment testing showed that the CGUs' recoverable amounts were greater than their carrying amounts, except for STI Iloilo. The Group recognized a provision for impairment of goodwill amounting to ₱3.8 million for the year ended June 30, 2022. No impairment was recognized for the years ended June 30, 2023 and 2021. Goodwill amounted to ₱266.6 million and ₱243.6 million as at June 30, 2023 and 2022, respectively; while intangible assets with indefinite useful life amounted ₱32.7 million and ₱33.1 million as at June 30, 2023 and 2022, respectively (see Note 16).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of NOLCO and MCIT to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at June 30, 2023 and 2022 are disclosed in Note 30 to the consolidated financial statements.

Measurement of Lease Liabilities. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*

  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

  The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*

  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2023 and 2022 are disclosed in Note 29 to the consolidated financial statements.

Determining Pension Liabilities. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions are described in Note 28 and include among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension liabilities as at June 30, 2023 and 2022 are disclosed in Note 28 to the consolidated financial statements.

5. Cash and Cash Equivalents

	2023	2022
Cash on hand and in banks	**₱909,786,970**	₱1,004,708,289
Cash equivalents	**1,048,980,583**	564,009,794
	₱1,958,767,553	₱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 years ended June 30, 2023, 2022 and 2021 amounted to ₱16.7 million, ₱3.1 million and ₱4.6 million, respectively (see Note 23).

6. Receivables

	2023	2022
Tuition and other school fees	**₱650,156,822**	₱669,973,794
Rent, utilities and other related receivables (see Note 31)	**89,504,738**	41,693,700
Educational services (see Note 31)	**55,534,769**	75,476,227
Advances to officers and employees (see Note 31)	**31,742,292**	20,156,347
Receivable from STI Tanay	**–**	6,758,041
Others	**26,134,019**	29,334,574
	853,072,640	843,392,683
Less allowance for expected credit losses	**382,438,078**	312,384,497
	₱470,634,562	₱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 starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively. Receivables from DBP amounted to ₱1.6 million and ₱2.0 million as at June 30, 2023 and 2022, respectively.

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

b. Rent, utilities and other related receivables are normally collected within the next year (see Note 29).

c. 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 ₱5.8 million, ₱2.0 million and ₱0.9 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

d. Advances to officers and employees represent advances for official business expenses which are necessary and reasonable to carry out the operations of the entities within the Group. These advances are normally liquidated within one month from the date the advances are obtained.

e. Receivable from STI Tanay as at June 30, 2022 substantially represents the receivable for educational services rendered by STI ESG to the franchisee. Pursuant to 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 have been assigned in favor of STI ESG as payment for this outstanding receivable (see Notes 10 and 12). STI ESG recognized a provision for doubtful accounts on receivable from STI Tanay amounting to ₱6.8 million for the year ended June 30, 2022. These receivables from DepEd have been collected in full as at June 30, 2023 resulting in the reversal of the equivalent allowance for ECL for the year ended June 30, 2023.

f. Others mainly include receivables from a former franchisee of STI ESG, vendors and contractor and receivables from Social Security System amounting to ₱1.6 million, ₱10.3 million and ₱5.4 million as at June 30, 2023, respectively, and ₱1.6 million, ₱10.5 million and ₱4.1 million as at June 30, 2022, respectively. These receivables are expected to be collected within the year.

The movements in allowance for expected credit losses are as follows:

	2023		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱296,195,835**	**₱16,188,662**	**₱312,384,497**
Provisions (reversal) (see Note 26)	**89,733,241**	**(4,510,781)**	**85,222,460**
Effect of business combination (see Note 39)	**2,190,557**	**–**	**2,190,557**
Write-off	**(17,359,436)**	**–**	**(17,359,436)**
Balance at end of year	**₱370,760,197**	**₱11,677,881**	**₱382,438,078**

	2022		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱201,902,317	₱7,590,413	₱209,492,730
Provisions (see Note 26)	102,838,745	9,819,180	112,657,925
Write-off	(8,545,227)	(1,220,931)	(9,766,158)
Balance at end of year	₱296,195,835	₱16,188,662	₱312,384,497

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱11.3 million, ₱9.7 million and ₱6.8 million for the years ended June 30, 2023, 2022 and 2021, respectively.

7. Inventories

	2023	2022
At cost:		
Educational materials:		
Uniforms	**₱98,227,803**	₱128,607,105
Textbooks and other education-related materials	**9,793,330**	10,694,553
	108,021,133	139,301,658
Promotional materials:		
Proware materials	**13,775,504**	13,436,142
Marketing materials	**428,244**	387,296
	14,203,748	13,823,438
School materials and supplies	**7,273,419**	5,060,658
	₱129,498,300	₱158,185,754

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Hence, the carrying value of inventories carried at net realizable value is nil as at June 30, 2023 and 2022. Allowance for inventory obsolescence amounted to ₱24.1 million and ₱18.5 million as at June 30, 2023 and 2022, respectively. Additional provision for inventory obsolescence resulting from the excess of cost over the net realizable value of these obsolete inventories recognized for the years ended June 30, 2023, 2022 and 2021 amounted to ₱5.6 million, ₱2.0 million and ₱0.8 million, respectively (see Note 26).

Inventories charged to cost of educational materials and supplies sold amounted to ₱90.6 million, ₱24.2 million and ₱20.1 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 25).

8. Prepaid Expenses and Other Current Assets

	2023	2022
Prepaid taxes	**₱77,642,338**	₱57,161,045
Input VAT - net	**47,648,116**	23,007,435
Advances to suppliers	**32,598,735**	7,153,692
Prepaid subscriptions and licenses	**18,301,411**	13,849,894
Prepaid insurance	**6,049,277**	6,743,814
Software maintenance cost	**1,480,531**	1,743,610
Prepaid internet cost	**87,916**	126,227
Others	**9,144,373**	4,516,922
	₱192,952,697	₱114,302,639

Prepaid taxes represent excess prior year’s credits and creditable withholding taxes which will be applied against income tax due of the following period. This account also includes prepayments for business taxes which will be recognized as expenses over the period covered.

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. Input VAT as at June 30, 2023 is primarily from the acquisition of two parcels of land in Meycauayan City, Bulacan (see Note 12), the renovation of STI WNU’s Engineering building and the construction of STI WNU’s new SBE building. This account also includes input VAT recognized on the purchase of other goods and services.

Advances to suppliers as at June 30, 2023 pertains to payments to suppliers for the purchase of school uniforms and promotional materials in preparation for SY 2023-2024, down payment to suppliers for various school activities and programs including commencement exercises for SY 2022-2023, transportation equipment, and repairs and maintenance works for the school buildings. The balance as at June 30, 2022 pertains to advance payment for the renovation of STI WNU’s Engineering building and other advances to suppliers for various repair works.

Prepaid subscriptions and licenses primarily pertain to Microsoft, Adobe Acrobat license, Adobe Creative Cloud, eLMS, Sophos Firewall, Toon Boom Harmony and Autodesk subscriptions which were paid in advance in preparation for the succeeding school year. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents vehicle insurance coverage, health insurance coverage of employees, and fire and other risks insurance on buildings, which were paid in advance and are recognized as expense over the period of coverage which is within the 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 remaining funds in the schools’ load wallet for data connectivity and is primarily used for the schools’ marketing activities.

Other prepaid expenses and other current assets as at June 30, 2023 represent advance rental payments of iACADEMY Cebu for its office space and billboard, prepaid accreditation expenses and membership fees in Negros Occidental Private Schools Sports Cultural Educational Association (NOPSSCEA). During SY 2021-2022, STI ESG purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million in its continued commitment to the health and safety of its employees and in support of the government’s national vaccination program. The unutilized portion amounting to ₱2.9 million is included in the balance as at June 30, 2022. The cost of these vaccines has been fully expensed as at June 30, 2023.

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

Equity instruments at FVPL represents the Group’s investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱9.0 million and ₱9.6 million as at June 30, 2023 and 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 ₱0.6 million and ₱0.4 million for the years ended June 30, 2023 and 2022, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.6 million and ₱0.4 million for the years ended June 30, 2023 and 2022, respectively.

10. **Noncurrent Asset Held for Sale**

	2023	2022
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 June 30, 2023 and 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 34).

On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since its receipt. With the classification as noncurrent asset held for sale, the Parent Company carried the said properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized for the years ended June 30, 2023, 2022 and 2021 as a result of such classification.

In May and June 2022, the Parent Company issued to certain brokers an authority to sell and to perform all efforts in connection with the sale of the Quezon City dacion properties to prospective buyers.

In 2023, the Company started its negotiation with a certain real estate group for the sale of the properties. As of June 30, 2023 and October 13, 2023, the negotiation is still ongoing.

Property Acquired through Extrajudicial Foreclosure

Pursuant to a deed of assignment executed by STI ESG and DBP in 2019, 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) land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay (Tanay Property) (see Note 12); and (b) land and building including improvements thereon, located in Pasig City (Pasig Property). STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay.

Fees aggregating to ₱8.8 million, representing legal and filing fees, publication, and other costs from the execution of the deed of assignment by and between DBP and STI ESG were incurred up to the dates of the extrajudicial foreclosure sale of the mortgaged real estate properties situated in Pasig City and Tanay, Rizal. STI ESG recognized as interest income the accrued interests and default charges on the assigned loans of STI Tanay aggregating to ₱33.0 million in 2022. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans.

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.

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 receivables, net of provision for impairment of noncurrent asset held for sale" in the 2022 consolidated statement of comprehensive income.

As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million represents the carrying value of the Pasig Property which was redeemed by STI Tanay/the mortgagors in July 2022.

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 as 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; (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG (future collections to be applied to receivable for educational services from STI Tanay); (4) assignment of STI Tanay's rights to the use of the name of "STI College Tanay"; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized noncurrent asset held for sale amounting to ₱19.0 million (see Notes 11 and 12).

<u>Maestro Holdings</u>
On June 27, 2017, STI ESG's BOD approved the disposal of its 20% stake in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. With the classification as noncurrent asset held for sale on June 30, 2017, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings and the investment was carried at the lower of its carrying amount or fair value less costs to sell. No provision for impairment was recognized prior to the sale.

On September 24, 2020, STI ESG's BOD approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, STI ESG's BOD approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited for a purchase price of US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG.

On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale wherein the latter offered to purchase all 1,281,484 shares of STI ESG in Maestro Holdings representing 20% ownership, for a total consideration of US$10.0 million, equivalent to ₱480.5 million. The amount of US$10.0 million has been fully received by STI ESG. The difference between the selling price of ₱480.5 million and the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15.0% of ₱306.4 million, which is the difference between the selling price and the acquisition cost of investment amounting to ₱174.1 million. This transaction resulted in a gain amounting to ₱15.5 million (net of capital gains tax of ₱45.9 million) which is presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2022. The sale also resulted in the reclassification of other comprehensive income associated with noncurrent asset held for sale to retained earnings and other equity reserve amounting to ₱89.9 million and ₱0.7 million, respectively (see Note 21).

11. Property and Equipment

	2023												
	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 year	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,544,710	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,749,657	₱9,672,515,491
Additions	–	52,104,361	37,772,765	23,729,250	8,985,162	1,599,200	59,941,289	5,058,392	150,483,407	–	159,123,118	10,696,440	509,493,384
Reclassification from investment properties (see Note 12)	46,593,333	69,136,320	–	–	–	–	–	–	–	–	–	–	115,729,653
Reclassification to investment properties (see Note 12)	(40,497,071)	(20)	–	–	–	–	–	–	–	–	–	–	(40,497,091)
Reclassification of completed construction in-progress	–	28,167,727	141,000	2,450,560	37,492,453	(186,253)	–	(362,684)	(67,889,056)	–	–	186,253	–
Lease termination/modification (see Note 29)	–	–	–	–	–	–	–	–	–	–	(1,156,865)	(1,588,667)	(2,745,532)
Effect of business combination (see Note 39)	–	–	123,199	–	40,505	1	1,860,144	139,042	–	–	–	–	2,162,891
Disposal	–	–	(89)	(68)	–	–	(54)	(46)	–	–	–	–	(257)
Depreciation and amortization (see Notes 24 and 26)	–	(345,718,517)	(72,212,340)	(23,050,084)	(20,610,482)	(1,458,648)	(29,092,316)	(7,282,996)	–	(8,105,137)	(54,961,317)	(9,458,784)	(571,950,621)
Balance at end of year	₱3,398,447,562	₱5,519,063,199	₱124,266,616	₱45,109,721	₱49,148,012	₱1,499,010	₱71,945,622	₱15,559,610	₱110,255,779	₱114,453,562	₱219,374,326	₱15,584,899	₱9,684,707,918
At June 30, 2023:													
Cost	₱3,398,447,562	₱8,141,817,520	₱976,888,067	₱405,967,556	₱249,323,275	₱19,947,875	₱572,118,429	₱224,194,008	₱110,255,779	₱148,128,581	₱383,560,592	₱63,927,995	₱14,694,577,239
Accumulated depreciation and amortization	–	(2,622,754,321)	(852,621,451)	(360,857,835)	(200,175,263)	(18,448,865)	(500,172,807)	(208,634,398)	–	(33,675,019)	(164,186,266)	(48,343,096)	(5,009,869,321)
Net book value	₱3,398,447,562	₱5,519,063,199	₱124,266,616	₱45,109,721	₱49,148,012	₱1,499,010	₱71,945,622	₱15,559,610	₱110,255,779	₱114,453,562	₱219,374,326	₱15,584,899	₱9,684,707,918

	2022												
	Land	Buildings	Office and School Equipment	Office and School Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction In-Progress	Right-of-use Asset – Land	Right-of-use Asset – Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	₱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
Reclassification of completed construction in-progress	–	284,095,792	(1,997,425)	–	(1,221,706)	–	1,997,425	–	(282,874,086)	–	–	–	–
Lease termination/modification (see Note 29)	–	–	–	–	–	–	–	–	–	5,842,960	(1,606,850)	(117,605)	4,118,505
Disposal	–	–	(15)	(2)	–	–	–	(543)	–	–	–	–	(560)
Depreciation and amortization (see Notes 24 and 26)	–	(335,791,684)	(76,584,946)	(24,011,837)	(20,423,331)	(1,391,261)	(30,458,166)	(6,754,681)	–	(8,105,137)	(47,005,723)	(7,416,588)	(557,943,354)
Balance at end of year	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,544,710	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,749,657	₱9,672,515,491
At June 30, 2022:													
Cost	₱3,392,351,300	₱8,059,841,711	₱946,227,238	₱385,814,751	₱237,678,597	₱19,431,519	₱516,291,126	₱220,980,726	₱27,661,428	₱148,154,218	₱260,821,043	₱63,241,975	₱14,278,495,632
Accumulated depreciation and amortization	–	(2,344,468,383)	(787,785,157)	(343,834,688)	(214,438,223)	(17,886,809)	(477,054,567)	(202,972,824)	–	(25,595,519)	(144,451,653)	(47,492,318)	(4,605,980,141)
Net book value	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,544,710	₱39,236,559	₱18,007,902	₱27,661,428	₱122,558,699	₱116,369,390	₱15,749,657	₱9,672,515,491

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,687.5 million and ₱1,548.8 million as at June 30, 2023 and 2022, respectively. There were no idle property and equipment as at June 30, 2023 and 2022.

Additions

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from “Investment properties” to “Property and equipment” in September 2022 upon the transfer of STI Quezon Avenue’s operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 12).

Property and Equipment under Construction. As at June 30, 2023, the remaining construction-in-progress primarily pertains to several exterior and interior renovation projects for certain wholly-owned schools of STI ESG. This is in preparation for SY 2023-2024. The related contract costs for these projects aggregated to ₱55.5 million. Majority of these projects were completed as at October 13, 2023 while the rest are expected to be completed within the first semester of SY 2023-2024.

As at June 30, 2023, property and equipment includes the construction/fit-out of iACADEMY’s campus in Cebu which is located at Filinvest Cyberzone Tower Two Building, Lahug, Cebu City. The total costs incurred as at June 30, 2023 for this project aggregated to ₱40.8 million, inclusive of materials, cost of labor and overhead and all other costs incurred for the completion of the project. Construction/fit-out work started in October 2022 and was completed in January 2023.

As at June 30, 2022, the remaining construction-in-progress amounting to ₱5.5 million pertains to the construction of a pedestrian overpass which aims to ensure the safety of the students of STI Las Piñas. The related contract cost is ₱7.0 million. This project remains in progress as at June 30, 2023 and is expected to be completed within the next school year .

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

The construction of the new STI Academic Center Legazpi was completed in August 2021 with a total project cost amounting to ₱282.9 million, inclusive of materials, cost of labor and overhead and all other costs to put up the school. Located at Rizal St., Cabangan East in Legazpi City, the four-storey school building was built on a 4,149-square-meter property with an estimated capacity of 2,500 SHS and tertiary students. Similarly, the construction works for STI Training Academy’s assessment and training center were completed in October 2021. The related contract costs amounted to ₱15.3 million. The related construction costs for STI Legazpi and STI Training Academy were presented as part of “Property and equipment” as at June 30, 2022.

As at June 2023, the remaining construction-in-progress account includes the canteen and basketball court roofing project for STI Legazpi. The associated contract cost for this project is ₱25.7 million, inclusive of materials, cost of labor and overhead and all other costs required for the completion of this project. This project is expected to be completed by end of 2023.

As at June 30, 2023, the remaining construction-in-progress account also includes the costs of construction of STI WNU's new School of Basic Education (SBE) Building, rehabilitation of the main building and other repair works and the remaining ancillary works for the Engineering Building aggregating to ₱74.3 million. The balance as at June 30, 2022 in the amount of ₱22.2 million pertains to the renovation of the Engineering Building which was completed in February 2023 at a total cost of ₱28.8 million. The construction of the SBE building and other projects, including ancillary works in the Engineering building, are expected to be completed by February 2024.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱2.8 million for the year ended June 30, 2021 (nil for the years ended June 30, 2023 and 2022). The average interest capitalization rate was 5.62% for the year ended June 30, 2021, which was the effective rate of the borrowings.

Collaterals

iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and building, and all other facilities, machineries, equipment and improvements therein (see Note 18). As at June 30, 2023 and 2022, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,357.5 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 June 30, 2023 and 2022 (see Note 29). The net book value of these equipment amounted to ₱15.6 million and ₱15.7 million as at June 30, 2023 and 2022, respectively.

12. Investment Properties

	2023				
	Land	**Condominium Units and Buildings**	**Right-of-Use Asset - Building**	**Construction In-Progress**	**Total**
Cost:					
Balance at beginning of year	**₱352,742,258**	**₱703,141,550**	**₱133,183,838**	**₱86,671,554**	**₱1,275,739,200**
Additions	**142,720,717**	**5,279,044**	**–**	**–**	**147,999,761**
Reclassification of completed construction-in-progress	**–**	**86,671,554**	**–**	**(86,671,554)**	**–**
Reclassification from property and equipment (see Note 11)	**40,497,071**	**55,298,011**	**–**	**–**	**95,795,082**
Reclassification to property and equipment (see Note 11)	**(46,593,333)**	**(70,825,763)**	**–**	**–**	**(117,419,096)**
Balance at end of year	**489,366,713**	**779,564,396**	**133,183,838**	**–**	**1,402,114,947**
Accumulated depreciation:					
Balance at beginning of year	**–**	**228,926,408**	**42,575,161**	**–**	**271,501,569**
Depreciation (see Note 26)	**–**	**26,517,445**	**12,949,230**	**–**	**39,466,675**
Reclassification from property and equipment (see Note 11)	**–**	**55,297,991**	**–**		**55,297,991**
Reclassification to property and equipment (see Note 11)	**–**	**(1,689,443)**	**–**	**–**	**(1,689,443)**
Balance at end of year	**–**	**309,052,401**	**55,524,391**	**–**	**364,576,792**
Net book value	**₱489,366,713**	**₱470,511,995**	**₱77,659,447**	**₱–**	**₱1,037,538,155**

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

As at June 30, 2023 and 2022, investment properties primarily include buildings of the Group which are held for office or commercial lease.

Investment properties also include parcels of land and land improvements located in Davao City currently held by the Parent Company for capital appreciation and are not used in business. These properties (including the Quezon City dacion properties discussed in Note 10) were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 34) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 34). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were initially recognized as "Investment properties" at fair value amounting to ₱1,280.5 million at dacion date.

Description of valuation techniques used and key inputs to valuation of investment properties

The fair values of the Group's investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land

Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sale of similar or substitute properties and related market data and establishes a value estimate by a process involving comparison. Listings and offerings may also be considered. Sales price of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at June 30, 2023 and 2022, the following shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

Fair value of Davao property as at June 30, 2023 and 2022	₱421,932,000
Valuation date	September 2022
Valuation technique	Market approach
Unobservable input	External factors – net price per square meter Internal factors – location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	The higher the price per square meter, the higher the fair value

	2023	2022
Fair value of STI ESG's land	**₱484,056,385**	₱178,303,600
Valuation date	**June 2023/May 2022**	May 2022/March 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

Condominium Units and Buildings
Level 3 fair values of STI ESG's condominium units and buildings have also been derived using the market approach.

Using the latest available valuation report as at June 30, 2023 and 2022, the following table shows the valuation technique used in measuring the fair value of STI ESG's buildings, as well as the significant unobservable inputs used:

	2023	2022
Fair value	**₱1,597,923,000**	₱1,529,746,000
Valuation date	**June 2023/May 2022**	May 2022/March 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher fair value**	The higher the price per square meter, the higher fair value

The highest and best use of the Davao property is institutional land development, while the highest and best use of STI ESG's land, condominium units and buildings is commercial utility.

Land Acquired through Deed of Absolute Sale. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees, from which STI ESG recognized input VAT amounting to ₱16.2 million (see Note 8). This property is intended to be the future site of STI Academic Center Meycauayan. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered into by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property agreeing that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms expiring in 2024 up to 2025.

Reclassification from Property and Equipment. In 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of "Investment properties". The carrying value at the time of reclassification is ₱40.5 million (see Note 11). These properties, a part of which being is used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

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

Pursuant to the deed of assignment executed by STI ESG and DBP (see Note 10), STI ESG started the foreclosure proceedings for the Tanay property after several demand/collection letters were sent to 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 gain on settlement of receivables, presented as part of "Gain on settlement of receivables, net of provision for impairment of noncurrent held for sale" for the year ended June 30, 2022. 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.

The Tanay property was subsequently reclassified from "Investment properties" to "Property and equipment" in September 2022 following the transfer of STI Quezon Avenue's operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 11).

Right-of-use Asset – Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for a building along Sen. Gil J. Puyat Avenue for a period of fifteen (15) years and three (3) months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three (3) years or the average of the Consumer Price Index for the last three (3) years, whichever is higher. iACADEMY subleases the building to third parties.

On September 6, 2022, iACADEMY entered into a sublease agreement on this leased building, particularly the ground floor unit 1 and the entirety of the second floor up to and including the roof deck of the building, with a third party, for a period of five (5) years commencing on March 15, 2023 and ending on 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.

Rental

Rental income earned from investment properties amounted to ₱165.0 million, ₱66.1 million and ₱110.7 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties for the years ended June 30, 2023, 2022 and 2021 amounted to ₱28.1 million, ₱15.0 million and ₱13.0 million, respectively.

13. Investments in and Advances to Associates and Joint Venture

	2023	2022
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(28,401,837)**	(8,159,640)
Equity in net earnings (losses) of associates and joint venture	**2,258,739**	(20,242,197)
Balance at end of year	**(26,143,098)**	(28,401,837)
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of year	**329,306**	329,306
	20,749,617	18,490,878
Advances (see Note 31)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱20,749,617	₱18,490,878

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

	2023	2022
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
GROW	**16,733,574**	14,289,422
Joint venture - PHEI (see Note 14)	**4,016,043**	4,201,456
	68,884,157	66,625,418
Allowance for impairment loss	**(48,134,540)**	(48,134,540)
	₱20,749,617	₱18,490,878

**The share in equity of STI Accent for the years ended June 30, 2023 and 2022 is not material to the consolidated financial statements.*

As at June 30, 2023 and 2022, the carrying amount of the investments in STI Marikina and STI Accent amounted to nil.

There were no movements in allowance for impairment in value of investments in and advances to associates and joint venture for the years ended June 30, 2023 and 2022. Provision for impairment for the year ended June 30, 2021 amounted to ₱10.3 million (see Note 26).

Information about the associates is discussed below:

STI Accent. STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2023 and 2022, allowance for impairment loss on STI ESG's investment in STI Accent and related advances amounted to ₱48.1 million. STI ESG recognized provision for impairment in its advances to STI Accent amounting to ₱10.3 million for the year ended June 30, 2021 (nil for the years ended June 30, 2023 and 2022).

Others. The carrying amount of the Group's investments in STI Alabang (as of June 2022) and GROW represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

	2023	2022	2021
Current assets	**₱51,770,628**	₱192,276,126	₱194,050,957
Noncurrent assets	**62,726,577**	40,302,973	41,929,742
Current liabilities	**(68,142,818)**	(201,489,565)	(154,859,791)
Noncurrent liabilities	**(1,590,507)**	(16,855,871)	(17,953,621)
Equity	**₱44,763,880**	₱14,233,663	₱63,167,287

	2023	2022	2021
Revenues	**₱313,535,150**	₱286,407,241	₱172,522,598
Expenses	**299,621,317**	(316,911,622)	(186,048,513)
Total comprehensive income (loss)	**₱13,913,833**	(₱30,504,381)	(₱13,525,915)
Share in total comprehensive income (loss)	**₱2,258,739**	(₱20,242,197)	(₱4,603,590)

Terms and conditions relating to advances to associates and joint venture are disclosed in Note 31 to the consolidated financial statements.

14. Interest in Joint Venture

On March 19, 2004, STI ESG, together with the University of Makati (Umak) and another shareholder, incorporated PHEI in the Philippines. STI ESG and Umak each owns 40.0% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of Umak.

The following are certain key terms under the agreement signed in 2003 by STI ESG and Umak:

a. STI ESG shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics, with such curriculum duly approved by the University Council of Umak;

b. Umak will allow the use of its premises as the campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and

c. STI ESG will recruit the nursing faculty while Umak will provide the faculty for basic courses that are non-technical in nature.

The cost of STI ESG's investment in PHEI amounted to ₱5.0 million while its carrying value amounted to ₱4.0 million and ₱4.2 million as at June 30, 2023 and 2022, respectively.

The Group's share in the net losses of its joint venture amounted to ₱0.2 million, ₱47.0 thousand and ₱0.1 million for the years ended June 30, 2023, 2022 and 2021, respectively, which are all individually immaterial to the consolidated financial statements.

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

	2023	2022
Quoted equity shares	**₱6,179,340**	₱4,800,312
Unquoted equity shares	**65,882,287**	65,388,463
	₱72,061,627	₱70,188,775

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱31.0 million and ₱30.5 million as at June 30, 2023 and 2022, respectively.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱1.8 million for the year ended June 30, 2023 and ₱0.8 million each year for the years ended June 30, 2022 and 2021.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	2023	2022
Balance at beginning of year	**₱13,451,307**	₱12,310,264
Unrealized fair value adjustment on equity instruments at FVOCI	**1,872,852**	1,141,043
Balance at end of year (see Note 21)	**₱15,324,159**	₱13,451,307

16. Goodwill, Intangible and Other Noncurrent Assets

	2023	2022
Goodwill	**₱266,579,313**	₱243,555,353
Advances to suppliers	**71,594,233**	19,112,618
Intangible assets (see Note 39)	**48,483,245**	49,174,773
Rental and utility deposits (see Note 29)	**34,113,820**	34,500,378
Deferred input VAT	**10,824,959**	13,755,760
Others	**4,213,950**	4,823,112
	₱435,809,520	₱364,921,994

Goodwill
As at June 30, 2023 and 2022, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs:

	2023	2022
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Alabang (see Note 39)	**23,023,960**	–
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches	**21,803,322**	21,803,322
NAMEI	**21,231,234**	21,231,234
STI Bacolod	**15,681,232**	15,681,232
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
STI Calbayog (see Note 39)	**1,325,721**	1,325,721
STI Dumaguete (see Note 39)	**604,237**	604,237
	₱266,579,313	₱243,555,353

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 10.18% to 12.6% and from 12.9% to 13.9% as at June 30, 2023 and 2022, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The management used forecasted revenue increase ranging from 0.02% to 66.10% and 6.83% to 13.32% in June 2023 and 2022, respectively, for the next five years. In 2022, the management forecasted revenue decrease ranging from 0.36% to 2.82% for certain CGUs. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 2023 and 2022. The Group recognized a provision for impairment on goodwill under general and administrative expenses amounting to ₱3.8 million for the year ended June 30, 2022 (see Note 26). No impairment was recognized for the years ended June 30, 2023 and 2021.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth – Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors. Revenue forecast of each CGU is primarily dependent on the number of students enrolled and tuition fee rates, which vary for each school.

- Long-term growth rate – Rates are based on published industry research.

- Discount rate – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC. The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to assumption that the CGUs will exist beyond ten (10) years.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Advances to Suppliers
Advances to suppliers relate to advance payments made for various transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi (2) renovation project at STI Tanay, (3) acquisition of capital assets, (4) design and set-up of the new enrollment system, (5) various ongoing projects of the other schools owned and operated by STI ESG, and (6) construction of STI WNU's new School of Basic Education building and renovation of its Engineering building. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely 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 June 30, 2023 and 2022.

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

The rollforward analyses of this account follow:

	2023	2022
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱49,174,773**	₱47,476,586
Additions	**1,291,276**	3,133,013
Amortization (see Notes 24 and 26)	**(1,982,804)**	(1,434,826)
Balance at end of year	**₱48,483,245**	₱49,174,773
Cost	**₱113,842,179**	₱112,550,903
Accumulated amortization	**(65,358,934)**	(63,376,130)
Net carrying amount	**₱48,483,245**	₱49,174,773

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).

17. **Accounts Payable and Other Current Liabilities**

	2023	2022
Accounts payable (see Note 31)	**₱457,352,866**	₱446,952,008
Dividends payable (see Note 21)	**27,411,219**	26,411,518
Nontrade payable (see Notes 1 and 34)	**17,000,000**	17,000,000
Accrued expenses:		
Contracted services	**55,619,790**	40,669,786
School-related expenses	**49,350,139**	48,064,848
Salaries, wages and benefits	**30,598,314**	33,329,119
Interest	**23,550,067**	26,583,874
Utilities	**9,176,207**	10,400,798
Advertising and promotion	**3,365,457**	7,624,460
Rent (see Note 29)	**2,366,145**	4,637,426
Others	**5,352,839**	5,441,782
Statutory payables	**31,788,805**	27,438,037
Student organization fund	**26,034,726**	14,012,993
Network events fund	**16,304,070**	12,785,275
Current portion of refundable deposits (see Note 20)	**5,663,137**	680,495
Current portion of advance rent (see Note 20)	**1,592,747**	346,370
Others	**10,701,940**	13,696,181
	₱773,228,468	₱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. Dividends payable pertains to dividends declared which are unclaimed as at reporting date and are due on demand.

c. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The Parent Company and the Agustin family decided to amicably settle ₱50.0 million of the nontrade payable by (a) executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and (b) filing a *Joint Motion for Judgment Based on Compromise Agreement* dated September 20, 2021. In the Compromise Agreement, the Parent Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the ₱50.0 million, which is the subject of the cases filed by the Agustin family (see Note 34). On September 14, 2021, the Parent Company paid ₱25.0 million to the Agustin family. Accordingly, the Parent Company recognized other income on derecognition of contingent consideration amounting to ₱25.0 million. As at June 30, 2023, the remaining balance of nontrade payable amounting to ₱17.0 million pertains to the portion of the contingent consideration to be released upon collection of STI WNU's trade receivables guaranteed as collectible by the Agustin family. As part of the Compromise Agreement, the parties also agreed to review the financial records of STI WNU to determine the status of collection (see Note 34).

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

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

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

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

h. Terms and conditions of payables to related parties are disclosed in Note 31 to the consolidated financial statements.

18. Interest-bearing Loans and Borrowings

	2023	2022
Term loan facilities[(a)]	**₱854,984,834**	₱1,272,392,785
Corporate Notes Facility[(b)]	**213,518,514**	245,666,028
Landbank ACADEME Program[I]	**3,042,276**	12,538,573
	1,071,545,624	1,530,597,386
Less current portion	**262,837,889**	239,135,979
Noncurrent portion	**₱808,707,735**	₱1,291,461,407

[(a)]*Net of unamortized debt issuance costs of ₱4.8 million and ₱7.2 million as at June 30, 2023 and 2022, respectively.*
[(b)]*Inclusive of unamortized premium of ₱3.5 million and ₱5.7 million as at June 30, 2023 and 2022, respectively.*
[c)]*Net of unamortized debt issuance costs of ₱7.9 thousand and ₱56.4 thousand as at June 30, 2023 and June 30, 2022, respectively.*

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

iACADEMY made the following drawdowns:

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

On September 28, 2018, the total drawdown amounting to ₱700.0 million was repriced at an interest rate of 6.8444% per annum. The loan facility has a term of 10 years, with a 3-year grace period on the principal repayment. The principal is payable semi-annually starting September 29, 2020, while the interest is payable semi-annually in arrears every March 29 and September 29 of each year. The interest rate shall be repriced one business day prior to each of the later interest payment date of the two relevant interest periods. Interest rate is determined based on the 1-year PHP Bloomberg Valuation Service

(BVAL) reference rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than the sum of the BSP Overnight Lending Facility Rate and one-half percent (0.50%) per annum.

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

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

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

On September 29, 2020, iACADEMY paid the ₱40.0 million regular amortization. The ₱560 million loan balance was repriced at 3.3727% per annum on September 28, 2020.

On September 16, 2021, China Bank approved iACADEMY's request to allow a partial principal prepayment in the amount of ₱120.0 million and a waiver of the 3.0% prepayment penalty. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million plus ₱40.0 million regular amortization. The prepayment shall be applied in the inverse order of maturity according to the repayment schedule. The prepayment penalty 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 March 9, 2023, China Bank approved iACADEMY's request to allow a partial principal prepayment in the amount of ₱100.0 million and a waiver of the 3% prepayment penalty.
On March 29, 2023, iACADEMY made a prepayment of ₱100.0 million plus the regular amortization of ₱40.0 million. The prepayment is applied in the inverse order of maturity according to the repayment schedule.

The revised repayment schedule, after the application of the principal prepayment in March 2023, are as follows:

Fiscal year	Amount
2024	₱80,000,000
2025	60,000,000
	₱140,000,000

Breakdown of iACADEMY's Term Loan follows:

	2023	2022
Balance at beginning of year	**₱320,000,000**	₱520,000,000
Payments	**(180,000,000)**	(200,000,000)
	140,000,000	320,000,000
Unamortized debt issuance costs	**(357,677)**	(1,635,095)
Balance at end of year	**139,642,323**	318,364,905
Less current portion	**79,795,613**	79,591,226
Noncurrent portion	**₱59,846,710**	₱238,773,679

Interest rates were repriced at the rates of 3.2068% and 5.6699% per annum effective September 28, 2021 and 2022, respectively. Starting September 28, 2023, the interest rate was adjusted to 8.0845% per annum.

Interest expense for the years ended June 30, 2023, 2022 and 2021 amounted to ₱12.6 million, ₱12.9 million and ₱22.1 million, respectively.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the EIR method. These are presented as a contra-liability account in the consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱0.4 million and ₱1.6 million as at June 30, 2023 and 2022, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱1.3 million, ₱1.0 million and ₱0.8 million for the years ended June 30, 2023, 2022 and 2021, respectively.

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

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

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

As at June 30, 2023 and 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% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.50% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

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

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum 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 the rates of 5.7895% and 6.5789% per annum effective September 19, 2021 and 2022, respectively. Starting from September 19, 2023, the interest rate was adjusted to 8.0472% per annum.

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

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

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

STI ESG's D/E ratios and DSCRs, as defined in the Term Loan Agreement, as at June 30, 2023 and 2022 are as follows:

	2023	2022
Total liabilities [(a)]	**₱4,943,137,190**	₱5,166,220,433
Total equity	**6,295,193,602**	5,892,251,942
Debt-to-equity ratio	**0.79:1.00**	0.88:1.00

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

	2023	2022
EBITDA (see Note 3)[(b)]	**₱1,248,675,261**	₱868,421,984
Total interest-bearing liabilities[(c)]	**2,631,125,982**	483,122,324
Debt service cover ratio	**0.47:1.00**	1.80:1.00

(b) *EBITDA for the last twelve months*
(c) *Total principal and interests due in the next twelve months*

On August 15, 2022, China Bank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. The total interest-bearing liabilities of the Group due in the next twelve months increased with the reclassification of the 7-year bonds of STI ESG maturing in March 2024 from noncurrent to current liabilities. With the waiver from China Bank, STI ESG is compliant with the above covenants as at June 30, 2023 and 2022.

Breakdown of STI ESG's Term Loan follows:

	2023	2022
Balance at beginning of year	**₱960,000,000**	₱1,200,000,000
Repayments	**(240,000,000)**	(240,000,000)
Balance at end of year	**720,000,000**	960,000,000
Unamortized debt issuance costs	**(4,657,489)**	(5,972,120)
Balance at end of year	**715,342,511**	954,027,880
Less current portion	**120,000,000**	120,000,000
Noncurrent portion	**₱595,342,511**	₱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, inclusive of 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 milion. 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 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.

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

Fiscal Year	Amount
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 ₱1,500.0 million.

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75% per annum. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% 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 consolidated financial statements:

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

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 ₱3.5 million and ₱5.7 million as at June 30, 2023 and 2022, respectively. Amortization of loan premium amounting to ₱2.1 million, ₱2.5 million, and ₱0.2 million for the years ended June 30, 2023, 2022 and 2021, respectively, were recognized as a reduction of interest expense in the consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of STI ESG's Credit Facility Agreement follows:

	2023	2022
Balance at beginning of year	**₱240,000,000**	₱240,000,000
Payments	**30,000,000**	–
	210,000,000	240,000,000
Add unamortized premium on corporate notes	**3,518,514**	5,666,028
Balance at end of year	**213,518,514**	245,666,028
Less current portion	**60,000,000**	30,000,000
Noncurrent portion	**₱153,518,514**	₱215,666,028

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

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the January 29, 2021 amendment):

Fiscal Year	Amount
2024	₱60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱210,000,000

STI ESG is compliant with the required financial ratios under the Corporate Notes Facility as at June 30, 2023 and 2022. As discussed in a related paragraph on the Term Loan Facility of STI ESG, China Bank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million (nil for the year ended June 30, 2022). On the same day, STI ESG fully paid the remaining principal on the same facility amounting to ₱180.0 million. In view of this loan being fully paid, the unamortized premium amounting to ₱3.5 million associated with the Corporate Notes Facility was derecognized in September 2023.

Waivers of Certain Covenants

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

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

e. 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

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

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

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

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

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

The ₱250.00 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank. STI ESG has drawn from its Term Loan/Rediscounting Line Facility with LandBank an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made to date is ₱19.1 million.

The carrying value of the loan amounted to ₱3.0 million and ₱12.5 million as at June 30, 2023 and 2022, respectively. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing in January 2024.

Short-term Loans

On January 22, 2021, STI ESG availed of a loan from Security Bank Corporation amounting to ₱100.0 million subject to an interest rate of 4.75% per annum. The loan was fully settled in March 2021. The credit line is on a clean basis. The proceeds from this loan were used for working capital requirements.

On August 24, 2020, STI ESG made a loan drawdown from its short-term credit line with Bank of the Philippine Islands (BPI) amounting to ₱300.0 million with a term of one year. The interest rate is 4.25% per annum subject to quarterly repricing. The credit line is on a clean basis. This loan was fully settled in February 2021. The proceeds from this loan were used for working capital requirements.

Interest Expense

Except for the LandBank loan, the benchmark rate for the loans of STI ESG, STI WNU, and iACADEMY is the BVAL reference rate for one-year tenor.

Interest incurred on the loans (including amortization of debt issuance costs and premium) for the years ended June 30, 2023, 2022 and 2021 amounted to ₱82.3 million, ₱89.8 million and ₱110.3 million, respectively (see Note 23).

19. Bonds Payable

	2023	2022
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	**11,577,016**	19,484,936
Balance at end of year	**2,988,422,984**	2,980,515,064
Less current portion	**2,175,083,335**	–
Noncurrent portion	**₱813,339,649**	₱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:

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value **2023**	 2022	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,175,083,335**	₱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	**813,339,649**	811,816,036	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,988,422,984**	₱2,980,515,064	

<u>Covenants</u>
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 bonds' trust agreement also contains, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements.

STI ESG's D/E ratios and DSCRs as defined in the bond trust agreement, as at June 30, 2023 and 2022 are as follows:

	2023	2022
Total liabilities[(a)]	**₱4,943,137,190**	₱5,166,220,433
Total equity	**6,295,193,602**	5,892,251,942
Debt-to-equity ratio	**0.79:1.00**	0.88:1.00

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

	2023	2022
EBITDA[b]	**₱1,248,675,261**	₱868,421,984
Total interest-bearing liabilities[c]	**528,177,322**	510,221,990
Debt service cover ratio	**2.36:1.00**	1.70:1.00

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

STI ESG obtained the required consent of the holders of the Bonds (the "Record Bondholders"), which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement).

As at June 30, 2023 and 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.

Bond Issuance Costs
STI ESG incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs were capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱11.6 million and ₱19.5 million at June 30, 2023 and 2022, respectively. Amortization of bond issuance costs amounting to ₱7.9 million, ₱7.4 million and ₱7.0 million for the years ended June 30, 2023, 2022 and 2021, respectively, were recognized as part of "Interest expense" account in the consolidated statements of comprehensive income (see Note 23).

Interest Expense
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱186.8 million, ₱186.3million and ₱185.9 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

20. **Other Noncurrent Liabilities**

	2023	2022
Advance rent - net of current portion (see Notes 17 and 29)	**₱57,809,767**	₱11,498,775
Refundable deposits - net of current portion (see Notes 17 and 29)	**49,331,720**	10,399,880
Deferred lease liability	**4,410,235**	1,295,273
Deferred output VAT	**532,282**	162,108
	₱112,084,004	₱23,356,036

Current portion of advance rent and refundable deposits are presented and disclosed in Note 17.

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

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

21. **Equity**

Capital Stock

Details as at June 30, 2023 and 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 June 30, 2023 and 2022, the Parent Company has a total number of shareholders on record of 1,264 and 1,262, respectively.

Cost of Shares Held by a Subsidiary

This account represents 500,433,895 STI Holdings shares owned by STI ESG as at June 30, 2023 and 2022 amounting to ₱498.1 million which are treated as treasury shares in the consolidated statements of financial position.

Dividends received by STI ESG related to these shares amounting to ₱7.5 million, ₱5.0 million and ₱1.9 million million for the years ended June 30, 2023, 2022 and 2021, respectively, were offset against the dividends declared as shown in the consolidated statements of changes in equity.

Other Comprehensive Income and Non-controlling Interests

	2023		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss) (see Note 28)	**₱5,481,945**	**(₱421,787)**	**₱5,060,158**
Fair value changes in equity instruments at FVOCI (see Note 15)	**15,104,760**	**219,399**	**15,324,159**
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)**
	₱20,908,160	**(₱194,537)**	**₱20,713,623**

	2022		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱27,664,542	(₱290,829)	₱27,373,713
Fair value changes in equity instruments at FVOCI (see Note 15)	13,255,113	196,194	13,451,307
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱41,241,110	(₱86,784)	₱41,154,326

	2021		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱19,277,239	(₱360,105)	₱18,917,134
Fair value changes in equity instruments at FVOCI (see Note 15)	12,149,020	161,244	12,310,264
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱31,747,714	(₱191,010)	₱31,556,704

Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱2.9 million, ₱2.0 million and ₱0.5 million for the years ended June 30, 2023, 2022 and 2021, respectively.

Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale

As at June 30, 2022, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale was reclassified to retained earnings and other equity reserve amounting to ₱89.9 million and ₱0.7 million, respectively, following the disposal of STI ESG's 20% share in the ownership of Maestro Holdings (see Note 10).

As of June 30, 2020, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale consists of:

	Attributable to Equity Holders of the Parent Company	Non-controlling Interests	Total
Share in associates':			
Fair value change in equity instruments at FVOCI	₱107,103,936	₱1,454,685	₱108,558,621
Remeasurement loss on life insurance reserves	(17,854,179)	(242,495)	(18,096,674)
Cumulative actuarial gain	676,660	9,190	685,850
Other equity reserve	718,885	9,764	728,649
	₱90,645,302	₱1,231,144	₱91,876,446

Retained Earnings

a) On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Parent Company's BOD in favor of all stockholders of record as at January 6, 2023, paid on January 31, 2023.

   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, paid on January 31, 2022.

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

   As at June 30, 2023 and 2022, unclaimed dividends amounted to ₱12.2 million are recognized as "Dividends payable" under "Accounts payable and other current liabilities" account in the consolidated statements of financial position (see Note 17).

b) Consolidated retained earnings include retained earnings of subsidiaries amounting to ₱3,653.5 million and ₱2,953.5 million as at June 30, 2023 and 2022, respectively, which are not available for dividend declaration. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 11, amounted to ₱1,667.4 million and ₱1,616.3 million as at June 30, 2023 and 2022, respectively.

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

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

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

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

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

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

Other Equity Reserve

Other equity reserve primarily consists of equity adjustment amounting to ₱1.7 billion resulting from the share swap transaction of the Parent Company with the shareholders of STI ESG, as discussed in Note 1.

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 ₱ 74.4 thousand was derecognized and other equity reserve, amounting to ₱ 15.9 million, representing the difference between the consideration paid by STI ESG and the carrying value of non-controlling interest in De Los Santos-STI College, was recognized in the consolidated financial statements.

22. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of services or goods:

	2023	2022	2021
Tuition and other school fees	**₱3,073,613,413**	₱2,436,975,046	₱1,882,717,358
Educational services	**149,075,492**	125,387,103	107,311,098
Royalty fees	**14,736,299**	12,386,738	10,560,747
Sale of educational materials and supplies	**114,976,012**	29,334,526	24,904,944
Other revenues	**53,066,737**	73,548,480	58,569,796
Total consolidated revenues	**₱3,405,467,953**	₱2,677,631,893	₱2,084,063,943

Timing of Revenue Recognition

	2023	2022	2021
Services transferred over time	**₱3,237,425,204**	₱2,574,748,887	₱2,000,589,203
Goods and services transferred at a point in time	**168,042,749**	102,883,006	83,474,740
	₱3,405,467,953	₱2,677,631,893	₱2,084,063,943

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the consolidated statements of financial position. Significant changes in the contract liabilities include the conduct of online classes in May 2020 up to July 2020 to complete the SY 2019-2020 that extended collection of tuition and other school fees after June 30, 2020 and the shift in the school calendar of SHS and tertiary students from June 2019 to March 2020 and from July 2019 to April 2020, respectively, to September 2020 to June 2021 for SY 2020-2021 for both STI ESG and STI WNU, while in the case of iACADEMY, the school calendars for SY 2019-2020 for SHS and tertiary levels were from August 2019 to May 2020 and July 2019 to June 2020, respectively, to August 2020 to up to May 2021 and August 2020 to July 2021 in SY 2020-2021 for SHS and tertiary levels, respectively, that resulted to the change in the timing of revenue recognition (see Note 2). There is no significant change in the contract liabilities and the timing of revenue recognition for SY 2021-2022 and SY 2022-2023.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱116.8 million, ₱101.8 million and ₱117.7 million for the years ended June 30, 2023, 2022 and 2021, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the years ended June 30, 2023, 2022, and 2021.

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

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

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

As at June 30, 2023 and 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 ₱141.1 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 and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

23. Interest Income and Interest Expense

Sources of interest income are as follows:

	2023	2022	2021
Cash and cash equivalents (see Note 5)	**₱16,711,920**	₱3,108,065	₱4,569,663
Past due receivables (see Notes 6 and 10)	**5,820,824**	34,952,813	946,940
Others	**62,594**	–	175,106
	₱22,595,338	₱38,060,878	₱5,691,709

Sources of interest expense are as follows:

	2023	2022	2021
Bonds payable (see Note 19)	**₱186,813,143**	₱186,337,411	₱185,890,324
Interest-bearing loans and borrowings (see Note 18)	**82,281,389**	89,839,830	110,332,251
Lease liabilities (see Note 29)	**33,139,748**	31,373,303	35,529,424
Others	**8,784,844**	5,789,039	5,313,916
	₱311,019,124	₱313,339,583	₱337,065,915

24. Cost of Educational Services

	2023	2022	2021
Faculty salaries and benefits (see Notes 27 and 28)	**₱434,472,779**	₱359,442,565	₱286,086,335
Depreciation and amortization (see Notes 11, 12 and 16)	**384,604,355**	372,600,174	382,310,903
Student activities and programs	**141,439,488**	88,514,478	57,094,748
Software maintenance	**32,904,196**	25,828,391	19,774,986
Rental (see Note 29)	**24,713,816**	20,894,547	23,469,936
School materials and supplies	**9,807,567**	5,069,829	3,581,520
Courseware development costs	**3,727,475**	997,224	1,818,376
Internet connectivity assistance	**–**	69,967,107	66,389,266
Others	**8,340,923**	12,195,277	11,675,735
	₱1,040,010,599	₱955,509,592	₱852,201,805

25. Cost of Educational Materials and Supplies Sold

	2023	2022	2021
Educational materials and supplies	**₱83,025,948**	₱21,025,868	₱18,060,810
Promotional materials	**7,577,876**	3,145,198	2,013,287
	₱90,603,824	₱24,171,066	₱20,074,097

26. **General and Administrative Expenses**

	2023	2022	2021
Salaries, wages and benefits (see Notes 27 and 28)	**₱378,969,060**	₱317,771,243	₱309,025,450
Depreciation and amortization (see Notes 11, 12 and 16)	**228,795,745**	226,856,661	232,088,162
Light and water	**162,612,112**	75,314,030	51,736,303
Outside services	**123,792,905**	82,208,118	71,003,211
Provision for:			
Expected credit losses (see Note 6)	**85,222,460**	112,657,925	41,784,612
Inventory obsolescence (see Note 7)	**₱5,601,458**	₱2,018,596	₱790,579
Impairment of goodwill (see Note 16)	**–**	3,806,174	–
Impairment of investments in and advances to associates and joint venture (see Note 13)	**–**	–	10,265,554
Professional fees	**82,160,272**	83,929,578	80,430,921
Advertising and promotions	**41,129,952**	38,044,909	53,110,317
Repairs and maintenance	**40,917,234**	24,587,811	17,007,289
Taxes and licenses	**37,647,631**	32,598,434	33,404,656
Transportation	**33,810,126**	28,992,570	26,360,918
Meetings and conferences	**21,942,686**	18,493,792	16,594,573
Insurance	**17,066,209**	17,694,309	18,830,946
Entertainment, amusement and recreation	**13,095,556**	11,797,222	11,783,780
Office supplies	**11,598,032**	7,125,420	6,628,701
Communication	**11,499,109**	11,383,618	12,635,668
Rental (see Note 29)	**10,577,723**	10,382,988	11,742,923
Software maintenance	**5,313,857**	5,696,056	3,706,757
Association dues	**2,094,983**	1,907,658	1,438,254
Others	**16,960,916**	16,073,729	14,714,561
	₱1,330,808,026	₱1,129,340,841	₱1,025,084,135

27. **Personnel Costs**

	2023	2022	2021
Salaries and wages (see Notes 24 and 26)	**₱702,369,984**	₱589,063,558	₱516,256,441
Pension expense (see Note 28)	**18,219,693**	16,772,554	15,835,887
Other employee benefits	**92,852,162**	71,377,696	63,019,457
	₱813,441,839	₱677,213,808	₱595,111,785

28. **Pension Plans**

Defined Benefit Plans

The Group (except iACADEMY, De Los Santos-STI College and STI Quezon Avenue) has a separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty and regular employees. The benefits are based on the faculties' and employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by the trustee banks under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income for the years ended June 30, 2023, 2022 and 2021 and the net pension assets/liabilities recognized in the consolidated statements of financial position as at June 30, 2023 and 2022:

	2023	2022	2021
Pension expense (recognized under "Salaries, wages and benefits" account):			
Current service cost	**₱11,360,639**	₱12,121,771	₱11,699,365
Net interest cost	**6,859,054**	4,650,783	4,136,522
	₱18,219,693	₱16,772,554	₱15,835,887

	2023	2022	2021
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱219,785,836**	₱186,297,728	₱186,305,635
Fair value of plan assets	**(79,986,514)**	(77,642,301)	(80,896,171)
	₱139,799,322	₱108,655,427	₱105,409,464

The Group offsets its pension assets and pension liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	2023	2022	2021
Changes in the present value of defined benefit obligations:			
Balance at beginning of period	**₱186,297,728**	₱186,305,635	₱208,183,187
Current service cost	**11,360,639**	12,121,771	11,699,365
Interest cost	**11,901,428**	8,170,086	7,805,168
Settlement gain	**–**	–	(549,826)
Benefits paid	**(9,179,694)**	(9,172,562)	(26,822,868)
Actuarial loss (gain) on obligations:			
Deviations of experience from assumptions	**9,154,667**	2,477,632	(4,326,241)
Financial assumptions	**10,251,068**	(13,604,834)	(8,982,910)
Demographic assumptions	**–**	–	(700,240)
Balance at end of period	**₱219,785,836**	₱186,297,728	₱186,305,635
Changes in the fair value of plan assets:			
Balance at beginning of period	**₱77,642,301**	₱80,896,171	₱92,780,346
Interest income	**5,042,374**	3,519,303	–
Contributions	**5,869,249**	2,492,754	8,346,028
Benefits paid	**(9,179,694)**	(9,093,156)	(26,960,112)
Net transfer	**–**	2,315,225	–
Actuarial gain (losses) on plan assets	**612,284**	(2,487,996)	3,061,264
Actual returns on plan assets	**–**	–	3,668,645
Balance at end of period	**₱79,986,514**	₱77,642,301	₱80,896,171

The principal assumptions used in determining pension liabilities are shown below:

	2023	2022	2021
Discount rate	**6.21%-6.22%**	5.03%-6.52%	4.29%-5.03%
Future salary increases	**4.00%-8.00%**	4.00%-5.00%	3.00%-5.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2023	2022	2021
Cash and cash equivalents	**0%**	8%	2%
Short-term fixed income	**61%**	55%	58%
Investments in equity securities	**33%**	31%	34%
Investments in debt securities	**6%**	6%	6%
	100%	100%	100%

The plan assets of the Group are maintained by the respective Trust Departments of the Union Bank of the Philippines, Land Bank of the Philippines and Rizal Commercial Banking Corporation Trust and Investments Group.

Details of the Group's net assets available for plan benefits and their related market values are as follows:

	2023	2022
Cash	**₱265,939**	₱6,371,560
Short-term fixed income	**49,143,130**	42,651,127
Investments in:		
Equity securities	**26,748,450**	23,887,726
Government securities	**3,828,671**	4,733,879
Others	**324**	(1,991)
	₱79,986,514	₱77,642,301

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to STI ESG's Retirement Fund investment in the shares of the Parent Company which has a fair value of ₱0.38 and ₱0.34 per share as at June 30, 2023 and 2022, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱8.4 million and ₱11.2 million as at June 30, 2023 and 2022, respectively.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from 1 to 14 years and bear interest rates ranging from 2.38% to 6.25%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

Management performs Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 55.0% of short-term fixed income, 31.0% of equity instruments, 6.0% of debt securities and 8.0% of cash and cash equivalents.

The average duration of the defined benefit obligation of the entities in the Group as at June 30, 2023 ranges from 7 to 25 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2023 and 2022:

	2023	2022
Less than one year	**₱55,907,643**	₱6,983,586
More than one year to five years	**73,749,876**	104,380,465
More than five years to ten years	**115,724,353**	98,089,566
More than ten years to fifteen years	**156,198,950**	113,177,988
More than fifteen years to twenty years	**192,146,488**	180,076,470
More than twenty years	**243,397,179**	220,447,413

The expected contribution of the Group in 2024 is ₱8.9 million.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Define Benefit Obligation		
	2023	2022	2021
Discount rates			
Increase by 1%	**(₱13,703,195)**	(₱9,340,032)	(₱13,440,669)
Decrease by 1%	**16,309,156**	14,089,707	15,915,189
Future salary increases			
Increase by 1%	**16,291,595**	14,345,858	15,972,824
Decrease by 1%	**(14,065,887)**	(12,594,429)	(13,964,240)
Employee turnover			
Increase by 10%	**2,625,302**	1,528,582	(1,163,092)
Decrease by 10%	**(2,625,302)**	(1,528,582)	1,163,092

<u>Defined Contribution Plans</u>

Up to May 2022, De Los Santos-STI College and STI Quezon Avenue had a funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and had been a participating employer in CEAP Retirement Plan. The De Los Santos Plan had a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution was optional.

De Los Santos-STI College and STI Quezon Avenue's contributions consist of future service cost and past service cost. Future service cost was equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost was equal to 5.00% of the employees' average monthly salary for a 12 month period, immediately preceding the date of De Los Santos-STI College and STI Quezon Avenue's participation in CEAP, multiplied by the number of years of past service amortized over ten (10) years. Future service referred to the periods of covered employment on or after the date of De Los Santos-STI College and STI Quezon Avenue's participation in CEAP. Past service referred to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI Quezon Avenue as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI Quezon Avenue had given the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI Quezon Avenue then provided an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitored compliance with RA No. 7641. As at June 30, 2021, the Group is in compliance with the requirements of RA No. 7641.

Philippine Interpretations Committee Q&A No. 2013-03 had required De Los Santos-STI College's defined contribution plan to be accounted for as defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension had been performed every year-end. Based on the last actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan. However, the amount was not significant.

In May 2022, after settling the retirement obligations to its employees, the retirement funds from CEAP aggregating to ₱6.1 million have been transferred to one of the trustee banks that administers the retirement funds of the Group.

Total pension expense recognized in profit or loss follows:

	2023	2022	2021
Defined benefit plans	**₱18,219,693**	₱16,772,554	₱15,825,755
Defined contribution plans	**–**	–	10,132
	₱18,219,693	₱16,772,554	₱15,835,887

29. **Leases**

As Lessor
The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods ranging from 2 to 10 years. Certain leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of the Group's properties primarily used for school operations such as auditorium, classrooms and gymnasiums.

Total rental income for the years ended June 30, 2023, 2022 and 2021 amounted to ₱178.1 million, ₱71.0 million and ₱116.8 million, respectively (see Notes 12 and 31).

The Group receives refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements and advanced rental payment which will be applied on the last months of the lease. The current and noncurrent portion of advance rent and deposit liabilities are recorded under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" account, respectively, in the consolidated statements of financial position. These pertain to the advances and refundable deposits made by the lessees to iACADEMY and STI ESG (see Notes 17 and 20).

Future minimum rental receivable for the remaining lease terms as at June 30, 2023 and 2022 follows:

	2023	2022
Within one year	**₱189,514,903**	₱162,295,861
After one year but not more than five years	**539,402,118**	289,339,409
Total	**₱728,917,021**	₱451,635,270

In September 2022, STI ESG has agreed to lease to a third party a segment of its STI Academic Center Pasay EDSA property comprising a total area of 610 square meters. STI ESG has advanced the costs to complete the fit-out requirements which the third party will reimburse with an additional 7.5% to cover the cost of money. The related contract costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date (see Note 6).

As Lessee
The Group leases land and building spaces, where the corporate office and schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate. Certain transportation equipment were acquired under lease agreements with varying terms and periods ranging from 3 to 5 years.

Total rental expense charged to operations for the years ended June 30, 2023, 2022 and 2021 amounted to ₱35.3 million, ₱31.3 million and ₱35.2 million, respectively (see Notes 24 and 26).

The Group paid the lessors refundable deposits equivalent to several months of rental payments as security for their observance and faithful compliance with the terms and conditions of the agreement (see Note 16).

The following are the amounts recognized in the consolidated statements of comprehensive income:

	2023	2022	2021
Depreciation expense of right-of-use assets included in property and equipment and investment properties (see Notes 11 and 12)	**₱85,474,468**	₱75,627,498	₱77,290,816
Interest expense on lease liabilities (see Note 23)	**33,139,748**	31,373,303	35,529,424
Expenses relating to short-term leases (see Notes 24 and 26)	**32,729,999**	29,903,826	34,031,392
Variable lease payments (see Notes 24 and 26)	**2,561,540**	1,373,709	1,181,467
	₱153,905,755	₱138,278,336	₱148,033,099

As a consequence of the COVID-19 pandemic, some lessors of the Group provided rent concessions for the years ended June 30, 2022 and 2021 such as discounts ranging from 25.0% to 50.0% of rental payments, waiver of rent for a certain month, or deferral of rental over six to twelve months, among others. The Group applied the practical expedient provided by the amendments to PFRS 16 for rent concessions granted to the Group that meet the aforementioned criteria resulting in recognition of income from rent concessions aggregating to ₱6.1 million and ₱39.7 million recognized under "Other income (expenses) - net" for the years ended June 30, 2022 and 2021 in the consolidated statements of comprehensive income.

The Group had negotiated several rent concessions with the lessors that affected payments and were accounted as lease modifications, as they were not eligible for the application of practical expedient. Lease modification amounted to ₱1.7 million and ₱4.2 million during the years ended June 30, 2023 and 2022, respectively.

For the year ended June 30, 2021, the Group exercised termination options for some operating leases resulting in the reversal of the ROU assets and lease liabilities amounting to ₱22.8 million and ₱24.0 million, respectively. The net effect of the reversal amounting to ₱1.2 million was recognized as other income under "Other income (expenses) - net" in the June 30, 2021 consolidated statement of comprehensive income.

The rollforward analysis of lease liabilities as at June 30, 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱473,316,566**	₱484,817,384
Additions (see Note 11)	**165,482,070**	37,329,614
Lease termination/modification	**(1,742,210)**	4,236,109
Rent concessions (see Note 2)	**–**	(6,054,606)
Interest expense (see Note 23)	**33,139,748**	31,337,880
Payments	**(133,436,395)**	(78,349,815)
Balance at end of year	**536,759,779**	473,316,566
Less current portion	**98,513,595**	109,244,620
Non-current portion	**₱438,246,184**	₱364,071,946

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

	2023	2022
Within one year	**₱112,348,981**	₱104,087,437
After one year but not more than five years	**356,600,903**	288,414,103
More than five years	**242,361,406**	222,078,041
Total	**₱711,311,290**	₱614,579,581

30. Income Tax

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporations - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.0%) on its taxable income.

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

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

- Preferential income tax rate for proprietary educational institutions which is reduced from 10.0% to 1.0% effective July 1, 2020 to June 30, 2023.

- Corporate income tax rate is reduced from 30.0% to 20.0% for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations and resident foreign corporations are subject to 25.0% income tax. Said reductions are effective July 1, 2020.

- MCIT rate is reduced from 2.0% to 1.0% effective July 1, 2020 to June 30, 2023.

- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others the merger and consolidation.

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

Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate for all its subsidiaries which are proprietay educational institutions while the Parent Company adopted the 25.0% income tax rate effective on July 1, 2020.

On December 10, 2021, President Rodrigo R. Duterte signed into law RA No. 11635 entitled, "An Act Amending Section 27(B) of the National Internal Revenue Code (NIRC) of 1997, as amended, and for other purposes". The law clarifies the entitlement of proprietary educational institutions to the preferential tax rate of 10.0% under the NIRC and the 1.0% income tax rate beginning July 1, 2020 until June 30, 2023, by virtue of the CREATE Act which was published on March 27, 2021 and took effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The components of recognized net deferred tax assets and net deferred tax liabilities are as follows:

	2023	2022
Deferred tax assets:		
Lease liabilities	**₱49,876,344**	₱39,804,933
Allowance for expected credit losses	**29,176,207**	10,264,656
Pension liabilities	**10,451,930**	6,857,435
Unearned tuition and other school fees	**6,764,521**	761,032
Advance rent	**2,484,479**	938,736
NOLCO	**2,414,755**	1,199,522
Excess of cost over net realizable value of inventories	**2,412,171**	1,728,277
Impairment of noncurrent asset held for sale	**1,596,663**	159,666
Unamortized loan premium	**351,851**	182,281
	105,528,921	61,896,538
Deferred tax liabilities:		
Right-of-use assets	**(42,615,932)**	(29,079,013)
Unrealized foreign exchange gain	**(4,618,621)**	(445,651)
Intangible assets	**(2,762,187)**	(2,762,187)
Excess of fair value over derecognized STI Tanay receivables	**(2,036,577)**	(2,565,139)
Unamortized debt issue costs	**(803,676)**	(626,835)
Excess of rental under operating lease computed on a straight-line basis	**(971,059)**	(341,267)
Security deposit	**(729,924)**	–
Accrued rent income under PFRS 16	**(208,020)**	(20,803)
Unamortized deposit discount	**(39,635)**	(39,635)
	(54,785,631)	(35,880,530)
Net deferred tax assets	**₱50,743,290**	₱26,016,008

	2023	2022
Deferred tax liabilities:		
Excess of fair values over carrying values of net assets acquired in business combination	**(₱120,802,485)**	(₱120,879,944)
Right-of-use assets	**(4,022,343)**	–
Deferred tax assets:		
Allowance for expected credit losses	**8,985,415**	5,105,119
Pension liabilities	**3,472,212**	1,991,367
Unearned tuition and other school fees	**2,127,876**	202,317
Unamortized past service cost	**932,451**	531,545
Net deferred tax liabilities	**(₱109,306,874)**	(₱113,049,596)

Certain deferred tax assets of the Group were not recognized as at June 30, 2023 and 2022 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO and MCIT for which no deferred tax assets were recognized:

	2023	2022
NOLCO	**₱326,492,189**	₱262,285,346
Allowance for impairment of advances to associates	**48,134,540**	48,134,540
Lease liabilities	**16,397,611**	–
MCIT	**583,714**	895,355
	₱391,608,054	₱311,315,241

The Group has incurred NOLCO before the taxable year 2020 and taxable year 2023 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2023	2024-2026	₱64,491,853	₱–	₱–	₱64,491,853
2020	2021-2023	42,358,081	(4,360,823)	(37,997,258)	–
		₱106,849,934	(₱4,360,823)	(₱37,997,258)	₱64,491,853

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group has incurred NOLCO for the years ended June 30, 2022 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2022	2023-2027	₱104,684,005	₱–	₱–	₱104,684,005
2021	2022-2026	188,603,944	(7,643,279)	–	180,960,665
2020	2021-2025	503,216	–	–	503,216
		₱293,791,165	(₱7,643,279)	₱–	₱286,147,886

The Parent Company's MCIT which can be claimed as deduction from future regular income tax due follows:

Year Incurred	Expiry Date	Amount
2023	2026	₱193,500
2022	2025	193,518
2021	2024	196,696
2020	2023	505,141
		1,088,855
Less expired		505,141
		₱583,714

The reconciliation of the provision for (benefit from) income tax on income (loss) before income tax computed at the effect of the applicable statutory income tax rate to the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2023	2022	2021
Provision for (benefit from) income tax at statutory income tax rate	**₱214,527,655**	₱106,760,911	₱6,213,223
Income tax effects of:			
Interest income already subjected to final tax	**(4,177,980)**	(777,016)	(1,422,927)
Royalty fees subjected to final tax	**(3,684,075)**	(3,096,685)	(2,640,187)
Dividend income	**(623,761)**	(301,707)	(199,631)
Equity in net losses (earnings) of associates and joint venture	**(564,685)**	5,060,549	1,150,898
Nondeductible expenses	**6,392,400**	1,617,450	7,268,238
Income on derecognition of contingent consideration	**–**	(6,250,000)	–
Gain on sale of noncurrent asset held for sale	**–**	–	(3,865,200)
Difference in income tax rates and others	**(227,593,218)**	(92,213,253)	(83,381,994)
Provision for (benefit from) income tax	**(₱15,723,664)**	₱10,800,249	(₱76,877,580)

Others include income tax effect of change in unrecognized deferred tax assets and expired NOLCO and MCIT.

31. Related Party Transactions

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

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

	Amount of Transactions during the Year			**Outstanding Receivable (Payable)**			
Related Party	**2023**	2022	2021	**2023**	2022	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱–**	₱–	₱10,265,554	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW							
Rental income and other charges	**1,084,704**	984,918	1,099,024	**10,657,720**	10,023,871	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	–	–	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured

(Forward)

Related Party	Amount of Transactions during the Year 2023	2022	2021	Outstanding Receivable (Payable) 2023	2022	Terms	Conditions
STI Alabang**							
Educational services and sale of educational materials and supplies	**₱7,668,672**	₱9,757,814	₱8,815,844	**₱–**	₱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	**10,461,238**	7,733,087	7,883,912	**248,242**	280,544	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Facility sharing and other charges	**13,926,146**	12,871,190	11,089,313	**455,516**	1,389,786	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**13,622,909**	5,647,342	10,104,806	**(4,911)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	129,496	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Reimbursement for various expenses	–	–	80,715	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Phils First Insurance Co., Inc.							
Rental and other charges	**4,842,840**	4,646,051	4,680,365	**–**	10,741	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**16,997,815**	15,642,703	17,730,944	**(237,996)**	(752,170)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues and other charges	**13,879,981**	10,030,475	8,860,618	**(20,941)**	(268,641)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Facility sharing, utilities other charges	**13,075,942**	12,785,210	13,079,571	**300,368**	2,450,756	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**370,925**	558,035	395,232	**–**	(2,627)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	–	129,496	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
GROW VITE Staffing Services							
Rental income and other charges	**1,597,514**	1,619,958	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and staffing services	**28,791,006**	16,740,546	1,870,624	**(2,104,323)**	(246,746)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**932,996**	145,938	–	**182,738**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees							
Advances for various expenses	**58,855,408**	19,976,405	16,003,768	**31,748,600**	20,156,504	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Facility sharing and other charges	**643,051**	313,181	300,000	**965,550**	1,350,565	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**400,000**	772,581	767,366	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
				₱86,325,926	₱100,257,842		

**Affiliates are entities under common control of a majority Shareholder*
***Became a wholly-owned subsidiary effective March 16, 2023*

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:

	2023	2022
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**31,748,600**	20,156,504
Rent, utilities and other related receivables (see Note 6)	**12,561,892**	15,225,719
Educational services and sale of educational materials and supplies (see Note 6)	**248,242**	22,010,440
Accounts payable (see Note 17)	**(6,367,348)**	(5,269,361)
	₱86,325,926	₱100,257,842

Outstanding balances of transactions with subsidiaries which were eliminated at the consolidated financial statements follow:

	Amount of Transactions during the Year			**Outstanding Receivable (Payable)**			
Category	**2023**	2022	2021	**2023**	2022	**Terms**	**Conditions**
Subsidiaries							
STI ESG							
Advisory fee	**₱14,400,000**	₱14,400,000	₱14,400,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
Reimbursements	**95,732**	27,879	16,938	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividends paid	**7,506,493**	5,004,328	1,851,602	**–**	–	Due and demandable; noninterest-bearing	Unsecured
Dividend received	**212,843,613**	152,031,152	39,464,558	**–**	–	Due and demandable; noninterest-bearing	Unsecured
STI WNU							
Advisory fee	**3,600,000**	3,600,000	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend received	**–**	24,964,635	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured
AHC							
Payable to AHC	**–**	–	–	**(63,778,000)**	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY							
Advisory fee	**510,000**	510,000	722,500	**–**	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

The Parent Company executed a Surety Agreement in relation to its subsidiaries' loan facilities with LandBank (see Notes 18 and 34).

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2023	2022	2021
Short-term employee benefits	**₱73,010,947**	₱64,417,303	₱63,364,230
Post-employment benefits	**3,382,213**	5,453,649	3,992,478
	₱76,393,160	₱69,870,952	₱67,356,708

Material Related Party Transactions Policy

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

32. Basic and Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company

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

	2023	2022	2021
Net income attributable to equity holders of STI Holdings (a)	**₱870,268,404**	₱414,028,434	₱102,820,252
Common shares outstanding at beginning and end of period (b) (see Note 21)	**9,904,806,924**	9,904,806,924	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings (a)/(b)	**₱0.088**	₱0.042	₱0.010

The basic and diluted earnings per share are the same for the years ended June 30, 2023, 2022, and 2021 as there are no dilutive potential common shares.

33. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of STI ESG approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI ESG to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

STI ESG is planning to amend the terms of the GOKs to conform with future business strategies. As at October 13, 2023, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

34. **Contingencies and Commitments**

Contingencies

a. *Agreements with PWU and Unlad.* On 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 properties and the Davao property 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 and reclassified these as noncurrent asset held for sale as these properties have not been used in business since its receipt (see Notes 10 and 12). The Davao property remained as investment property.

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

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

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

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

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

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

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

   As at October 13, 2023, 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 the 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.

On April 11, 2023, the Court of Appeals declared that the Motion for Reconsideration filed by the Heirs of Plaintiff Benitez II is submitted for resolution.

As at October 13, 2023, the Court of Appeals has not issued its decision on the said Motion for Reconsideration.

(ii) *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 to a portion of the balance of the purchase price.

In order to expedite the proceedings, the Agustin family was able to submit the case for summary judgment by the Trial Court. Despite the opposition thereto, the Trial Court rendered its Decision dated April 4, 2018 (the "Summary Judgment"). In the Summary Judgment, the Trial Court ordered the 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.

Both parties sought their respective remedies before the Court of Appeals - Cebu to question (a) the Summary Judgment against the Company (CA G.R. CV No. 07140) and (b) the Stay Order against the execution of the Summary Judgment in favor of the Agustin family (CA G.R. CV No. 12663) (collectively, the "CA Cases").

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 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 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 upon returning from preventive suspension. She allegedly no longer had any work to go back to because the STI ESG-owned company purportedly removed her workplace from the school premises. STI ESG countered the complainant's claim that she was dismissed by presenting the complainant's one-liner resignation letter.

The labor arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of the 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. The 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 the 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, the 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 the complainant is deemed to have waived her filing of a comment to the petition for certiorari and directed the parties to file their respective memorandum. Consequently, with the filing of the parties' respective memorandum, the Court declared the petition submitted for decision.

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

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

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

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

As October 13, 2023, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

(iii) 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, the 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 does not intend to file a reply to STI ESG's comment anymore.

On April 18, 2023, STI ESG received a copy of the Decision of the Court of Appeals dismissing the petition for certiorari filed by complainant for lack of evidence. On May 31, 2023, STI ESG received a copy of the motion for reconsideration filed by complainant.

As October 13, 2023, STI ESG has yet to receive any order from the Court of Appeals directing it to file any responsive pleading to the motion for reconsideration filed by complainant.

d. *Specific Performance Case*. STI College Cebu, Inc. (STI Cebu) and STI ESG’s Finance Officer were named defendants in a case filed by certain individuals for specific performance and damages. In their Complaint, the Plaintiffs sought the execution of a 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, 2021.

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.

After the parties filed their respective brief(s), STI ESG received the Decision dated February 27, 2023 on March 20, 2023. Based on the Decision, the Court of Appeals affirmed *in toto* the Trial Court's Order(s).

On May 3, 2023, STI ESG received the Motion for Reconsideration filed by the Plaintiffs.

Upon order of the Court of Appeals, STI ESG filed its Opposition dated July 14, 2023.

On August 29, 2023, STI ESG received the Plaintiff's Motion for Leave to file a Reply to the Opposition.

On September 28, 2023, STI ESG, through counsel, received the Resolution of the Court of Appeals, which submitted the Motion for Reconsideration filed by the Plaintiffs for resolution. Insofar as the Reply filed by the Plaintiffs, the same was merely noted by the Court of Appeals.

As at report date, STI ESG is awaiting the resolution from the Court of Appeals.

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 Court of Appeals affirmed its decision when it denied the Motion for Reconsideration filed by the Plaintiff.

On January 11, 2023, STI ESG, through counsel, received the Petition for Certiorari on Review (Petition) filed by the Plaintiff before the Supreme Court.

On September 14, 2023, STI ESG, through counsel, received the Resolution issued by the Supreme Court. In the Resolution, the Supreme Court denied the Petition filed by the Plaintiff.

Under the Rules of Court, the Plaintiff may file a Motion for Reconsideration. Otherwise, the dismissal of Plaintiff's claim against STI ESG and award of damages in favor of STI ESG will become final and executory.

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 the 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 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 ₱0.7 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 ₱4.0 million. As at June 30, 2023, STI ESG has recognized an allowance corresponding to its estimated credit losses.

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.

This case is deemed terminated.

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 in 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 was implemented when (a) the former Cashier partially paid the outstanding obligation to iACADEMY and (b) iACADEMY did not actively participate in the prosecution of the case. Consequently, the Court caused the provisional dismissal of the case.

iACADEMY may revive the case or file a new case if the former Cashier fails to pay the balance of the said obligation as provided in the agreement. Based on the agreement, the former Cashier should fully settle her obligation within two (2) years from execution of the Compromise Agreement.

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

Commitments

a. Financial Commitments

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. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 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. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing in January 2024.

STI ESG has a ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2023, 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. As at June 30, 2023 and 2022, there is no outstanding availment from these lines.

b. Capital Commitments

As at June 30, 2023 and June 30, 2022, STI ESG has contractual commitments for (1) the renovation of its office condominium units. (2) construction of the STI Training Academy Center (3) renovation works for STI Naga and STI Baguio (4) construction of STI Academic Center Legazpi (5) canteen and basketball roofing project for STI Legazpi, and (6) various renovation projects in select STI schools owned and operated by STI ESG.

The total contract costs for the renovation of STI ESG's office condominium aggregated to ₱88.0 million of which ₱80.2 million and ₱78.7 million have been paid as at June 30, 2023 and 2022, respectively.

The construction works for the STI Training Academy Center has a total project cost of ₱15.3 million of which ₱14.8 million and ₱14.4 million have been paid as at June 30, 2023 and 2022, respectively.

The renovation works for STI Naga and STI Baguio have total project costs of ₱8.6 million and ₱7.4 million, respectively. STI ESG has paid an aggregate of ₱8.4 million for the renovation works in STI Naga as at June 30, 2023 and 2022, while an aggregate of ₱6.4 million and ₱6.1 million has been settled for the renovation works in STI Baguio as at June 30, 2023 and 2022, respectively.

The construction of STI Academic Center Legazpi has an aggregate project cost of ₱251.8 million of which ₱239.4 million and ₱238.3 million have been paid as at June 30, 2023 and 2022, respectively. The canteen and basketball roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million of which ₱7.7 million, representing 30.0% down payment, has been paid as at June 30, 2023.

As at June 30, 2023, the Group likewise has various renovation projects in select STI schools owned and operated by STI ESG with aggregate project cost of ₱55.5 million, of which ₱34.1 million has been settled as at June 30, 2023.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱274.7 million and ₱38.9 million as at June 30, 2023 and 2022, respectively. Of these, ₱175.2 million and ₱28.8 million have been paid as at June 30, 2023 and 2022, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal and Cebu Campus totaling ₱1,100.7 million and ₱1,059.6 million as at June 30, 2023 and 2022, respectively. Of these, ₱1,029.3 million and ₱982.9 million have been paid as at June 30, 2023 and 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 by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan’s declaration of stock dividends to STI ESG based on STI Tanauan’s unrestricted retained earnings as of March 31, 2017 and cash payments by the Joint Venture Parties.

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

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

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

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

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

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

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

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). The RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under this TES Program, CHED pays directly the schools where these students enrolled.

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

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

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

STI ESG and RAFT have agreed to terminate this agreement effective January 31, 2023. In lieu of this agreement, STI ESG/NAMEI will draft an onboarding agreement where RAFT will get cadets from STI ESG/NAMEI as long as they meet the selection criteria, and the school passes an annual audit.

35. Financial Risk Management Objectives and Policies

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group’s operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group's BOD and management reviews and agrees on the policies for managing each of these risks as summarized below.

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

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

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to associates and joint venture of thirty (30) to one hundred eighty (180) days.

As at June 30, 2023 and 2022, the Group's current assets amounted to ₱3,781.6 million and ₱3,421.6 million, respectively, while current liabilities amounted to ₱3,451.9 million and ₱1,201.8 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at October 13, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service cover ratio to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00. DSCR, as defined in the loan agreement, as at June 30, 2023 and 2022 is 0.60:1.00 and 1.95:1.00, respectively. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR as discussed in Note 18. STI ESG has been compliant with the DSCR imposed under the bond trust agreement governing its bonds issue. iACADEMY is compliant with the DSCR required by the local lender bank.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities as at financial reporting date based on undiscounted contractual payments.

	2023				
	Due and Demandable	**Less than 3 Months**	**3 to 12 Months**	**More than 1 Year**	**Total**
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱1,958,767,553**	**₱–**	**₱–**	**₱–**	**₱1,958,767,553**
Receivables*	**151,344,394**	**53,165,148**	**148,157,864**	**86,224,864**	**438,892,270**
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	**–**	**–**	**1,097,372**	**34,113,820**	**35,211,192**
Equity instruments at FVPL	**8,990,000**	**–**	**–**	**–**	**8,990,000**
Equity investments designated at FVOCI	**–**	**–**	**–**	**72,061,627**	**72,061,627**
	₱2,119,101,947	**₱53,165,148**	**₱149,255,236**	**₱192,400,311**	**₱2,513,922,642**
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	**₱614,191,398**	**₱9,711,502**	**₱72,880,168**	**₱29,652,982**	**₱726,436,050**
Nontrade payable	**17,000,000**	**–**	**–**	**–**	**17,000,000**
Bonds payable:					
Principal	**–**	**–**	**2,180,000,000**	**820,000,000**	**3,000,000,000**
Interest	**–**	**–**	**147,253,896**	**188,491,085**	**335,744,981**
Interest-bearing loans and borrowings:					
Principal	**–**	**39,795,613**	**223,042,276**	**810,000,000**	**1,072,837,889**
Interest	**–**	**33,307,108**	**41,342,217**	**93,256,159**	**167,905,484**
Lease liabilities	**–**	**39,076,921**	**70,912,433**	**601,321,936**	**711,311,290**
Other noncurrent liabilities***	**–**	**–**	**–**	**49,331,720**	**49,331,720**
	₱631,191,398	**₱121,891,144**	**₱2,735,430,990**	**₱2,592,053,882**	**₱6,080,567,414**

	2022				
	Due and Demandable	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,568,718,083	₱–	₱–	₱–	₱1,568,718,083
Receivables*	220,457,833	17,924,264	136,491,591	135,978,151	510,851,839
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	–	–	806,459	34,076,497	34,882,956
Equity instruments at FVPL	9,610,000	–	–	–	9,610,000
Equity investments designated at FVOCI	–			70,188,775	70,188,775
	₱1,798,785,916	₱17,924,264	₱137,298,050	₱240,243,423	₱2,194,251,653
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	₱598,095,703	₱10,536,614	₱80,870,459	₱2,134,158	₱691,636,934
Nontrade payable	17,000,000	–	–	–	17,000,000
Bonds payable:					
Principal	–	–	–	3,000,000,000	3,000,000,000
Interest	–	–	178,905,220	335,744,980	514,650,200
Interest-bearing loans and borrowings:					
Principal	–	39,591,226	199,544,753	1,293,050,204	1,532,186,183
Interest	–	38,156,988	49,558,869	136,728,869	224,444,726
Lease liabilities	11,025,000	36,616,881	56,250,779	510,686,921	614,579,581
Other noncurrent liabilities***	–	–	–	10,399,880	10,399,880
	₱626,120,703	₱124,901,709	₱565,130,080	₱5,288,745,012	₱6,604,897,504

**Excluding advances to officers and employees amounting to ₱31.7 million and ₱20.2 million as at June 30, 2023 and 2022, respectively.*
*** Excluding taxes payable, SSS, Philhealth, Pag-ibig benefits payable and advance rent amounting to ₱29.8 million and ₱25.6 million as at June 30, 2023 and 2022, respectively.*
****Excluding advance rent, deferred lease liability and deferred output VAT amounting to ₱62.7 million and ₱13.0 million as at June 30, 2023 and 2022, respectively.*

As at June 30, 2023 and 2022, the Group's current ratios are as follows:

	2023	2022
Current assets	**₱3,781,571,176**	₱3,421,552,726
Current liabilities	**3,451,887,036**	1,201,849,386
Current ratios	**1.10:1.00**	2.85:1.00

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity instruments at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2023 and 2022, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2023		2022	
	Gross Maximum Exposure[(1)]	**Net Maximum Exposure[(2)]**	Gross Maximum Exposure[(1)]	Net Maximum Exposure[(2)]
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱1,946,365,998**	**₱1,918,365,998**	₱1,566,560,371	₱1,538,060,371
Receivables*	**821,320,349**	**821,320,349**	823,226,336	823,226,336
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**34,113,820**	**34,113,820**	34,500,377	34,500,377
	₱2,801,800,167	**₱2,773,800,167**	₱2,424,287,084	₱2,395,787,084

* *Excluding advances to officers and employees amounting to₱31.7 million and ₱20.2 million as at June 30, 2023 and 2022, respectively.*

(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*

(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Group's credit rating system as at June 30, 2023 and 2022:

	2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,908,980,849**	**₱373,936,361**	**₱–**	**₱2,282,917,210**
Class B	**–**	**286,504,522**	**–**	**286,504,522**
Class C	**–**	**209,154,198**	**11,677,882**	**220,832,080**
Gross carrying amount	**1,908,980,849**	**869,595,081**	**11,677,882**	**2,790,253,812**
ECL	**–**	**(191,051,900)**	**(11,677,882)**	**(202,729,782)**
Carrying amount	**₱1,908,980,849**	**₱678,543,181**	**₱–**	**₱2,587,524,030**

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱1,552,164,948	₱402,560,402	₱–	₱1,954,725,350
Class B	–	240,651,380	–	240,651,380
Class C	–	228,560,935	16,188,663	244,749,598
Gross carrying amount	1,552,164,948	871,772,717	16,188,663	2,440,126,328
ECL	(1,220,931)	(296,195,834)	(14,967,732)	(312,384,497)
Carrying amount	₱1,550,944,017	₱575,576,883	₱1,220,931	₱2,127,741,831

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A – *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.

- Class B – *Receivables* from customers who settle their obligations within tolerable delays.

- Class C – *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
2023	**₱205,578,839**	**₱77,319,724**	**₱13,454,443**	**₱299,608,347**	**(₱368,524,991)**	**₱227,436,362**
2022	222,970,790	67,117,208	12,768,069	310,606,268	(296,195,834)	317,266,501

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

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the years ended June 30, 2023, 2022 and 2021:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2023**	2022	2021
+100 bps	**(₱40,849,483)**	(₱45,495,216)	(₱46,282,060)
-100 bps	**40,849,483**	45,495,216	46,282,060

Capital Risk Management Policy

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

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

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

The Group considers its equity contributed by stockholders, net of cost of shares held by a subsidiary, as capital.

	2023	2022
Capital stock	**₱4,952,403,462**	₱4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Retained earnings	**5,219,942,618**	4,485,334,148
	₱10,793,330,460	₱10,058,721,990

The Group's debt-to-equity ratios are as follows:

	2023	2022
Total liabilities*	**₱5,732,233,601**	₱5,966,116,544
Total equity	**9,209,810,499**	8,494,964,642
Debt-to-equity ratio	**0.62:1.00**	0.70:1.00

**Excluding unearned tuition and other school fees of ₱141.1 million and ₱116.8 million as at June 30, 2023 and 2022, respectively.*

The Group's asset-to-equity ratios are as follows:

	2023	2022
Total assets	**₱15,083,181,303**	₱14,577,923,503
Total equity	**9,209,810,499**	8,494,964,642
Asset-to-equity ratio	**1.64:1.00**	1.72:1.00

No changes were made in the objectives, policies or processes for the years ended June 30, 2023, 2022 and 2021.

36. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at June 30, 2023 and 2022. There are no material unrecognized financial assets and liabilities as at June 30, 2023 and 2022.

	2023				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost -					
Rental and utility deposits	**₱35,211,192**	**₱35,211,192**	**₱–**	**₱–**	**₱35,211,192**
Equity instruments designated at FVOCI	**72,061,627**	**71,708,707**	**6,179,340**	**55,155,229**	**10,374,138**
	₱107,272,819	**₱106,919,899**	**₱6,179,340**	**₱55,155,229**	**₱45,585,330**
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	**₱54,994,857**	**₱40,934,497**	**₱–**	**₱–**	**₱40,934,497**

	2022				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost -					
Rental and utility deposits	₱34,882,956	₱34,882,956	₱–	₱–	₱34,882,956
Equity instruments designated at FVOCI	70,188,775	70,188,775	4,900,312	54,661,405	10,627,058
	₱105,071,731	₱105,171,731	₱4,900,312	₱54,661,405	₱45,610,014
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	₱11,080,375	₱10,157,541	₱–	₱–	₱10,157,541

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

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

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 1.43% to 6.68% and 1.61% to 4.97% as at June 30, 2023 and 2022, respectively that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

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

Interest-bearing Loans and Borrowings. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows were 6.58% and 5.79% as of June 30, 2023 and 2022, respectively.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 5.73% to 6.32% and 1.90% to 5.11% as at June 30, 2023 and 2022, respectively adjusted for 2.0% credit spread rate that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In June 30, 2023 and 2022, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37. Note to Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱169.8 million, ₱38.3 million and ₱36.7 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱3.6 million, ₱4.3 million and ₱16.9 million as at June 30, 2023, 2022 and 2021, respectively. Unpaid progress billing for construction-in-progress presented under "Investment properties" amounted to ₱52.4 million as at June 30, 2022 (nil as at June 30, 2023 and 2021) (see Notes 11 and 12).

c. Additions to land and buildings under "Investment properties" upon foreclosure of mortgaged properties for STI Tanay receivables amounted to ₱164.9 million for the year ended June 30, 2022 (nil for the year ended June 30, 2023 and 2021) (see Note 12).

d. Reclassification from investment properties to noncurrent asset held for sale amounted to ₱53.3 million in view of the expected redemption upon actual receipt of the redemption price (see Notes 10 and 12).

e. Reclassifications from property and equipment to investment properties and from investment properties to property and equipment amounting to ₱40.5 million and ₱115.7 million, respectively, in 2023.

f. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounting to ₱4.2 million, ₱28.4 million and ₱183.1 million for the years ended June 30, 2023, 2022 and 2021, respectively.

38. Changes in Liabilities Arising from Financing Activities

			Noncash Movements									
	July 1, 2022	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Reclassified as Current (see Notes 18 and 29)	Reclassified as Noncurrent	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New/Renewed Leases (see Note 29)	Capitalized Borrowing Cost	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2023
Current portion of interest-bearing loans and borrowings	**₱239,135,979**	**(₱359,544,756)**	**₱–**	**₱–**	**₱383,042,279**	**₱–**	**₱–**	**₱–**	**₱–**	**204,387**	**₱–**	**₱262,837,889**
Bonds payable	**2,980,515,064**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,907,920**	**–**	**2,988,422,984**
Interest-bearing loans and borrowings - net of current portion	**1,291,461,407**	**(100,000,000)**	**–**	**–**	**(383,042,279)**	**–**	**–**	**–**	**–**	**288,607**	**–**	**808,707,735**
Lease liabilities	**473,316,566**	**(133,436,395)**	**–**	**–**	**–**	**–**	**(1,742,210)**	**165,482,070**	**–**	**33,139,748**	**–**	**536,759,779**
Dividends payable	**26,411,518**	**(142,953,699)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**143,953,400**	**27,411,219**
Interest payable	**26,583,874**	**(263,727,425)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**260,693,618**	**–**	**23,550,067**
	₱5,037,424,408	**(₱999,662,275)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱1,742,210)**	**₱165,482,070**	**₱–**	**₱302,234,280**	**₱143,953,400**	**₱4,647,689,673**

			Noncash Movements									
	July 1, 2021	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions (see Note 29)	Reclassified as Current (see Notes 18 and 29)	Reclassified as Noncurrent	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New/Renewed Leases (see Note 29)	Capitalized Borrowing Cost	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2022
Current portion of interest-bearing loans and borrowings	₱208,812,671	(₱449,544,753)	₱–	₱–	₱479,544,753	₱–	₱–	₱–	₱–	₱323,308	₱–	₱239,135,979
Bonds payable	2,973,082,875	–	–	–	–	–	–	–	–	7,432,189	–	2,980,515,064
Interest-bearing loans and borrowings - net of current portion	1,771,433,275	–	–	–	(479,544,753)	–	–	–	–	(427,115)	–	1,291,461,407
Lease liabilities	484,817,384	(78,349,815)	–	(6,054,606)	–	–	4,236,109	37,329,615	–	31,337,879	–	473,316,566
Dividends payable	25,934,641	(95,665,835)	–	–	–	–	–	–	–	–	96,142,712	26,411,518
Interest payable	33,505,531	(281,249,555)	–	–	–	–	–	–	–	274,327,898	–	26,583,874
	₱5,497,586,377	(₱904,809,958)	₱–	(₱6,054,606)	₱–	₱–	₱4,236,109	₱37,329,615	₱–	₱312,994,159	₱96,142,712	₱5,037,424,408

			Noncash Movements									
	April 1, 2021	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Reclassified as Current	Reclassified as Noncurrent	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New/Renewed Leases	Capitalized Borrowing Cost	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2021
Current portion of interest-bearing loans and borrowings	₱358,566,076	(₱229,855,247)	₱–	₱–	₱319,276,921	(₱240,000,000)	₱–	₱–	₱–	₱824,921	₱–	₱208,812,671
Bonds payable	2,966,097,772	–	–	–	–	–	–	–	–	6,985,103	–	2,973,082,875
Interest-bearing loans and borrowings - net of current portion	1,432,045,165	409,426,874	8,298,501	–	(319,276,921)	240,000,000	–	–	2,776,224	(1,836,568)	–	1,771,433,275
Lease liabilities	552,590,291	(73,912,834)	–	(39,727,038)	–	–	(23,969,027)	34,994,849	–	34,841,143	–	484,817,384
Dividends payable	25,930,201	(35,327,186)	–	–	–	–	–	–	–	–	35,331,626	25,934,641
Interest payable	35,221,629	(297,514,241)	–	–	–	–	–	–	–	295,798,143	–	33,505,531
	₱5,370,451,134	(₱227,182,634)	₱8,298,501	(₱39,727,038)	₱–	₱–	(₱23,969,027)	₱34,994,849	₱2,776,224	₱336,612,742	₱35,331,626	₱5,497,586,377

39. **Business Combinations**

STI Alabang

On March 16, 2023, STI ESG and the majority owners of STI Alabang entered into a deed of absolute sale wherein STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owns 40.0% of STI Alabang's issued and outstanding capital stock. As a result, STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.

The following are the identifiable assets and liabilities as at the date of acquisition:

Assets	
Cash	₱9,232,050
Receivables	5,194,246
Inventories	960,491
Prepaid expenses	892,547
Property and equipment (see Note 11)	2,162,891
Deferred tax assets	843,309
Other noncurrent assets	1,271,855
	20,557,389
Liabilities	
Accounts payable and other current liabilities	43,581,348
Total identifiable net liabilities at fair values	(23,023,959)
Purchase consideration transferred	1
Goodwill (see Note 16)	₱23,023,960

Analysis of cash flow on acquisition is as follows:

Cash acquired from the subsidiary	₱9,232,050
Cash paid	(1)
Net cash inflow on acquisition	₱9,232,049

The transaction was accounted for as a business combination. The identifiable assets and liabilities recognized in the consolidated financial statements as at June 30, 2023 were based on assessment of the fair value of these assets and liabilities at the time of acquisition. The transaction resulted in goodwill amounting to ₱23.0 million which is presented as part of "Goodwill, intangible and other noncurrent assets" in the consolidated statement of financial position as at June 30, 2023 (see Notes 1, 13 and 16). Goodwill comprises the expected synergies in operating the school under STI ESG management.

From the date of acquisition to June 30, 2023, the revenues included in the consolidated statement of comprehensive income contributed by STI Alabang was ₱10.4 million. STI Alabang also contributed net loss of ₱1.8 million over the same period. If the acquisition had taken place at the beginning of the fiscal year, the consolidated revenue and consolidated net income would have been ₱3,435.2 million and ₱913.7 million, respectively.

STI Calbayog and STI Dumaguete
On December 3, 2020, STI ESG acquired the net assets of STI Calbayog and STI Dumaguete, which were owned and operated by the former franchisees, for ₱2.7 million and ₱2.3 million, respectively. The transactions were accounted for as business combinations. The purchase price consideration was allocated to the net assets based on fair values at the date of acquisition resulting in excess of consideration aggregating to ₱1.9 million. The Group is likewise assessing the value of the intangible assets acquired.

The following are the identifiable assets and liabilities as at the date of acquisition:

STI Calbayog

Assets	
Receivables	₱589,782
Inventories	21,508
Property and equipment	798,020
Other noncurrent asset	190,000
	1,599,310
Liabilities	
Accounts payable and other current liabilities	225,031
Total identifiable net assets at fair values	1,374,279
Purchase consideration transferred	2,700,000
Goodwill (see Note 16)	₱1,325,721

STI Dumaguete

Assets	
Receivables	₱1,482,130
Inventories	12,835
Property and equipment	38,891
Other noncurrent asset	264,872
	1,798,728
Liabilities	
Accounts payable and other current liabilities	102,965
Total identifiable net assets at fair values	1,695,763
Purchase consideration transferred	2,300,000
Goodwill (see Note 16)	₱604,237

40. Other Matter

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the NCR effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed ECQ throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of each cities and municipalities in different levels of community quarantine from March 13, 2020 to date. On July 21, 2023, the Office of the President, through Proclamation No. 297, has lifted, effective immediately, the state of public health emergency throughout the country due to COVID-19.

The schools within the Group have gradually started to implement limited face-to-face classes for schools in 2022. In the first semester of SY 2022-2023, STI ESG and STI WNU have both implemented 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. STI ESG has opted to conduct full face-to-face classes starting on the second semester of SY 2022-2023 while STI WNU continued with its flexible learning delivery modality system for the second semester of SY 2022-2023. iACADEMY has adopted the Hyflex Learning Format for tertiary and the Hybrid set-up (blended learning) for SHS for SY 2022-2023.

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.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 9564665, January 3, 2023, Makati City

October 13, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 9564665, January 3, 2023, Makati City

October 13, 2023

SCHEDULE A – FINANCIAL ASSETS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued

The Group's financial asset at FVPL is less than 5% of total consolidated current assets, thus, schedule of financial assets is not applicable.

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period

The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above One Million Pesos (P1 Million) or 1% of total assets, whichever is less, as at June 30, 2023.

SCHEDULE C – AMOUNTS RECEIVABLE FROM/PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of debtor and description	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period	Description
Receivable of AHC from STI Holdings	63,778,000			63,778,000	-	63,778,000	Assignment of receivable from Unlad Resources Development Corporation
Receivable of AHC from STI Holdings	64,000,000			-	64,000,000	64,000,000	Subscription
Receivable of STI Holdings from STI ESG	-	14,400,000	14,400,000	-	-	-	Advisory fees
Receivable of STI ESG from STI Holdings	-	95,732	95,732	-	-	-	Advances
Receivable of STI Holdings from iACADEMY	-	510,000	510,000	-	-	-	Advisory fees
Receivable of STI ESG from iACADEMY	-	1,043,878	1,043,878	-	-	-	Advances
Receivable of STI ESG from STI WNU	2,513,039	6,257,059	4,921,949	3,848,149	-	3,848,149	Advances
Receivable of STI ESG from STI WNU	9,515,641	15,175,485	20,280,188	4,410,938	-	4,410,938	Educational services, school materials sold, other charges
Receivable of STI Holdings from STI WNU	-	3,600,000	3,600,000	-	-	-	Advisory fees

SCHEDULE D – LONG-TERM DEBT
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of interest-bearing loans and borrowings" in related Statement of Financial Position	Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position
China Banking Corporation - Corporate notes facility Maturity Date / Interest Rate 2024 to 2027 based on payment schedule / 4.75% *	3,000,000,000	60,000,000	153,518,514
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively**	5,000,000,000	2,175,083,335	813,339,649
China Banking Corporation - Term loan: Maturity Date / Interest Rate September 19, 2026 / 5.81% to 6.31% ***	1,200,000,000	120,000,000	595,342,511
LandBank ACADEME Program: Maturity Date / Interest Rate January 2024 / 3% ****	22,139,710	3,034,346	-
China Banking Corporation - Term Loan Maturity Date / Interest Rate September 29, 2027 / 5.6699% *****	800,000,000	79,795,613	59,846,710

presented inclusive of unamortized premium on corporate notes of ₱3.5 million in the Consolidated Statement of Financial Position

***presented net of bond issue costs with carrying value of ₱11.6 million in the Consolidated Statement of Financial Position*

****presented net of issuance costs with carrying value of ₱4.7 million in the Consolidated Statement of Financial Position*

*****presented net of issuance costs with carrying value of ₱7.9 thousand in the Consolidated Statement of Financial Position*

******presented net of issuance costs with carrying value of ₱0.4 million in the Consolidated Statement of Financial Position*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of Related Party	Balance at beginning of period	Balance at end of period

The Group has no long-term loans from related parties as at June 30, 2023

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

The Group does not have guarantees of securities of other issuing entities as at June 30, 2023

SCHEDULE G – CAPITAL STOCK
June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related Statement of Financial Position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by Directors, officers and employees	Number of shares held by Others
Common Stock	10,000,000,000	9,904,806,924	-	4,931,897,860*	1,911,976,377**	3,060,932,687***

*Related Parties:

Prudent Resources, Inc.	1,621,085,049
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	812,626,795
Eujo Philippines, Inc.	806,157,130
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.	629,776,992
STI Education Services Group	500,432,895
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332
Philippines First Insurance Co., Inc.	65,262,000
Prime Power Holdings Corp.	189,666,667
TOTAL	4,931,897,860 *

**Directors, Officers, and Employees:

Eusebio H.Tanco	1,649,483,444
Monico V. Jacob	33,784,057
Maria Vanessa Rose L. Tanco	26,968,001
Joseph Augustin L. Tanco	2,000,001
Martin K. Tanco	108,341,907
Paolo Martin O. Bautista	4,000,000
Jesli A. Lapus	6,000,000
Robert G. Vergara	1,000
Ma. Leonora V. De Jesus	1,000
Raymond N. Alimurung	1,000
Antonio T. Carpio	10,000
Yolanda M. Bautista	5,000,001
Arsenio C. Cabrera, Jr.	6,500,000
STI Employees Retirement Plan	69,885,966
TOTAL	1,911,976,377 **

*** Number of Shares held by Others decreased by 2% as of June 30, 2023 from the last Statement of Financial Position as of June 30, 2022.

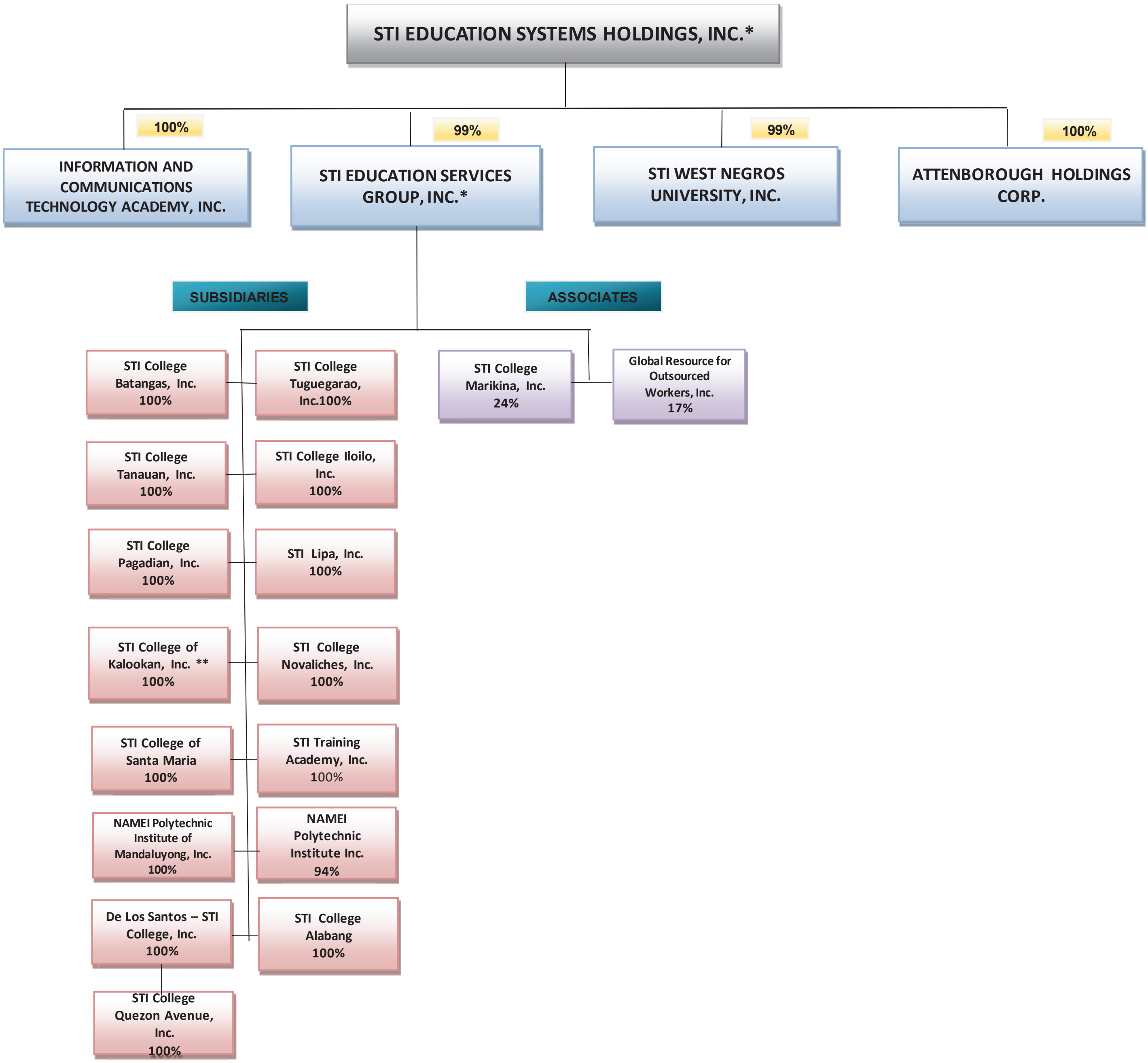
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of June 30, 2023
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Unappropriated Retained Earnings, beginning of the year		**1,799,549,618**
Adjustment: Effect of merger of subsidiaries in 2019	(182,954,744)	
Deferred tax asset	(257,885)	(183,212,629)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		**1,616,336,989**
Add (deduct):		
Net income during the period closed to Retained Earnings	199,366,744	
Movement in deferred tax asset	257,885	
Dividend declarations during the period	(148,572,104)	51,052,525
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND DECLARATION		**1,667,389,514**

SCHEDULE I – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
June 30, 2023

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at June 30, 2023.*

** *A subsidiary of STI Education Services Group, Inc. through a management contract.*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2023

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

	Formula	June 30, 2023	June 30, 2022
Current ratio	Current assets / Current liabilities	1.10	2.85
Acid test ratio	Current assets less inventories, prepayments & noncurrent asset held for sale / Current liabilities	0.70	1.76
Solvency ratios			
Debt-to-equity ratio	Total liabilities less unearned tuition & other school fees / Total equity	0.62	0.70
Asset-to-equity ratio	Total assets / Total equity	1.64	1.72
Interest coverage ratio	Net income excluding interest expense and provision for income tax / Interest expense	3.76	2.36
Return on equity	Annualized net income (loss) attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	10%	5%
Return on assets	Annualized net income (loss) / Average total assets	6%	3%
Net profit margin	Net income (loss) after provision for income tax / Total revenues	26%	16%
Other ratios			
EBITDA margin	EBITDA * / Total revenues	48%	42%
Debt service cover ratio **	EBITDA for the last twelve months / Total principal and interest due for the next twelve months	0.60	1.95

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

***DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by total principal and interest due for the next twelve months and is pegged at 1.05:1.00. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. iACADEMY is compliant with China Bank's DSCR requirement as at June 30, 2023 and 2022.*

DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement as at June 30, 2023 and 2022 at 2.36 and 1.70, respectively

Arsenio C. Cabrera

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Tuesday, 14 November 2023 3:49 PM
To: Arsenio C. Cabrera
Subject: Re: STI Education Systems Holdings, Inc._Preliminary Information Statement_ 14November2023

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation
Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

-- NOTICE TO COMPANIES --

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors
(Appointment)

6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.