COVER SHEET

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

STI EDUCATION SERVICES GROUP, INC. (A Private Educational Institution) and SUBSIDIARIES

(Company's Full Name)

STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal

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

ARSENIO C. CABRERA JR.

Contact Person

(632) 8813 7111

Company Telephone Number

0 9	3 0
Month	*Day*

Fiscal Year

SEC FORM 17-Q For the Three-month Period Ended 30 September 2022

FORM TYPE

1st Thursday of November

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

Total Amount of Borrowings

64

Total No. of Stockholders

₱3 Billion bonds

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the three-month period ended — September 30, 2022

2. SEC Identification Number — 113156

3. BIR Tax Identification Number — 000-143-457-000

4. Exact name of registrant as specified in its charter — STI EDUCATION SERVICES GROUP, INC.

5. Province, country or other jurisdiction of incorporation or organization — Metro Manila, Philippines

6. Industry Classification Code (SEC Use Only)

7. Address of Principal Office — STI Academic Center Ortigas-Cainta
Ortigas Avenue Extension,
Cainta, Rizal

8. Registrant's telephone number (including area code) — (632) 8812-17-84

9. Former name, former address, former fiscal year, if changed since last report — N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱3,000,000,000.00 Outstanding

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

Yes [ ]   No [√]

Name of Stock Exchange: N/A   Class of Securities: N/A

Shares of Common Stock Issued and Outstanding are not listed in any stock exchange. Fixed Rate Bonds are listed in the Philippine Dealing & Exchange Corp. (PDEx).

12. Check whether the registrant:

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

    Yes [√]   No [ ]

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

    Yes [√]   No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex “A”.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Please refer to Annex “B”.

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	November 21, 2022
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	November 21, 2022
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	November 21, 2022

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2022 AND JUNE 30, 2022

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,440,716,095**	₱1,242,529,465
Receivables (Note 6)	**1,166,265,379**	445,126,178
Inventories (Note 7)	**120,142,864**	153,713,231
Prepaid expenses and other current assets (Note 8)	**60,331,910**	66,232,173
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,230,500**	9,610,000
	2,795,686,748	1,917,211,047
Noncurrent asset held for sale (Note 10)	–	19,000,000
Total Current Assets	**2,795,686,748**	1,936,211,047
Noncurrent Assets		
Property and equipment (Note 11)	**7,681,705,458**	7,644,004,726
Investment properties (Note 12)	**514,319,635**	628,889,120
Investments in and advances to associates and joint venture (Note 13)	**489,479,414**	486,960,030
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 14)	**70,394,896**	69,769,480
Deferred tax assets – net	**23,650,145**	18,429,503
Goodwill, intangible and other noncurrent assets (Note 15)	**329,116,898**	304,833,948
Total Noncurrent Assets	**9,108,666,446**	9,152,886,807
TOTAL ASSETS	**₱11,904,353,194**	₱11,089,097,854
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱468,216,606**	₱572,758,134
Current portion of interest-bearing loans and borrowings (Note 17)	**67,628,328**	159,544,753
Unearned tuition and other school fees (Note 21)	**1,275,474,120**	30,625,479
Current portion of lease liabilities	**49,988,487**	53,289,586
Income tax payable	–	160,814
Total Current Liabilities	**1,861,307,541**	816,378,766
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 17)	**900,273,799**	1,052,687,728
Bonds payable (Note 18)	**2,981,805,871**	2,980,515,064
Lease liabilities - net of current portion	**258,512,438**	264,324,776
Pension liabilities – net	**66,761,808**	63,382,032
Other noncurrent liabilities (Note 19)	**19,553,628**	19,557,546
Total Noncurrent Liabilities	**4,226,907,544**	4,380,467,146
Total Liabilities *(Carried Forward)*	**6,088,215,085**	5,196,845,912

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total Liabilities *(Brought Forward)*	**₱6,088,215,085**	₱5,196,845,912
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 20)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 20)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**8,832,133**	9,775,594
Unrealized fair value adjustment on equity instruments at FVOCI	**13,902,422**	13,277,006
Other equity reserve (Note 20)	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain (Note 13)	**796,685**	796,685
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(45,903)**	(45,903)
Retained earnings (Note 20)	**2,377,350,251**	2,452,343,935
Total Equity Attributable to Equity Holders of the Parent Company	**5,818,643,817**	5,893,955,546
Equity Attributable to Non-controlling Interests	**(2,505,708)**	(1,703,604)
Total Equity	**5,816,138,109**	5,892,251,942
TOTAL LIABILITIES AND EQUITY	**₱11,904,353,194**	₱11,089,097,854

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

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
REVENUES (Note 21)		
Sale of services:		
Tuition and other school fees	**₱227,651,035**	₱197,664,599
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Others	**23,707,435**	20,811,186
Sale of goods -		
Sale of educational materials and supplies	**67,278,569**	12,931,882
	360,056,872	267,648,141
COSTS AND EXPENSES		
Cost of educational services (Note 22)	**127,710,441**	127,532,779
Cost of educational materials and supplies sold (Note 23)	**50,255,334**	10,705,135
General and administrative expenses (Note 24)	**255,442,589**	237,315,284
	433,408,364	375,553,198
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(73,351,492)**	(107,905,057)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 17 and 18)	**(72,596,805)**	(77,907,918)
Rental income (Note 25)	**27,827,747**	13,169,432
Foreign exchange gain - net (Note 5)	**26,776,600**	17,752,575
Interest income (Notes 5 and 6)	**2,731,300**	969,552
Recovery of accounts written off (Note 6)	**2,561,307**	2,235,694
Equity in net earnings of associates and joint venture (Note 13)	**2,519,384**	1,514,533
Fair value loss on equity instruments at FVPL (Note 9)	**(1,379,500)**	–
Dividend income (Notes 9 and 14)	**1,077,616**	–
Gain on sale of property and equipment	**49,943**	1,382,394
Other income – net	**4,547,432**	2,616,759
	(5,884,976)	(38,266,979)
LOSS BEFORE INCOME TAX	**(79,236,468)**	(146,172,036)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**1,675,134**	35,835
Deferred	**(5,115,814)**	1,549,683
	(3,440,680)	1,585,518
NET LOSS *(Carried Forward)*	**(75,795,788)**	(147,757,554)

	Three months ended September 30	
	2022	**2021**
	(Unaudited)	**(Unaudited)**
LOSS BEFORE INCOME TAX *(Brought Forward)*	**(₱75,795,788)**	(₱147,757,554)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liabilities	**(1,048,289)**	(1,747,149)
Tax effect on remeasurement loss on pension liabilities	**104,828**	174,715
Unrealized fair value adjustment on equity instruments at FVOCI	**625,416**	(48,721)
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	–	(1,048)
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(318,045)**	(1,622,203)
TOTAL COMPREHENSIVE LOSS	**(₱76,113,833)**	(₱149,379,757)
Net Loss Attributable To		
Equity holders of the Parent Company	**(₱74,993,684)**	(₱147,290,499)
Non-controlling interests	**(802,104)**	(467,055)
	(₱75,795,788)	(₱147,757,554)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(₱75,311,729)**	(₱148,912,702)
Non-controlling interests	**(802,104)**	(467,055)
	(₱76,113,833)	(₱149,379,757)
Basic/Diluted Loss Per Share on Loss Attributable to Equity Holders of the Parent Company (Note 26)	**(₱0.02)**	(₱0.05)

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

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Capital Stock (Notes 1 and 20)	**Additional Paid-in Capital**	**Treasury Stock** (Note 20)	**Cumulative Actuarial Gain (Loss)**	**Unrealized Fair Value Adjustment on Equity Instruments at FVOCI** (Note 14)	**Other Equity Reserve** (Note 20)	**Share in Associates' Cumulative Actuarial Gain** (Note 13)	**Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI** (Note 13)	**Retained Earnings** (Note 20)	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 2022	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱9,775,594**	**₱13,277,006**	**(₱46,104,556)**	**₱796,685**	**(₱45,903)**	**₱2,452,343,935**	**₱5,893,955,546**	**(₱1,703,604)**	**₱5,892,251,942**
Net loss	–	–	–	–	–	–	–	–	**(74,993,684)**	**(74,933,684)**	**(802,104)**	**(75,795,788)**
Other comprehensive income (loss)	–	–	–	**(943,461)**	**625,416**	–	–	–	–	**(318,045)**	–	**(318,045)**
Total comprehensive loss	–	–	–	**(943,461)**	**625,416**	–	–	–	**(74,993,684)**	**(75,311,729)**	**(802,104)**	**(76,113,833)**
Balance at September 30, 2022	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱8,832,133**	**₱13,902,422**	**(₱46,104,556)**	**₱796,685**	**(₱45,903)**	**₱2,377,350,251**	**₱5,818,643,817**	**(₱2,505,708)**	**₱5,816,138,109**
Balance at July 1, 2021	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱4,605,708**	**₱12,032,214**	**(₱30,212,806)**	**₱630,627**	**(₱40,661)**	**₱2,351,763,085**	**₱5,802,690,952**	**(₱218,747)**	**₱5,802,472,205**
Net loss	–	–	–	–	–	–	–	–	**(147,290,499)**	**(147,290,499)**	**(467,055)**	**(147,757,554)**
Other comprehensive loss	–	–	–	**(1,572,434)**	**(48,721)**	–	–	**(1,048)**	–	**(1,622,203)**	–	**(1,622,203)**
Total comprehensive loss	–	–	–	**(1,572,434)**	**(48,721)**	–	–	**(1,048)**	**(147,290,499)**	**(148,912,702)**	**(467,055)**	**(149,379,757)**
Acquisition of De Los Santos-STI College minority shares of stock	–	–	–	–	–	**(15,891,750)**	–	–	–	**(15,891,750)**	**(74,378)**	**(15,966,128)**
Balance at September 30, 2021	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱3,033,274**	**₱11,983,493**	**(₱46,104,556)**	**₱630,627**	**(₱41,709)**	**₱2,204,472,586**	**₱5,637,886,500**	**(₱760,180)**	**₱5,637,126,320**

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

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

	Three months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱79,236,468)**	(₱146,172,036)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 11, 12, 15, 22 and 24)	**119,762,499**	119,640,687
Interest expense (Notes 17 and 18)	**72,596,805**	77,907,918
Unrealized foreign exchange gain - net (Note 5)	**(26,776,433)**	(17,510,246)
Interest income (Notes 5 and 6)	**(2,731,300)**	(969,552)
Equity in net earnings of associates and joint venture (Note 13)	**(2,519,384)**	(1,514,533)
Gain on sale of property and equipment	**(49,943)**	(1,382,394)
Movements in pension	**2,331,486**	2,590,704
Fair value loss on equity instruments at FVPL (Note 9)	**1,379,500**	–
Dividend income (Notes 9 and 14)	**(1,077,616)**	–
Income on rent concessions	**–**	(2,882,909)
Operating income before working capital changes	**83,679,146**	29,707,639
Decrease (increase) in:		
Receivables	**299,373,004**	48,734,201
Inventories	**33,570,367**	9,296,766
Prepaid expenses and other current assets	**4,064,315**	(5,773,406)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(86,094,941)**	(124,821,439)
Unearned tuition and other school fees	**225,007,429**	294,396,982
Other noncurrent liabilities	**(3,918)**	3,512
Net cash generated from operations	**559,595,402**	251,544,255
Interest received	**2,731,300**	969,552
Income tax paid	**–**	(89,530)
Net cash provided by operating activities	**562,326,702**	252,424,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Notes 11 and 29)	**(18,267,266)**	(17,170,205)
Investment properties (Notes 12 and 29)	**(7,780,093)**	–
Equity instruments at FVPL (Note 9)	**–**	(9,997,500)
Decrease intangible assets and other noncurrent assets (Note 15)	**(26,620,139)**	(7,929,585)
Proceeds from:		
Sale of property and equipment (Note 11)	**50,000**	1,500,000
Redemption of noncurrent asset held for sale (Note 10)	**19,000,000**	–
Dividend received	**1,077,616**	791,884
Net cash used in investing activities	**(32,539,882)**	(32,805,406)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interests	**(85,005,533)**	(93,244,091)
Lease liabilities	**(29,358,996)**	(25,592,305)
Long-term loans (Note 17)	**(244,012,094)**	(240,000,000)
Net cash used in financing activities	**(358,376,623)**	(358,836,396)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**26,776,433**	17,510,246
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**198,186,630**	(121,707,277)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,242,529,465**	1,202,134,686
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,440,716,095**	₱1,080,427,409

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

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
NOTES TO THE UNAUDTED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. **Corporate Information**

   a. General

   STI Education Services Group, Inc. (STI ESG 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). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. 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 and business studies. The Group is also offering Senior High School (SHS).

   The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta Ortigas Avenue Extension, Cainta, Rizal.

   As at September 30, 2022 and June 30, 2022, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	100	–
STI College of Kalookan, Inc. (STI Caloocan)[a]	Educational Institution	100	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	100	–
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	100	–
NAMEI Polytechnic Institute of Mandaluyong, Inc.	Educational Institution	100	–
NAMEI Polytechnic Institute, Inc.	Educational Institution	94	–
De Los Santos-STI College, Inc. (De Los Santos-STI College)[b]	Educational Institution	100	–
STI College Quezon Avenue, Inc. (STI QA)[c]	Educational Institution	–	100

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

   STI ESG is 98.66%-owned by STI Education Systems Holdings, Inc. (STI Holdings) which is the ultimate parent company of the Group. STI Holdings is a company incorporated in the Philippines and is listed in the Philippine Stock Exchange (PSE).

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

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

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phase 3 merger, the BIR informed STI ESG through a letter dated September 28, 2022, that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, has now mandated that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, STI ESG and the merged schools can implement the said transaction. The reply to the request for a confirmatory ruling for the Phase 1 merger is still pending from the BIR as at report date.

On September 5, 2019, the BOD of STI ESG approved the amendment of the following provisions to its By-Laws: (1) change of the principal address from Makati, Metro Manila to STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal 1900; (2) change the Nominations Committee to Corporate Governance Committee; (3) change of the fiscal year from beginning April 1 of each year and ending on March 31 of the following year to beginning July 1 of each year and ending on June 30 of the following year; and, (4) change of the date of its annual stockholders' meeting from every first Thursday of September of each year to every first Thursday of November of each year. The SEC approved the amendments on November 4, 2019. The BIR approved STI ESG's application for the change in accounting period on August 27, 2020.

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

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

As at September 30, 2022, STI ESG's network of operating schools totals 63 schools with 36 owned schools and 27 franchised schools comprising 60 colleges and 3 education centers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2018-2020 Cycle

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

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

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

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

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

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

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

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

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

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

Standards Issued but Not Yet Effective

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

Effective beginning on or after July 1, 2023

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

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

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

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

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

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

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

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

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

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

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

  - 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 July 1, 2023. Early application is permitted as long as this fact is disclosed.

Effective for Fiscal Year 2025

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

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

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

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

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

  On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of April 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint 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 September 30, 2022 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, starts in September and ends in June of the following year. The Group transitioned to full remote learning with the imposition of the community quarantine restrictions around the country for SYs 2020-2021 and 2021-2022 (see Note 31).

STI ESG continues to implement the Online and Onsite Education at STI (ONE STI) Learning Model that was introduced in SY 2020-2021. The ONE STI Learning Model is an innovative approach in student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. The Group uses a world-class and award-winning learning management system that is being used by schools and universities across the globe. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past six years in order that the students may continue their studies at home uninterrupted despite the physical classroom disruptions.

Onsite learning refers to school activities conducted on-campus. Onsite activities follow the latest regulations issued by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), DepEd for SHS, TESDA, and CHED for tertiary. Since onsite activities are prohibited by a government agency, activities or modules are delivered 100% online for SY 2020-2021. For most of SY 2021-2022, face-to-face classes remain suspended and thus the Group has continued to conduct classes online. The Group has gradually implementing limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and SHS students beginning February 2022 and April 2022, respectively. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. For SY 2022-2023, STI implemented a flexible learning delivery modality. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a ratio of 50% onsite/face-to-face to 50% asynchronous. Classes for SHS are all conducted face-to-face since the opening of SY 2022-2023.

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

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

4. Segment Information

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

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

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

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

The following table shows the reconciliation of the consolidated net loss to consolidated EBITDA:

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Consolidated net loss	**(₱75,795,788)**	(₱147,757,554)
Depreciation and amortization*	**105,289,318**	106,516,473
Interest expense*	**67,445,280**	72,417,181
Foreign exchange gain - net	**(26,776,600)**	(17,752,575)
Donation income**	**(4,744,529)**	–
Provision for (benefit from) income tax	**(3,440,680)**	1,585,518
Interest income	**(2,731,300)**	(969,552)
Equity in net earnings of associates and joint venture	**(2,519,384)**	(1,514,533)
Fair value loss on equity instruments at FVPL	**1,379,500**	–
Income on rent concessions**	**–**	(2,882,909)
Consolidated EBITDA	**₱58,105,817**	₱9,642,049

**Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*
*** Presented as part of "Other Income -net"*

Inter-Segment Transactions

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

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

	For the three-month period ended September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱224,332,780**	**₱30,192,588**	**₱93,638,049**	**₱4,119,350**	**₱7,774,105**	**₱360,056,872**
Results						
Income before other income (expenses) and income tax	**(89,862,443)**	**(8,640,485)**	**₱32,905,215**	**(1,764,748)**	**(₱5,989,031)**	**(₱73,351,492)**
Equity in net earnings of associates and joint venture	**2,519,384**	**–**	**–**	**–**	**–**	**2,519,384**
Interest expense	**(69,302,731)**	**(824,507)**	**(1,421,567)**	**(440,665)**	**(607,335)**	**(72,596,805)**
Interest income	**2,689,819**	**3,679**	**34,025**	**2,122**	**1,655**	**2,731,300**
Other income[a]	**59,526,003**	**331,252**	**1,427,577**	**72,846**	**103,467**	**61,461,145**
Benefit from income tax	**2,055,527**	**1,049,500**	**335,653**	**–**	**–**	**3,440,680**
Net Income (Loss)	**(₱92,374,441)**	**(₱8,080,561)**	**₱33,280,903**	**(₱2,130,445)**	**(₱6,491,244)**	**(₱75,795,788)**
EBITDA						**₱58,105,817**

	For the three-month period ended September 30, 2021 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱159,905,762	₱20,794,178	₱76,054,765	₱3,618,784	₱7,274,652	₱267,648,141
Results						
Income (loss) before other income (expenses) and income tax	(₱125,598,027)	(₱10,367,682)	₱34,692,574	(₱975,472)	(₱5,656,450)	(₱107,905,057)
Equity in net earnings of associates and joint venture	1,514,533	–	–	–	–	1,514,533
Interest expense	(74,272,945)	(1,096,369)	(1,711,958)	(88,452)	(738,194)	(77,907,918)
Interest income	915,816	11,129	38,570	2,829	1,208	969,552
Other income[a]	35,308,081	836,140	811,657	73,792	127,184	37,156,854
Benefit from (provision for) income tax	(2,885,120)	(94,957)	1,394,231	328	–	(1,585,518)
Net Income (Loss)	(₱165,017,662)	(₱10,711,739)	₱35,225,074	(₱986,975)	(₱6,266,252)	(₱147,757,554)
EBITDA						₱9,642,049

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

	As at September 30, 2022 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(b)]	**₱8,420,608,819**	**₱836,615,768**	**₱1,651,983,155**	**₱89,670,983**	**₱164,470,789**	**₱11,163,349,514**
Goodwill (see Note 15)	**227,874,121**	**–**	**–**	**–**	**–**	**227,874,121**
Investments in and advances to associates and joint venture (see Note 13)	**489,479,414**	**–**	**–**	**–**	**–**	**489,479,414**
Deferred tax assets – net (see Note 30)	**13,015,860**	**3,582,298**	**5,284,011**	**112,410**	**1,655,566**	**23,650,145**
Total Assets	**₱9,150,978,214**	**₱840,198,066**	**₱1,657,267,166**	**₱89,783,393**	**₱166,126,355**	**₱11,904,353,194**
Segment liabilities[(c)]	**₱960,612,015**	**₱173,742,180**	**₱544,190,682**	**₱21,170,218**	**₱63,529,259**	**₱1,763,244,354**
Interest-bearing loans and borrowings (see Note 17)	**967,902,127**	**–**	**–**	**–**	**–**	**967,902,127**
Bonds payable (see Note 18)	**2,981,805,871**	**–**	**–**	**–**	**–**	**2,981,805,871**
Pension liabilities	**46,546,561**	**5,668,248**	**11,798,047**	**802,633**	**1,946,319**	**66,761,808**
Lease liabilities (see Note 28)	**104,749,949**	**46,366,155**	**89,812,798**	**30,649,428**	**36,922,595**	**308,500,925**
Total Liabilities	**₱5,061,616,523**	**₱225,776,583**	**₱645,801,527**	**₱52,622,279**	**₱102,398,173**	**₱6,088,215,085**
Other Segment Information						
Capital expenditures for property and equipment						**₱20,492,174**
Depreciation and amortization[(d)]						**105,289,318**
Noncash expenses other than depreciation and amortization						**35,161,450**

	As at June 30, 2022 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(b)]	₱7,975,920,952	₱770,907,221	₱1,379,938,195	₱67,782,364	₱142,285,468	₱10,336,834,200
Goodwill (see Note 15)	227,874,121	–	–	–	–	227,874,121
Investments in and advances to associates and joint venture (see Note 13)	486,960,030	–	–	–	–	486,960,030
Noncurrent asset held for sale (see Note 10)	19,000,000	–	–	–	–	19,000,000
Deferred tax assets – net	9,181,278	2,532,798	4,947,451	112,410	1,655,566	18,429,503
Total Assets	₱8,718,936,381	₱773,440,019	₱1,384,885,646	₱67,894,774	₱143,941,034	₱11,089,097,854
Segment liabilities[(c)]	410,265,882	53,439,704	115,992,079	6,519,684	36,884,624	623,101,973
Interest-bearing loans and borrowings (see Note 17)	1,212,232,481	–	–	–	–	1,212,232,481
Bonds payable (see Note 18)	2,980,515,064	–	–	–	–	2,980,515,064
Pension liabilities	43,855,047	5,482,854	11,382,893	773,365	1,887,873	63,382,032
Lease liabilities (see Note 28)	112,293,935	51,663,460	95,496,288	18,479,857	39,680,822	317,614,362
Total Liabilities	₱4,759,162,409	₱110,586,018	₱222,871,260	₱25,772,906	₱78,453,319	₱5,196,845,912
Other Segment Information						
Capital expenditures for property and equipment						₱33,075,893
Depreciation and amortization[(d)]						105,478,059
Noncash expenses other than depreciation and amortization						36,290,312

[(a)] *Other income (expenses) exclude equity in net losses of associates and joint venture, interest expense and interest income.*

[(b)] *Segment assets exclude goodwill, investments in and advances to associates and joint venture, noncurrent asset held for sale and net deferred tax assets.*

[(c)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*

[(d)] *Depreciation and amortization exclude those related to ROU assets.*

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Cash on hand and in banks	**₱1,003,052,013**	₱832,691,411
Cash equivalents	**437,664,082**	409,838,054
	₱1,440,716,095	₱1,242,529,465

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

Interest earned from cash in banks and cash equivalents amounted to ₱1.2 million and ₱0.7 million for the three-month periods ended September 30, 2022 and 2021, respectively.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized net gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.2 thousand and ₱0.2 million for the three-month periods ended September 30, 2022 and 2021, respectively.

6. Receivables

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Tuition and other school fees	**₱1,214,092,885**	₱528,848,458
Educational services	**144,001,953**	87,504,908
Rent, utilities and other related receivables	**47,561,491**	34,029,520
Advances to officers and employees (see Note 25)	**20,487,470**	15,632,949
Receivable from STI Tanay	–	6,758,041
Others	**17,125,556**	17,036,079
	1,443,269,355	689,809,955
Allowance for expected credit losses (ECL)	**277,003,976**	244,683,777
	₱1,166,265,379	₱445,126,178

The terms and conditions of the receivables are as follows:

a. Tuition and other school fees 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 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022.

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

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

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

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

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

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

f. Others mainly include receivables from a former franchisee, vendors, and Social Security System amounting to amounting to ₱1.6 million, ₱6.6 million and ₱4.3 million, respectively, as at September 30, 2022 and amounting to ₱1.6 million, ₱6.7 million and ₱4.0 million, respectively, as at June 30, 2022. These receivables are expected to be collected within the year.

Recovery of accounts written off amounted to ₱2.6 million and ₱2.2 million for the three-month periods ended September 30, 2022 and 2021, respectively.

7. Inventories

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱93,857,410**	₱128,580,366
Textbooks and other education-related materials	**10,347,095**	10,459,842
	104,204,505	139,040,208

(forward)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Promotional materials:		
Proware materials	**12,749,821**	10,874,120
Marketing materials	**378,941**	387,296
	13,128,762	11,261,416
School materials and supplies	**2,809,597**	3,411,607
	₱120,142,864	₱153,713,231

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

Inventories charged to cost of educational materials and supplies sold amounted to ₱50.2 million and ₱10.7 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 23).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Prepaid taxes	**₱37,204,848**	₱40,051,103
Input VAT – net	**6,958,584**	9,872,870
Prepaid subscriptions and licenses	**4,739,743**	9,854,663
Prepaid insurance	**4,733,737**	563,395
Software maintenance cost	**4,312,581**	1,743,610
Prepaid internet cost	**125,871**	126,227
Others	**2,256,546**	4,020,305
	₱60,331,910	₱66,232,173

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

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

Prepaid subscriptions and licenses substantially pertain to Microsoft license, eLMS, and Adobe Acrobat subscriptions which have been renewed in preparation for SY 2022-2023. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents health and life insurance coverage of employees and car insurance which have been paid in advance and are recognized as expense over the period of coverage.

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

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

Other prepaid expenses as at September 30, 2022 mainly represent advance payments for job posting and promotional expenses. The balance as at June 30, 2022 substantially pertains to COVID-19 vaccine doses purchased by the Group in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program.

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

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

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

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

10. Noncurrent Asset Held for Sale

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

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

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

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

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

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

11. **Property and Equipment**

The rollforward analyses of this account are as follows:

September 30, 2022 (Unaudited)	**Land**	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Construction-in-Progress**	**Right-of-use Asset - Land**	**Right-of-use Asset - Building**	**Right-of-use Asset - Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	**₱2,490,502,923**	**₱4,657,884,261**	**₱142,541,856**	**₱34,076,151**	**₱22,634,918**	**₱68,550**	**₱25,043,203**	**₱15,152,417**	**₱5,454,242**	**₱122,558,699**	**₱115,584,849**	**₱12,502,657**	**₱7,644,004,726**
Additions	**–**	**647,676**	**4,766,843**	**1,205,194**	**1,251,840**	**–**	**12,478,293**	**142,328**	**–**	**–**	**15,290,140**	**3,253,616**	**39,035,930**
Lease termination/modification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,034,502)**	**–**	**(4,034,502)**
Reclassification from investment property (see Note 12)	**46,593,335**	**69,137,087**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**115,730,422**
Disposal	**–**	**–**	**(49)**	**(8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**
Depreciation and amortization (see Notes 22 and 24)	**–**	**(72,135,676)**	**(15,561,747)**	**(4,056,185)**	**(1,022,002)**	**(11,867)**	**(4,526,027)**	**(1,244,376)**	**–**	**(2,026,284)**	**(10,904,748)**	**(1,542,149)**	**(113,031,061)**
Balance at end of year	**₱2,537,096,258**	**₱4,655,533,348**	**₱131,746,903**	**₱31,225,152**	**₱22,864,756**	**₱56,683**	**₱32,995,469**	**₱14,050,369**	**₱5,454,242**	**₱120,532,415**	**₱115,935,739**	**₱14,214,124**	**₱7,681,705,458**
At September 30, 2022													
Cost	**₱2,537,096,258**	**₱6,589,515,581**	**₱761,353,392**	**₱322,368,199**	**₱211,699,566**	**₱6,856,161**	**₱410,787,478**	**₱132,431,905**	**₱5,454,242**	**₱148,147,809**	**₱262,506,180**	**₱58,564,098**	**₱11,446,780,869**
Accumulated depreciation and amortization	**–**	**1,933,982,233**	**629,606,489**	**291,143,047**	**188,834,810**	**6,799,478**	**377,792,009**	**118,381,536**	**–**	**27,615,394**	**146,570,441**	**44,349,974**	**3,765,075,411**
Net book value	**₱2,537,096,258**	**₱4,655,533,348**	**₱131,746,903**	**₱31,225,152**	**₱22,864,756**	**₱56,683**	**₱32,995,469**	**₱14,050,369**	**₱5,454,242**	**₱120,532,415**	**₱115,935,739**	**₱14,214,124**	**₱7,681,705,458**

June 30, 2022 (Audited)	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of year	₱2,488,984,252	₱4,590,611,250	₱176,877,629	₱47,968,478	₱39,171,002	₱116,024	₱25,594,125	₱16,703,495	₱288,328,328	₱124,820,876	₱131,861,240	₱11,264,000	₱7,942,300,699
Additions	1,518,671	51,526,758	30,810,718	4,506,078	2,440,323	–	20,754,284	3,176,226	–	–	29,634,249	7,179,591	151,546,898
Disposal	–	–	(15)	(2)	–	–	–	(543)	–	–	–	–	(560)
Reclassifications	–	282,874,086	–	–	–	–	–	–	(282,874,086)	–	–	–	–
Lease termination/modification	–	–	–	–	–	–	–	–	–	5,842,960	(1,606,851)	(117,605)	4,118,504
Depreciation and amortization (see Notes 22 and 24)	–	(267,127,833)	(65,146,476)	(18,398,403)	(18,976,407)	(47,474)	(21,305,206)	(4,726,761)	–	(8,105,137)	(44,303,789)	(5,823,329)	(453,960,815)
Balance at end of year	₱2,490,502,923	₱4,657,884,261	₱142,541,856	₱34,076,151	₱22,634,918	₱68,550	₱25,043,203	₱15,152,417	₱5,454,242	₱122,558,699	₱115,584,849	₱12,502,657	₱7,644,004,726
At June 30, 2022													
Cost	₱2,490,502,923	₱6,517,973,584	₱758,451,137	₱321,161,912	₱211,042,447	₱6,856,161	₱398,309,185	₱131,763,413	₱5,454,242	₱148,154,218	₱251,255,216	₱56,843,093	₱11,297,767,531
Accumulated depreciation and amortization	–	1,860,089,323	615,909,281	287,085,761	188,407,529	6,787,611	373,265,982	116,610,996	–	25,595,519	135,670,367	44,340,436	3,653,762,805
Net book value	₱2,490,502,923	₱4,657,884,261	₱142,541,856	₱34,076,151	₱22,634,918	₱68,550	₱25,043,203	₱15,152,417	₱5,454,242	₱122,558,699	₱115,584,849	₱12,502,657	₱7,644,004,726

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,345.1 million and ₱1,289.0 million as at September 30, 2022 and June 30, 2022, respectively. There were no idle property and equipment as at September 30, 2022 and June 30, 2022

Additions

Property and Equipment under Construction. As at September 30, 2022 and June 30, 2022, the remaining construction in progress amounting to ₱5.5 million pertains to the construction of a pedestrian overpass to ensure the safety of the students of STI Las Piñas. The related contract cost is ₱6.3 million. This project is expected to be completed in December 2022.

Collaterals
Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at September 30, 2022 and June 30, 2022. The net book value of these equipment amounted to ₱14.2 million and ₱12.5 million as at September 30, 2022 and June 30, 2022, respectively.

12. Investment Properties

The rollforward analyses of this account are as follows:

	September 30, 2022 (Unaudited)			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Cost:				
Balance at beginning of the period	**₱68,002,424**	**₱703,141,550**	**₱86,671,554**	**₱857,815,528**
Additions	**2,577,334**	**5,202,765**	**–**	**7,780,099**
Reclassification to property and equipment (see Note 11)	**(46,593,335)**	**(70,825,764)**	**–**	**(117,419,099)**
Reclassification of completed project	**–**	**86,671,554**	**(86,671,554)**	**–**
Balance at end of the period	**23,986,423**	**724,190,105**	**–**	**748,176,528**
Accumulated depreciation:				
Balance at beginning of the period	**–**	**228,926,408**	**–**	**228,926,408**
Depreciation (see Notes 22 and 24)	**–**	**6,619,162**	**–**	**6,619,162**
Reclassification to property and equipment (see Note 11)		**(1,688,677)**		**(1,688,677)**
Balance at end of the period	**–**	**233,856,893**	**–**	**233,856,893**
Net book value	**₱23,986,423**	**₱490,333,212**	**₱–**	**₱514,319,635**

	June 30, 2022 (Audited)			
	Land	Condominium Units and Buildings	Construction- in-Progress	Total
Cost:				
Balance at beginning of the period	₱23,986,424	₱636,233,550	₱–	₱660,219,974
Additions	88,242,000	76,632,000	86,671,554	251,545,554
Reclassification to noncurrent asset held for sale (see Note 10)	(44,226,000)	(9,724,000)	–	(53,950,000)
Balance at end of the period	68,002,424	703,141,550	86,671,554	857,815,528
Accumulated depreciation:				
Balance at beginning of period	–	202,596,069	–	202,596,069
Depreciation (see Notes 22 and 24)	–	26,978,605	–	26,978,605
Reclassification to noncurrent asset held for sale (see Note 10)	–	(648,266)	–	(648,266)
Balance at end of the period	–	228,926,408	–	228,926,408
Net book value	₱68,002,424	₱474,215,142	₱86,671,554	₱628,889,120

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

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

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

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

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

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

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

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

assignment of STI Tanay's rights to the use of the name of STI College Tanay; and (5) change of corporate name of STI Tanay.

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

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

13. Investments in and Advances to Associates and Joint Venture

The details and movements of this account are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of the period	**(63,658,004)**	(46,652,187)
Equity in net earnings (losses) of associates and joint venture	**2,519,384**	(12,001,488)
Dividends received	**–**	(5,004,329)
Balance at end of the period	**(61,138,620)**	(63,658,004)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of the period	**750,782**	589,966
Remeasurement gain on pension liability	**–**	166,058
Unrealized fair value adjustment on equity instruments designated at FVOCI	**–**	(5,242)
Balance at end of the period	**750,782**	750,782
	489,479,414	486,960,030
Advances (see Note 25)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱489,479,414	₱486,960,030

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Associates (see Note 25):		
STI Holdings	**₱470,150,553**	₱468,469,152
Accent Healthcare/STI Banawe, Inc (STI Accent)*	**48,134,540**	48,134,540
Global Resource for Outsourced Workers, Inc. (GROW)	**15,074,054**	14,289,422
Joint venture:		
Philippine Healthcare Educators, Inc.	**4,254,807**	4,201,456
	537,613,954	535,094,570
Allowance for impairment loss	**48,134,540**	48,134,540
	₱489,479,414	₱486,960,030

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

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

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Quoted equity shares	**₱5,027,328**	₱4,401,912
Unquoted equity shares	**65,367,568**	65,367,568
	₱70,394,896	₱69,769,480

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

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

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

15. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Goodwill	**₱227,874,121**	₱227,874,121
Advances to suppliers	**38,787,011**	14,312,618
Intangible assets	**33,014,397**	33,126,676
Rental and utility deposits	**26,618,257**	26,697,421
Others	**2,823,112**	2,823,112
	₱329,116,898	₱304,833,948

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

Advances to Suppliers
Advances to suppliers substantially pertain to advance payments made in relation to the acquisition of capital assets and various 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 rendered.

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

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

16. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Accounts payable	**₱262,888,675**	₱348,131,163
Accrued expenses:		
Contracted services	**41,638,758**	34,640,877
School activities, programs and other related expenses	**25,126,751**	45,401,384

(forward)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Salaries, wages and benefits	**25,075,357**	25,591,550
Utilities	**16,370,617**	8,298,818
Interest	**5,486,334**	23,932,919
Advertising and promotion	**3,620,440**	7,527,460
Rent	**1,635,028**	4,637,426
Others	**3,169,669**	2,929,080
Network events fund	**23,728,897**	15,135,650
Statutory payables	**23,260,718**	21,684,910
Student organization fund	**17,691,212**	14,012,993
Dividend payable	**14,186,826**	14,186,826
Current portion of refundable deposits (see Note 19)	**689,477**	680,495
Current portion of advance rent (see Note 19)	**74,400**	346,370
Others	**3,573,447**	5,620,213
	₱468,216,606	₱572,758,134

The terms and conditions of the liabilities are as follows:

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

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

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

d. Dividend payable pertains to dividend declared which are unclaimed as at report date and are due on demand.

e. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled within the next financial year.

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

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

17. **Interest-bearing Loans and Borrowings**

This account consists of:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Term loans[(a)]	**₱714,244,945**	₱954,027,880
Corporate notes[(b)]	**245,111,171**	245,666,028
Landbank ACADEME Program[(c)]	**8,546,011**	12,538,573
	967,902,127	1,212,232,481
Less current portion	**67,628,328**	159,544,753
Noncurrent portion	**₱900,273,799**	₱1,052,687,728

[(a)]Net of unamortized debt issuance costs of ₱5.8 million and ₱6.0 million as at September 30, 2022 and June 30, 2022, respectively.
[(b)]Inclusive of unamortized premium on corporate notes of ₱5.1 million and ₱5.7 million as at September 30, 2022 and June 30, 2022, respectively.
[c)]Net of unamortized debt issuance costs of ₱0.04 million and ₱0.1 million as at September 30, 2022 and June 30, 2022, respectively.

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

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP Bloomberg Valuation Services (BVAL) rate plus an interest spread of 1.5% 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 1.5% 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 1.5% 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 was fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.7895% per annum effective September 20, 2021.

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

1. Debt-to-equity (D/E) ratio of not more than 1.5x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

The D/E ratios of STI ESG are 0.83x and 0.88x as at September 30, 2022 and June 30, 2022, respectively.

DSCR as at September 30, 2022 and June 30, 2021 are 2.33x and 1.80x , respectively. As at September 30, 2022 and June 30, 2022, STI ESG has complied with the said covenants.

Breakdown of the Group's Term Loan are as follows:

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Balance at beginning of the period	**₱960,000,000**	₱1,200,000,000
Repayments	**(240,000,000)**	(240,000,000)
Balance at end of period	**720,000,000**	960,000,000
Deferred finance cost	**(5,755,055)**	(5,972,120)
Balance at end of period	**714,244,945**	954,027,880
Less current portion	**–**	120,000,000
Balance classified as noncurrent	**₱714,244,945**	₱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% 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 in September 2021, are as follows:

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

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

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

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

Corporate Notes Facility

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

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, 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, the Parent Company availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75%. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends to the extent that such will result in a breach of the required debt-to-equity and DSCR ratios. The Parent Company was 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 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 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.

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

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

    (2) Debt service cover ratio of a minimum of 1.05x.

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

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

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

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

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

d) amendment of the 1-year Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 5.50% per annum for the interest period covering

January 31, 2021 to September 18, 2021 and 6.25% per annum for each succeeding interest period thereafter.

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

Breakdown of the Group's Credit Facility follows:

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

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

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

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested China Bank for 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 ended June 30, 2021.

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

LandBank ACADEME Program

On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note 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 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/students are interest-free.

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

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

Interest Expense

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

Interest incurred on the loans amounted to ₱21.4 million and ₱23.9 million for the three-month periods ended September 30, 2022 and 2021, respectively.

18. Bonds Payable

This account consists of:

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

On March 23, 2017, the Parent Company 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 of 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 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 the Group.

The bonds include an embedded derivative in the form of an early redemption option that gives the Parent Company 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 the Parent Company's issued bonds is as follows:

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

Covenants

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

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Total liabilities [a]	**₱4,812,740,965**	₱5,166,220,433
Total equity	**5,816,138,109**	5,892,251,942
Debt-to-equity ratio	**0.83:1.00**	0.88:1.00

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
EBITDA (see Note 3) [b]	**₱916,885,752**	₱ 868,421,984
Total interest-bearing liabilities [c]	**394,102,929**	483,122,324
Debt service cover ratio	**2.33:1.00**	1.80:1.00

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

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

Amendments to the Trust Agreement

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

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

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

- Amendment Relating to DSCR Waiver

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

  (k) maintain and observe the following financial ratios:

  (i) DSCR of not less than 1.05:1:00, provided that this Debt Service Coverage Ratio requirement shall be waived up to June 30, 2023.

<u>Bond Issuance Cost</u>

The Parent Company incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱18.2 million and ₱19.5 million as at September 30, 2022 and June 30, 2022 , respectively. Amortization of bond issuance costs amounting to ₱1.3 million and ₱1.8 million for the three-month periods ended September 30, 2022 and 2021, respectively, were recognized as part of the "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

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

19. Other Noncurrent Liabilities

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advance rent - net of current portion (see Note 16)	**₱9,352,727**	₱9,352,727
Refundable deposit - net of current portion (see Note 16)	**9,039,511**	8,909,546
Deferred lease liability	**1,161,390**	1,295,273
	₱19,553,628	₱19,557,546

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

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

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

20. Equity

Capital Stock
The details of the issued and outstanding number of common shares and amount as at September 30, 2022 and June 30, 2022 are as follows:

	No. of Shares	Amount (At Par)
Authorized - ₱1 par value	5,000,000,000	₱5,000,000,000
Issued and outstanding:		
Balance at beginning and end of year	3,087,829,443	3,087,829,443
Less: Treasury stocks	(5,952,273)	(5,952,273)
Issued and outstanding at end of year	3,081,877,170	₱3,081,877,170

Treasury Stock
Treasury stock acquired as at September 30, 2022 and June 30, 2022 amounted to ₱10.8 million.

Retained Earnings
On November 26, 2021, the Parent Company's BOD approved the cash dividends amounting to ₱0.05 per share or an aggregate amount of ₱154.1 million in favor of all stockholders of record as at November 29, 2021. The dividends were paid on December 17, 2021.

Policy on Dividend Declaration. On September 19, 2017, the BOD of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy equivalent to 25.0% to 40.0% of the core income of the Group 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 the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's 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 Group 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 Group'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.

Non-controlling Interests and Other Equity Reserve

On August 4, 2021, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000, representing 48% 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 the Parent Company effective August 4, 2021. Consequently, the carrying value of the equity attributable to non-controlling interests 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 June 30, 2022 audited consolidated financial statements.

21. Revenues

Disaggregated Revenue Information

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

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Tuition and other school fees	**₱227,651,035**	₱197,664,599
Educational services	**37,474,826**	32,788,772
Royalty fees	**3,945,007**	3,451,702
Sale of educational materials and supplies	**67,278,569**	12,931,882
Other revenues	**23,707,435**	20,811,186
Total consolidated revenues	**₱360,056,872**	₱267,648,141

Timing of revenue recognition

	Three months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Services transferred over time	**₱269,070,868**	₱233,905,073
Goods and services transferred at a point in time	**90,986,004**	33,743,068
Total consolidated revenue	**₱360,056,872**	₱267,648,141

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. Significant changes in the contract liability 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 (see Note 2) that resulted to change in the timing of revenue recognition.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱30.6 million and ₱48.7 million for the three-month periods ended September 30, 2022 and 2021, respectively.

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

Performance Obligations

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

The performance obligations related to revenues from educational services and royalty fees are also satisfied over time since the franchised schools receive and consume the benefit provided by STI ESG upon performance of the services. The payment for these services is normally due within 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 September 30, 2022 and June 30, 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱1,275.5 million and ₱30.6 million, respectively. This represents 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.

22. Cost of Educational Services

This account consists of:

	Three-months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Depreciation and amortization (see Notes 11, 12 and 15)	**₱61,546,968**	₱61,471,079
Faculty salaries and benefits	**42,613,104**	29,677,294
Student activities, programs and other related expenses	**12,818,082**	14,361,702
Rental	**5,346,455**	5,480,453
Software maintenance	**2,445,095**	3,260,765
School materials and supplies	**1,935,556**	1,081,809
Courseware development costs	**83,083**	236,391
Internet connectivity assistance	–	11,963,206
Others	**922,098**	80
	₱127,710,441	₱127,532,779

23. Cost of Educational Materials and Supplies Sold

This account consists of:

	Three-months ended September 30	
	2022	2021
	(Unaudited)	(Unaudited)
Educational materials and supplies	**₱48,996,698**	₱10,570,380
Promotional materials	**1,258,636**	134,755
	₱50,255,334	₱10,705,135

24. General and Administrative Expenses

This account consists of:

	Three-months ended September 30	
	2022 (Unaudited)	2021 (Unaudited)
Salaries, wages and benefits	**₱60,503,680**	₱52,991,163
Depreciation and amortization (see Notes 11, 12 and 15)	**58,215,531**	58,169,608
Provision for ECL (see Note 6)	**32,320,200**	33,699,608
Light and water	**24,979,604**	13,454,199
Outside services	**19,090,528**	13,732,339
Professional fees	**18,699,891**	16,518,782
Advertising and promotions	**8,532,823**	19,488,515
Taxes and licenses	**7,311,222**	6,984,568
Repairs and maintenance	**4,581,295**	2,496,284
Transportation	**4,266,567**	2,732,521
Insurance	**3,746,192**	3,599,847
Meetings and conferences	**2,833,624**	2,858,110
Rental	**2,291,337**	2,348,765
Entertainment, amusement, and recreation	**1,564,248**	1,506,145
Office supplies	**1,279,520**	1,230,289
Communication	**810,913**	773,460
Software maintenance	**748,883**	870,374
Association dues	**196,442**	191,221
Others	**3,470,089**	3,669,486
	₱255,442,589	₱237,315,284

25. Related Party Transactions

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

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

	Amount of Transactions During the Period		**Outstanding Receivable (Payable)**			
Related Party	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	**Terms**	**Conditions**
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW						
Rental income and other charges	**170,161**	162,058	**5,574,451**	5,383,871	30 days upon receipt of billings	Unsecured; no impairment

(forward)

Related Party	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
Reimbursement for various expenses and other charges	**₱129,884**	₱80,921	**₱135,229**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	–	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Holdings						
Advisory fees	**3,600,000**	3,600,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**2,821,843**	2,773,803	**24,340,174**	21,729,896	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**2,854,174**	2,150,283	**920,397**	280,544	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilhealthCare, Inc.						
Rental income and other charges	**2,493,520**	2,733,576	**926,058**	1,350,614	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,826,325**	1,279,243		–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	–	–	**(1,950,480))**	(1,950,480)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	–	–	**10,741**	10,741	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**250,395**	5,076,277	**(64,570)**	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**2,086,889**	3,148,669	**(3,454)**	(268,641)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippine Life Financial Assurance Corporation						
Insurance	**63,871**	1,033	**(70,258)**	(2,627)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	**2,918,098**	2,921,970	**1,129,285**	2,179,803	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	–	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
STI WNU						
Educational services and sale of educational materials and supplies	**9,233,510**	713,921	**18,134,769**	9,515,642	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,510,537**	748,880	**5,114,935**	2,513,039	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY						
Reimbursement for various expenses and other charges	**1,109**	–	**1,109**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(forward)

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)	**September 30, 2022 (Unaudited)**	June 30, 2022 (Audited)	**Terms**	**Conditions**
Officers and employees						
Advances for various expenses	**₱8,577,058**	₱705,098	**₱20,487,470**	₱15,632,949	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental income and other charges	**–**	–	**1,299,354**	1,350,565	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱122,169,271	**₱103,810,509**		

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

Related party receivables and payables are generally settled in cash.

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

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Educational services and sale of educational materials and supplies (Note 6)	**48,510,275**	34,039,121
Advances to officers and employees (see Note 6)	**20,487,470**	15,632,949
Rent, utilities and related receivables	**9,076,228**	10,275,594
Accounts payable (Note 16)	**(4,039,242)**	(4,271,695)
	₱122,169,271	₱103,810,509

Outstanding balances of the Parent Company's transactions with subsidiaries which were eliminated during consolidation are as follows:

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2022 (Unaudited)**	September 30, 2021 (Unaudited)	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱23,880,836**	₱18,722,581	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**25,922,223**	28,208,592	**(240,411,423)**	(₱214,489,200)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**12,572,400**	12,572,400	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**13,030,331**	6,766,039	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**708,933**	749,705	**(68,259,887)**	(67,486,050)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**7,680,000**	7,680,000	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

(forward)

Related Party	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱–**	₱–	**₱13,136,613**	₱13,136,613	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	**3,885,410**	3,885,410	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI DLS College						
Reimbursement for various expenses	–	–	**(47,472,711)**	(47,472,711)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI QA						
Educational services, sale of educational materials and supplies, management fees, and other charges	**2,252,321**	–	**3,096,000**	749,455	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**2,184,869**	–	**9,858,469**	12,254,767	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	**8,046,168**	6,045,738	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**680,859**	1,033,218		6,795,765	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**3,742,200**	3,742,200	**27,947,102**	28,740,046	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Reimbursement for various expenses	**5,806**	41,989	**19,777,864**	19,772,058	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Educational services, sale of educational materials and supplies,	–	–	**5,426,444**	5,426,444	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	**9,022,882**	9,022,882	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Tanauan						
Educational services, sale of educational materials and supplies,	**3,660,667**	2,547,533	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**11,485,835**	108,047	**(29,309,474)**	(17,823,639)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa						
Educational services, sale of educational materials and supplies,	**11,200,694**	5,941,698	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**466,238**	687,102	**11,403,054**	1,928,771	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,567,745**	11,016,900	**91,897,051**	91,897,051	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

(forward)

Related Party	Amount of Transactions During the Period September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)	Outstanding Receivable (Payable) September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Terms	Conditions
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	**₱8,443,282**	₱3,846,654	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**451,957**	305,589	**52,502,657**	49,795,032	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**134,109**	1,995,132	**36,090,788**	35,956,679	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,514,482**	–	**6,791,962**	5,095,742	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute of Mandaluyong Inc.						
Reimbursement for various expenses	**969,628**	367,609	**1,304,156**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	–	4,404,586	27,782,266	27,782,266	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI Polytechnic Institute, Inc.						
Reimbursement for various expenses	**1,815,663**	2,126,187	**62,419,809**	62,689,628	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**6,104,187**	6,222,437	**40,349,218**	33,620,791	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱37,238,250	₱61,277,800		

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

The table below shows the summary of net loss and weighted average number of common shares outstanding used in the calculation of EPS:

	Three months ended September 30 2022 (Unaudited)	2021 (Unaudited)
Net loss attributable to equity holders of the Parent Company (a)	**(₱74,993,684)**	(₱147,290,499)
Common shares outstanding at beginning and end of period (b) (see Note 20)	**3,081,877,170**	3,081,877,170
Basic and diluted loss per share on net loss attributable to equity holders of the Parent Company (a)/(b)	**(₱0.02)**	(₱0.05)

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

27. **Contingencies and Commitments**

Contingencies

a. *Labor Cases*

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

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

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

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

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

On September 9, 2020, the Labor Arbiter issued the Order, wherein he affirmed that the former employee's refusal to report to work in October 2006 interrupted the running of backwages. Consequently, the former employee was entitled to receive backwages from May 2004 until October 2006. The Labor Arbiter further determined that the attorney's fees of 10% 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 complainant to her former position but without backwages, separation pay, or similar benefits. STI ESG was ordered to pay complainant the amount of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014. However, the NLRC overturned the labor arbiter's decision upon a dubious motion for partial reconsideration declaring complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. STI ESG subsequently filed with the Court of Appeals a Petition for Certiorari questioning the decision of the NLRC.

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

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

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

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

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

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

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

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

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 6% per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

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

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

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

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

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

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

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

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

c. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance with the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15% of the amount to be awarded and ₱3.0 thousand per court appearance.

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

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

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

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

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

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

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

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

   The said Motion for Reconsideration is deemed submitted for resolution.

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

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

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

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

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

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

While 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.

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

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

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

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

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

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

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

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

f. *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.

g. *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:

1. 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);

2. Term Loan Agreement dated April 5, 2016 between DBP and STI College Tanay, Inc. (STI Tanay) for a loan amounting to ₱24.5 million, which is supported by five (5) Promissory Notes (Subject Loan);

3. 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);

4. 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

5. 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 the Extrajudicial Foreclosure Sale, STI ESG was declared as the winning bidder. STI ESG obtained the Certificate of Sale covering the Tanay Property dated April 11, 2022. The said Certificate of Sale was annotated on the title by the Registry of Deeds of Rizal, Morong Branch on May 5, 2022.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in the Complaint for annulment of Extrajudicial Foreclosure Proceedings, the Tanay Property was conveyed/assigned to STI ESG while the Pasig Property was redeemed by the Plaintiffs.

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

On June 22, 2021, STI ESG received the Complaint. Based on the Complaint, the Plaintiffs alleged that STI ESG, as the assignee of the loan of STI Tanay with DBP, foreclosed on the Mortgagors' parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property).

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

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

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

On November 12, 2021, STI ESG and a director defendant (Defendants) filed a Joint Answer Ad Cautelam. In the Joint Answer, the Defendants asserted the dismissal of the Complaint because of 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 party 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.

h. Due to the nature of the Parent Company's business, it is 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 the Parent

Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's unaudited interim condensed consolidated financial statements.

i. Other subsidiaries also stand as the defendant of various lawsuits and claims filed by their former employees. The complainants are seeking payment of damages such as backwages and attorney's fees. Management and its legal counsels believe that the subsidiaries have substantial legal and factual bases for their position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's unaudited interim condensed consolidated financial statements.

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. As at June 30, 2021, STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱9.5 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns amounting to ₱10.0 million and ₱12.1 million, respectively, are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

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

b. Capital Commitments

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

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

As at September 30, 2022 and 2021, STI ESG has contractual commitments and obligations for the construction of STI Legazpi with an aggregate project cost of ₱251.8 million of which ₱238.3 have been paid as at September 30, 2022 and June 30, 2022, respectively.

c. Others

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

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

The equity sharing in the Joint Venture Company would be 60%, 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 at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

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

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

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

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

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

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the "Universal Access to Quality Tertiary Education Act" (UAQTEA) and its Implementing Rules and Regulations (IRR). 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 private 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 the TES program, CHED pays directly the schools where these students enrolled.

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

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

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

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

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

28. Changes in Liabilities Arising from Financing Activities

	June 30, 2022	Cash Flows	Income on Rent Concessions	Interest Expense	Reclassified as Current	Effect of Lease Termination/ Modification (see Note 11)	New Leases	September 30, 2022
Current portion of interest-bearing loans and borrowings	₱159,544,753	(₱244,012,094)	₱–	₱–	₱152,095,669	₱–	₱–	₱67,628,328
Bonds payable	2,980,515,064	–	–	1,290,807	–	–	–	2,981,805,871
Interest-bearing loans and borrowings – net of current portion	1,052,687,728	–	–	(318,260)	(152,095,669)	–	–	900,273,799
Lease liabilities	317,614,362	(29,358,996)	–	5,065,310	–	(4,533,238)	19,713,487	308,500,925
Dividends payable	14,186,826	–	–	–	–	–	–	14,186,826
Interest payable	23,932,919	(85,005,533)	–	66,558,948	–	–	–	5,486,334
`	₱4,548,481,652	(₱358,376,623)	₱–	₱72,596,805	₱–	(₱4,533,238)	₱19,713,487	₱4,277,882,083

	June 30, 2021	Cash Flows	Income on Rent Concessions	Interest Expense	Reclassified as Current	Effect of Lease Termination/ Modification (see Note 11)	New Leases	September 30, 2021
Current portion of interest-bearing loans and borrowings	₱129,544,753	(₱240,000,000)	₱–	₱–	₱124,012,094	₱–	₱–	₱13,556,847
Bonds payable	2,973,082,875	–	–	1,815,043	–	–	–	2,974,897,918
Interest-bearing loans and borrowings – net of current portion	1,333,358,223	–	–	(69,489)	(124,012,094)	–	–	1,209,276,640
Lease liabilities	335,166,946	(25,592,305)	(2,882,909)	5,490,738	–	–	13,696,233	325,878,703
Dividends payable	13,760,123	–	–	–	–	–	–	13,760,123
Interest payable	28,974,871	(93,244,089)	–	70,671,626	–	–	–	6,402,408
	₱4,813,887,791	(₱358,836,394)	(₱2,882,909)	₱77,907,918	₱–	₱–	₱13,696,233	₱4,543,772,639

29. Fair Value Information of Financial Instruments

The principal financial instruments of the Group comprise cash and cash equivalents and interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's school operations. The Group has various other financial assets and liabilities such as receivables, accounts payable and other current liabilities which arise directly from its operations.

The 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 at financial reporting date.

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

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

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

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

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

30. Notes to the Unaudited Interim Condensed Consolidated Statement of Cash Flows

The Group's material noncash investing and financing activities pertain to the following:

a. Additions to ROU assets presented under "Property and equipment" amounted to ₱18.5 million and ₱13.7 million for the three-month periods ended September 30, 2022 and 2021, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to nil and ₱0.5 million as at September 30, 2022 and 2021, respectively.

c. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounting to ₱2.2 million and ₱15.4 for the three-month periods ended September 30, 2022 and 2021, respectively.

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

a. On October 1, 2022, STI ESG acquired two parcels of land located at Brgy. Saluysoy, Meycauayan, Bulacan for ₱55,000 per square meter or an aggregate cost of ₱135.2 million with a total area of 2,459 square meters. The location is intended to be the future site of STI Academic Center Meycauayan.

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

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

STI EDUCATION SERVICES GROUP, INC.

Financial Highlights and Key Performance Indicators
(in ₱ millions except margins, financial ratios and earnings per share)

	September 30, 2022 (Unaudited)	June 30, 2022 (Audited)	Sept 2022 vs June 2022 Increase (Decrease) Amount	%
Consolidated financial position				
Total assets	11,904.4	11,089.1	815.3	7.4%
Current assets	2,795.7	1,936.2	859.5	44.4%
Cash and cash equivalents	1,440.7	1,242.5	198.2	16.0%
Total liabilities	6,088.2	5,196.8	891.4	17.2%
Current liabilities	1,861.3	816.4	1,044.9	128.0%
Total equity	5,816.1	5,892.3	(76.2)	(1.3%)
Equity attributable to equity holders of the parent	5,818.6	5,894.0	(75.4)	(1.3%)
Financial ratios				
Debt-to-equity ratio	0.83	0.88	(0.05)	(5.7%)
Current ratio	1.50	2.37	(0.87)	(36.7%)
Debt service cover ratio	2.33	1.80	0.53	29.4%
Asset to equity ratio	2.05	1.88	0.17	9.0%

	Three months ended September 30			
	2022 (Unaudited)	2021 (Unaudited)	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	360.1	267.6	92.5	34.6%
Direct costs (4)	178.0	138.2	39.8	28.7%
Gross profit	182.1	129.4	52.7	40.7%
Operating expenses	255.4	237.3	18.1	7.6%
Operating loss	(73.3)	(107.9)	34.6	(32.1%)
Other expenses - net	(5.9)	(38.3)	32.4	(84.6%)
Loss before income tax	(79.2)	(146.2)	67.0	(45.8%)
Net loss	(75.8)	(147.8)	72.0	(48.7%)
EBITDA (5)	58.1	9.6	48.5	505.2%
Core income (loss) (6)	(113.3)	(171.3)	58.0	(33.9%)
Net loss attributable to equity holders of the Parent Company	(75.0)	(147.3)	72.3	(49.1%)
Loss per share (7)	(0.02)	(0.05)	0.03	(60.0%)
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	562.3	252.4	309.9	122.7%
Net cash used in investing activities	(32.5)	(32.8)	0.3	(0.9%)
Net cash used in financing activities	(358.4)	(358.8)	0.4	(0.1%)
Effect of exchange rate changes on cash and cash equivalents	26.8	17.5	9.3	53.1%

	As at and for three months ended September 30			
	2022	2021	Increase (Decrease)	
	(Unaudited)	(Unaudited)	Amount	%
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio (2)	1.50	1.49	0.01	1%
Quick ratio (8)	1.41	1.35	0.06	4%
Cash ratio (9)	0.77	0.65	0.12	18%
Solvency ratios				
Debt to equity ratio (1)	0.83	1.04	(0.21)	(20%)
Asset to equity ratio (3)	2.05	2.10	(0.05)	(2%)
Debt service cover ratio (10)	2.33	2.04	0.29	14%
Interest coverage ratio (11)	(0.09)	(0.88)	0.79	90%
Profitability ratios				
EBITDA margin (12)	17%	4%	13%	361%
Gross profit margin (13)	51%	48%	3%	6%
Operating profit margin (14)	(20%)	(40%)	20%	50%
Net income (loss) margin (15)	(21%)	(55%)	34%	62%
Return on equity (16)	(1%)	(3%)	1.3%	43%
Return on assets (17)	(0.7%)	(1.3%)	0.6%	60%

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

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

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

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

(5) *EBITDA is net income excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint venture and nonrecurring gains/losses such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL and income on rent concessions.*

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

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

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

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

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

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

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

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

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

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

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

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

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2022

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱1,166,265,379	₱952,594,793	₱11,106,818	₱13,758,578	₱188,805,190

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

ANNEX "B"

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Services Group, Inc. (STI ESG 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). The Parent Company was incorporated on June 2, 1983.

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

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

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

In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI Quezon Avenue (STI QA) and STI Tuguegarao for SY 2020-2021 and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. Further, STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and the Department of Education (DepEd) and Technical Education and Skills Development Authority (TESDA) in July 2021, of its decision not to accept enrollees for SY 2021-2022. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrollment turnout and/or the high cost of rental of facilities. As at September 30, 2022, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 36 schools while franchisees operate 27 schools. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

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

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

STUDENT POPULATION

The enrollment figures of the Group for SY 2022-2023 indicate a robust increase of 12.3% as the Group enrollment for SY 2022-2023 reached 81,697 compared to 72,750 enrollees in SY 2021-2022. Furthermore, enrollment in programs regulated by the CHED registered an impressive 16.1% increase compared to enrollees in SY 2021-2022 of 49,005 students.

The enrollment figures at the start of the School Year (SY) are as follows:

	SY 2022-2023	SY 2021-2022	Increase	
			Enrollees	Percentage
STI Network				
Owned schools	53,476	47,230	6,246	13%
Franchised schools	28,221	25,520	2,701	11%
Total Enrollees	**81,697**	**72,750**	**8,947**	**12%**

Grouping of the students in terms of government regulatory agencies supervising the programs is as follows:

- CHED - students under this group are enrolled in tertiary and post-graduate programs;
- TESDA - students under this group are enrolled in technical-vocational programs; and
- DepEd – pertains to primary and secondary education, including SHS.

	SY 2022-2023	%	SY 2021-2022	%
CHED	56,876	70%	49,005	67%
TESDA	1,447	2%	1,040	2%
DEPED	23,374	28%	22,705	31%
TOTAL	**81,697**	100%	**72,750**	100%

STI ESG continued implementing the ONline and ONsite Education at STI (ONE STI) Learning Model that was introduced in SY 2020-2021 in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, imposition of community quarantine, among others, which were implemented to contain the outbreak of the Novel 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. 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 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 to be 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.

For SY 2022-2023, classes started on August 30, 2022 for SHS and September 5, 2022 for tertiary while classes of both SHS and tertiary students for SY 2021-2022 started on September 24, 2021 . From last school year's gradual transition to face-to-face classes for high-stake courses, STI implemented a flexible learning delivery modality in 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 ratio of 50% onsite/face-to-face to 50% asynchronous. As for SHS, classes are all conducted face-to-face since the opening of 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 on the conduct of face-to-face classes.

FINANCIAL REVIEW

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

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

I. RESULTS OF OPERATIONS

<u>Three-month period ended September 30, 2022 vs. three-month period ended September 30, 2021</u>

For the three-month period ended September 30, 2022, the Group generated gross revenues amounting to ₱360.1 million, higher by 35% or ₱92.5 million from same period last year of ₱267.6 million. The increase was primarily driven by the remarkable increase in the total number of students of the Group for SY 2022-2023. Gross profit likewise increased by ₱52.7 million or 41% year-on-year.

The Group recorded an operating loss for the three-month period ended September 30, 2022 amounting to ₱73.4 million, compared to ₱107.9 million for the same period last year. The Group recognized a net loss amounting to ₱75.8 million this quarter as against ₱147.8 million for the three-month period ended September 30, 2021.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱58.1 million for the three-month period ended September 30, 2022 compared to ₱9.6 million for the same period last year. EBITDA for the three-month periods ended September 30, 2022 and 2021 is computed as net loss excluding provision for (benefit from) income tax, depreciation and amortization, equity in net earnings of associates and joint venture, interest expense and interest income, and nonrecurring gains such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at FVPL, and income on rent concessions. Depreciation and interest expenses for purposes of this computation exclude those related to Right-of-Use (ROU) assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2022 is 16%, compared to 4% for the same period last year due to reasons cited above.

II. FINANCIAL CONDITION

The Group posted consolidated total assets amounting to ₱11,904.4 million as at September 30, 2022, compared to the balance as at June 30, 2022 amounting to ₱11,089.1 million. The increase was driven by the ₱424.2 million increase in receivables from students from ₱245.9 million as at June 30, 2022 to ₱670.1 million as at September 30, 2022. Receivables from DepEd for the SHS vouchers likewise registered an increase of ₱266.9 million.

Cash and cash equivalents increased by ₱198.2 million or 16% from ₱1,242.5 million to ₱1,440.7 million as at June 30, 2022 and September 30, 2022, respectively, substantially due to the tuition and other school fees for SY 2022-2023 collected during the quarter. This is net of prepayment made by STI ESG on its Term Loan with China Banking Corporation (China Bank) amounting to ₱244.5 million, including 1.5% prepayment penalty and interests on the outstanding term loan facility covering September 19-23, 2022.

Total receivables is up by ₱721.1 million from ₱445.1 million as at June 30, 2022 to ₱1,166.2 million as at September 30, 2022. The receivables balance is composed of amounts expected to be collected from students as payment for tuition and other school fees, and from DepEd for the SHS vouchers that are expected to be collected for the remaining months of the school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy in amounts ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Inventories decreased by ₱33.6 million or 22%, net of acquisitions, from ₱153.7 million to ₱120.1 million, resulting mainly from the sale of uniforms for the three-month period ended September 30, 2022.

Prepaid expenses decreased by ₱5.9 million or 9%, from ₱66.2 million to ₱60.3 million as at September 30, 2022, substantially due to full utilization of prepayments made for COVID-19 vaccines, and software licenses of the Group.

The carrying value of the equity instruments designated at FVPL amounted to ₱5.31 per share or an aggregate of ₱8.2 million as at September 30, 2022 compared to ₱6.45 per share or an aggregate of ₱9.6 million as at June 30, 2022. These equity instruments pertain to STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed in the Philippine Stock Exchange.

Equity instruments designated at FVOCI increased by ₱0.6 million from ₱69.8 million to ₱70.4 million as at September 30, 2022, attributed to the increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets (DTA) increased by ₱5.2 million from ₱18.4 million to ₱23.6 million as at September 30, 2022, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱24.3 million from ₱304.8 million to ₱329.1 million as at September 30, 2022 representing advance payments made to suppliers .

Total current liabilities increased by ₱1,044.9 million, from ₱816.4 million to ₱1,861.3 million as at June 30, 2022 and September 30, 2022, respectively, mainly due to the ₱1,244.8 million increase in unearned tuition and other school fees which was partially offset by the ₱104.5 million decrease in accounts payable and other current liabilities and ₱91.9 million decrease in current portion of long-term loans and borrowings. Unearned revenues will be recognized as income over the remaining months of the related school term(s). The decrease in accounts payable and other current liabilities represents payments to contractors and suppliers, while the decrease in current portion of long-term loans and borrowings was due to prepayment made by STI ESG on its Term Loan Facility with China Bank.

Total noncurrent liabilities decreased by ₱153.6 million to ₱4,226.9 million as at September 30, 2022 from ₱4,380.5 million as at June 30, 2022 primarily due to prepayment made by STI ESG on its Term Loan Facility with China Bank.

Total equity decreased by ₱76.1 million or by 1%, from ₱5,892.2 million as at June 30, 2022 to ₱5,816.1 million as at September 30, 2022 due to net loss recognized by the Group for the three-month period ended September 30, 2022.

III. TOP FIVE (5) KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) of the Group cover 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 when they fall due, whether such liabilities are current or noncurrent. The top five (5) KPIs of the Group include:

		As at/Three-month periods ended September 30		
		2022	**2021**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	16%	4%	EBITDA margin improved in 2022 as compared to the same period in 2021 mainly due to increase in revenues arising from higher number of enrollees.

		As at/Three-month periods ended September 30		
		2022	2021	Remarks
Gross profit margin	Gross profit divided by total revenues	51%	48%	Gross profit margin is up as revenues increased due to the reasons cited above.
Return on equity (ROE)	Net income (loss) attributable to equity holders of the Parent Company divided by average equity attributable to equity holders of the Parent Company	(1%)	(3%)	While the return on equity is expected to be lower during the first quarter of both fiscal years as most of the revenues of the Group, which are mainly tuition and other school fees, are recognized only beginning August for SHS and September for tertiary students, the start of the term. The remaining fees will be recognized as income over the remaining months of the school year. The Group expects the ROE to improve by end of fiscal year 2022-2023.
Debt service cover ratio (DSCR)	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	2.33	2.04	The minimum DSCR set by management, the lender bank and STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months. (see Note below)
Debt-to-equity ratio (D/E ratio)	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.83	1.04	D/E ratio improved due to prepayment made by STI ESG on its Term Loan Facility.

Note:

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

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

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱198.2 million from ₱1,242.5 million to ₱1,440.7 million as at June 30, 2022 and September 30, 2022, respectively. The Group generated cash from operations aggregating to ₱562.3 million during the three-month period ended September 30, 2022; these funds were utilized to pay the contractors and suppliers of the recent construction and renovation projects of the Group. On the other hand, the Group registered ₱358.4 million net cash used in financing activities substantially representing principal prepayment amounting to ₱244.0 million and interest payments of bonds and loans aggregating to ₱85.0 million, including prepayment fee, during the three-month period ended September 30, 2022.

Receivables increased to ₱1,166.3 million as at September 30, 2022 or by ₱721.1 million, almost double of the receivable balance as at June 30, 2022 amounting to ₱445.1 million. Receivables from students increased by ₱424.2 million from ₱245.9 million to ₱670.1 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱276.2 million as at September 30, 2022, posting an increase of ₱261.6 million from ₱14.6 million, as at June 30, 2022. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Receivables from students are normally collected on or before the date of major examinations, while receivables from DepEd for the SHS vouchers are expected to be collected in full within the school year. Rent receivables from third parties increased by ₱10.3 million to ₱34.1 million as at September 30, 2022 from ₱23.8 million as at June 30, 2022 as a major new lease contract was consummated by STI ESG in July. The rent receivables are expected to be collected within the fiscal year. The Group's allowance for expected credit losses ("ECL") recognized in relation to the adoption of Philippine Financial Reporting Standards ("PFRS") 9, *Financial Instruments*, increased from ₱244.7 million as at June 30, 2022 to ₱277.0 million as at September 30, 2022 due to the provision for ECL recognized during the three-month period.

Inventories decreased by ₱33.6 million or 22%, from ₱153.7 million to ₱120.1 million, net of purchases made during the period, substantially resulting from the sale of uniforms for the three-month period ended September 30, 2022.

Prepaid expenses and other current assets decreased by ₱5.9 million or 9% from ₱66.2 million to ₱60.3 million as at September 30, 2022. The decrease was primarily due to the full utilization of subscriptions and licenses and COVID-19 vaccines during the quarter. In 2021, the Group purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million, in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program. The overall decrease in prepaid expenses was partially offset by increases in insurance and software maintenance costs. Prepaid insurance increased by ₱4.1 million from ₱0.6 million to ₱4.7 million due to the renewal of health insurance coverage of employees. These insurance payments are recognized as expenses over the period of the insurance coverage, which is normally within one year from the beginning of the current fiscal year while software maintenance cost increased by ₱2.6 million from ₱1.7 million as at June 30, 2022 to ₱4.3 million as at September 30, 2022 due to the renewal of annual support and maintenance charges for the use of accounting and enrollment systems' respective covering periods.

In September 2021, STI ESG subscribed to quoted equity shares of RCR, which is listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. As at September 30, 2022, the market value of quoted equity shares of RCR decreased by ₱1.4 million from ₱9.6 million as at June 30, 2022.

Noncurrent asset held for sale as at June 30, 2022 pertains to the carrying value of the Pasig City property which was foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay"). On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the Pasig City Property for ₱19.0 million. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly classified the Pasig City Property as "Noncurrent asset held for sale" as at June 30, 2022 in view of the expected redemption upon actual receipt of the redemption price. 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 ₱7,681.7 million from ₱7,644.0 million as at September 30, 2022 and June 30, 2022, respectively. The increase was mainly due to reclassification of the Tanay property from "Investment properties" to "Property and equipment" account during the three-month period ended September 30, 2022. On August 5, 2022, CHED approved the site transfer of STI QA to Tanay, Rizal subject to compliance with certain requirements. STI QA has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct SHS classes is still in process as at report date. The movement of the account is net of depreciation expense recognized for the three-month period ended September 30, 2022.

Investment properties decreased by ₱114.6 million from ₱628.9 million as at June 30, 2022 to ₱514.3 million as at September 30, 2022. The decrease is primarily due to the reclassification of the Tanay property from "Investment Properties" to "Property and equipment" account since the said property is now being used by STI QA as its school building and grounds (as discussed in the previous paragraph). On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million. STI ESG also recognized the cost of the remaining works for the renovation of its office condominium units. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominiums units were completed in August 2022.

Equity instruments designated at FVOCI increased by ₱0.6 million from ₱69.8 million to ₱70.4 million as at September 30, 2022, attributed to the increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets (DTA) increased by ₱5.2 million from ₱18.4 million to ₱23.6 million as at September 30, 2022, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible, and other noncurrent assets increased by ₱24.3 million from ₱304.8 million to ₱329.1 million as at September 30, 2022 substantially due to advance payments made to suppliers in relation to the purchase of school uniforms, construction of classrooms and laboratory rooms, repair works, and rehabilitation of sewerage treatment facilities of various schools in preparation for the new school year.

Accounts payable and other current liabilities decreased by ₱104.5 million from ₱572.7 million as at June 30, 2022 to ₱468.2 million as at September 30, 2022. Accounts payable decreased by ₱85.2 million due to payments to various suppliers and contractors of recently completed construction projects. Meanwhile, interest payable as at September 2022 decreased by ₱18.4 million representing interest payments on STI ESG's Corporate Notes Facility and its Term Loan Facility in September 2022.

Unearned tuition and other school fees increased by ₱1,244.9 million from ₱30.6 million as at June 30, 2022 to ₱1,275.5 million as at September 30, 2022. This will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations declined by ₱3.3 million while noncurrent lease liabilities declined by ₱5.8 million. These are due to lease payments of ₱29.3 million, net of additions for the three-month period ended September 30, 2022. The Group, on the other hand, reclassified lease obligations amounting to ₱19.2 million that are due within the next twelve months to current portion. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the unaudited condensed consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Current portion of interest-bearing loans and borrowings decreased by ₱91.9 million from ₱159.5 million as at June 30, 2021 to ₱67.6 million as at September 30, 2022. The balance as at September 30, 2022 represents the current portion of the Corporate Notes Facility Agreement of STI ESG with China BankChina Bank amounting to ₱60.0 million and the Land Bank of the Philippines (LandBank) loan amounting to ₱7.6 million which is due within the next twelve months while the balance as at June 30, 2022 includes the current portion of the Term Loan of STI ESG with China Bank amounting to ₱120.0 million, which has been prepaid as part of the ₱240.0 million loan prepayment. The first drawdown from the Landbank ACADEME program amounting to ₱10.0 million has matured in August 2022, while the second drawdown of ₱12.1 million is maturing in January 2023, for the 20-month tenor, while the same is maturing in August 2023 and January 2024, respectively, for the 30-month tenor. On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱ 240.0 million to be applied to the Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19-23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

Income tax payable of ₱160.8 thousand represents income tax due on the taxable income of STI ESG's subsidiaries as at June 30, 2022.

Non-current portion of interest-bearing loans and borrowings, decreased by ₱152.4 million from ₱1,052.7 million to ₱900.3 million as at June 30, 2022 and September 30, 2022, respectively, due to the reclassification to current portion of the Term Loan Facility and Corporate Notes Facility amounting to ₱120.0 million and ₱30.0 million, respectively, and prepayment of the principal installment for the Term Loan facility, due in September 2022, amounting to ₱120.0

million which was part of the ₱240.0 million partial prepayment made by STI ESG in September 2022. Interest rates for the Term Loan and Corporate Notes Facility were repriced at a rate of 6.5789% per annum effective September 20, 2022.

STI ESG listed its ₱3.0 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) the secondary market on March 23, 2017. This is the first tranche of its ₱5,000.0 million 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% per annum 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 a non-banking day of each year commencing on June 23, 2017, until and including the relevant maturity date. The bonds payable is carried in the books at ₱2,981.8 million and ₱2,980.5 million as at September 30, 2022 and June 30, 2022, respectively, net of deferred finance charges, representing bond issue costs with carrying value of ₱18.2 million and ₱19.5 million, as at September 30, 2022 and June 30, 2022, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased by ₱3.4 million from ₱63.4 million to ₱66.8 million as at June 30, 2022 and September 30, 2022, respectively, representing pension expense and decrease in the market value of the investments under the pension plan assets of the Group for the three-month period ended September 30, 2022.

Cumulative actuarial gain decreased by ₱1.0 million from ₱9.8 million to ₱8.8 million as at June 30, 2022 and September 30, 2022, respectively, representing movement in the market value of the investments under the pension plan assets of the Group as of September 30, 2022.

Retained earnings decreased by ₱75.0 million from ₱2,452.3 million to ₱2,377.3 million representing net loss recognized for the three-month period ended September 30, 2022.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱360.0 million during the three-month period ended September 30, 2022, an increase of ₱92.4 million from same period last year.

Tuition and other school fees amounted to ₱227.7 million for the three-month period ended September 30, 2022, up by ₱30.0 million or 15% from same period last year attributed to the increase in the student population for SY 2022-2023. The Group registered a robust growth of 12% for SY 2022-2023 compared to over 72,000 enrollees in SY 2021-2022. New students enrolled in CHED programs increased by 14% from 19,250 in SY 2021-2022 to 21,875 in SY 2022-2023. Furthermore, enrollment in programs regulated by CHED registered an impressive 16% increase compared to enrollment in SY 2021-2022 at 49,005 students, which is notably even better than pre-pandemic levels. CHED programs bring in higher revenues per student.

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

Other revenues increased by ₱2.9 million or 14% from ₱20.8 million for the three-month period ended September 30, 2021 to ₱23.7 million for the three-month period ended September 30, 2022, concomitant with the higher number of students this year, and transition to onsite classes this year.

Sale of educational materials and supplies increased by ₱54.4 million or 420% to ₱67.3 million for the three-month period ended September 30, 2022 from ₱12.9 million for the same period last year. Sale of educational materials and supplies recognized during the three months ended September 30, 2022 largely pertains to the sale of uniforms which rose due to the transition to face-to-face classes and the increase in the number of enrollees for SY 2022-2023. The cost of educational materials and supplies sold increased likewise concomitant with the increase in the sale of educational materials and supplies.

The cost of educational services is higher by ₱0.2 million, from ₱127.5 million to ₱127.7 million for the three-month periods ended September 30, 2021 and 2022, respectively. Instructors' salaries and benefits are up by ₱12.9 million from ₱29.7 million to ₱42.6 million due to the increase in the number of faculty members concomitant with the increase in the number of students. In addition, the salaries of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who have earned master's degree as part of the faculty members' continuing education have been adjusted favorably. Also, the increase in School materials and supplies account of ₱0.9 million or 79% was due to costs incurred in relation to the transition to onsite classes this year. These increases were mainly offset with the decline by ₱0.8 million in software, license, and related maintenance cost in connection with the shift to a more efficient subscription plan, and to the decline by ₱12.0 million in internet connectivity assistance. With more classes being held onsite, internet connectivity assistance to students is not provided this school year.

General and administrative expenses increased by 8% or ₱18.1 million from ₱237.3 million to ₱255.4 million for the three-month periods ended September 30, 2021 and 2022, respectively. Salaries and benefits are higher by ₱7.3 million for the three-month period ended September 30, 2022 compared to same period last year as salary adjustments were implemented this year. Also, certain plantilla positions were filled up during the three months ended September 30, 2022 in preparation for the face-to-face classes this year. Light and water is higher by ₱11.5 million from ₱13.5 million to ₱25.0 million for the three-month period ended September 30, 2021 and 2022, respectively, brought about by the holding of face-to-face classes this year. Classes during the first term of SY 2021-2022 were purely held online. Other general and administrative expenses such as external services which include janitorial expenses, repairs and maintenance, transportation and travel and other expenses related to operations likewise increased for the reason cited above. Also, the Group recognized a provision for estimated credit loss (ECL) amounting to ₱32.3 million from the three-month period ended September 30, 2022. This is slightly lower by ₱1.4 million compared to ₱33.7 million for the three-month period ended September 30, 2021 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2022. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from the students for prior years. For SY 2022-2023, the Group implemented a more tactical online ad campaign and utilized different social media platforms that directly targeted the students and their influencers. The Group also focused on creating various short-form videos with bite-size contents that are visually appealing and attention-grabbing to the students. In addition, short-form videos have lower costs. Thus, the

Group recognized advertising and promotions amounting to ₱8.5 million for the three-month period ended at September 30, 2022, which is lower by ₱11.0 million compared to ₱19.5 million for the three-month period ended at September 30, 2021.

The Group posted an operating loss of ₱73.4 million for the three-month period ended September 30, 2022 compared to the same period last year's operating loss of ₱107.9 million. The improvement is due to higher revenues attributed to the increase in the student population and improvement in enrollment mix in favor of students enrolled under the CHED programs.

Equity in net earnings of associates and joint venture is ₱2.5 million for the three-month period ended September 30, 2022 compared to equity in net earnings of associates and joint venture of ₱1.5 million for the same period in 2021.

Interest expenses decreased by ₱5.3 million, from ₱77.9 million to ₱72.6 million for the three-month period ended September 30, 2022 attributed to the principal payments made by STI ESG on its STI ESG's Term Loan Facility amounting to ₱240.0 million in September 2022.

Interest income increased from ₱1.0 million to ₱2.7 million for the three-month period ended September 30, 2022 attributed to the investment of STI ESG in short-term and money market funds, and interest on past due accounts.

Rental income increased from ₱13.2 million to ₱27.8 million for the three-month period ended September 30, 2022 due to new lease agreements entered into by STI ESG in one of its investment properties.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱26.8 million and ₱17.5 million for the three-month periods ended September 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.1 thousand and ₱0.3 million for the three-month periods ended September 30, 2022 and 2021, respectively.

The Group recognized gain on sale of its property and equipment amounting to ₱49.9 thousand and ₱1.4 million for the three-month periods ended September 30, 2022 and 2021, respectively.

The Group received rent concessions from some of its lessors which were accounted for as lease modifications for the three-month period ended September 30, 2022. Lease liability was modified with amount aggregating to ₱4.5 million for the three-month period ended September 30, 2022. On the other hand, the Group applied the practical expedient approach in 2021 for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other income aggregating to ₱2.9 million for the three-month period ended September 30, 2021.

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

The Group recognized recovery of accounts written-off amounting to ₱2.6 million for the three-month period ended September 30, 2022 compared to ₱2.2 million for the same period last year due to improved collection efficiencies.

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

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

Benefit from income tax amounting to ₱3.4 million was recognized for the three-month period ended September 30, 2022, mainly representing taxes due on tuition and other school fees collected in advance.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱0.6 million for the three-month period ended September 30, 2022, compared to negative ₱48.7 thousand for the three-month period ended September 30, 2021. The increase represents fair value adjustments of quoted equity shares held by STI ESG.

STI ESG recognized remeasurement losses, net of taxes, amounting to ₱0.9 million and ₱1.6 million, for the three-month periods ended September 30, 2022 and 2021, respectively, due to the adjustments in the market value of equity shares forming part of pension assets.

STI ESG reported a net loss of ₱75.8 million for the three-month period ended September 30, 2022 compared to a net loss of ₱147.8 million for the same period last year.

Total comprehensive loss for the three-month period ended September 30, 2022 amounted to ₱76.1 million compared to a comprehensive loss of ₱149.4 million for the three-month period ended September 30, 2021.

EBITDA is up from ₱9.6 million for the three-month period ended September 30, 2021 to ₱58.1 million for the three-month period ended September 30, 2022. EBITDA margin is 16% for the three-month period ended September 30, 2022 compared to 4% for the same period last year due to reason cited above.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱113.3 million for the three-month period ended September 30, 2022 compared to core income for the same period last year of negative ₱171.3 million.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

As at September 30, 2022 and 2021, the Group's DSCR is 2.33:1.00 and 2.04:1.00, respectively. As at June 30, 2022 the Group's DSCR is 1.80:1.00.

<u>Credit risk</u> – 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 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 such that exposure to bad debts is not significant.

<u>Interest rate risk</u> – 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. 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.

<u>Capital risk</u> – The Group's objectives when managing capital is to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using the D/E 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 D/E 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 D/E ratio at a level not exceeding 1.50:1.00.

As at September 30, 2022 and 2021, the Group's D/E ratios are 0.83:1.00 and 1.04:1.00, respectively. As at June 30, 2022 the Group's D/E ratio is 0.88:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

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

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

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

e. 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.

f. The various loan agreements entered into 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 is fully compliant with all the covenants of the respective agreements. See Notes 17 and 18 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

g. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations except for the contingencies and commitments enumerated in Note 27 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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

i. The Group's business is linked to the academic cycle. For SY 2022-2023, STI ESG has started classes on August 30, 2022 for SHS and September 05, 2022 for tertiary while classes of both SHS and tertiary students for SY2021-2022 started on September 24, 2021, with classes in all schools ending by June of the following year. Accordingly, as discussed in Notes 1 and 3 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

j. 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 day 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 16 of the Notes to Unaudited Interim Condensed Financial Statements).

k. 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 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 at March 31, 2017 and cash payments by the Joint Venture Parties.

   The equity sharing in the Joint Venture Company will 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 ₱100.0 to ₱75.0 million divided into 750,000 shares with a par value of ₱100.0. The increase will be funded through the declaration of stock dividends and cash subscriptions by the shareholders. In the same meeting, the stockholders and the BOD approved the declaration of 150,000 shares as stock dividends with an aggregate par value of ₱15.0 million to be distributed to stockholders of record as at March 31, 2017 based on the unrestricted retained earnings of STI Tanauan as shown in its audited financial statements as at March 31, 2017.

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

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

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

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

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

l. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the TES and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). The Republic Act 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 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 private Higher Education Institutions (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 directly pays the schools where these students enrolled.

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

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

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

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

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

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

n. In September 2020, STI ESG announced the suspension of the operations of some of its owned schools namely: STI Cebu, STI Iloilo, STI QA and STI Tuguegarao and cessation of operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools namely: STI Bohol, STI Recto, STI Zamboanga, STI Pasay, STI Dipolog, STI San Francisco and suspension of operations of STI Parañaque effective SY 2020-2021. STI La Union, a franchised school, informed the CHED in June 2021, and the DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate effective SY 2022-2023.

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

o. 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 to the Group:

   - Preferential income tax rate for proprietary educational institutions is reduced from 10.0% to 1.0% effective on 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.
   - 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 Group adopted the 1.0% income tax rate effective on July 1, 2020.

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