COVER SHEET

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STI EDUCATION SERVICES
GROUP, INC.

(Company's Full Name)

STI ACADEMIC CENTER
ORTIGAS-CAINTA, ORTIGAS AVENUE
EXTENSION, CAINTA RIZAL 1900

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

ARSENIO C. CABRERA, JR.	(632) 8812 1784
Contact Person	Company Telephone Number

06	30	Definitive Information Statement	1st Thursday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting ("ASM") of **STI EDUCATION SERVICES GROUP, INC.** ("STI ESG") will be held and conducted virtually via remote communication through Microsoft Teams on **Thursday, 21 December 2023, at 11:00 a.m.,** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 16 December 2022 Stockholder's Meeting
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 30 June 2023
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 16 December 2022 up to 21 December 2023
7. Election of Directors
8. Appointment of External Auditors
9. Adjournment

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

The 2023 Annual Stockholders' Meeting of STI ESG will be conducted virtually. Stockholders of Record may attend/participate via proxy, remote communication or vote in absentia. For the detailed registration and voting procedures, please visit https://www.sti.edu/asm2023 and refer to the "**Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy**".

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to corsec@sti.edu on or before 11 December 2023. Validated stockholders will be provided access to the live streaming of the meeting and can cast their votes in absentia by submitting accomplished voting forms via email to corsec@sti.edu on or before 15 December 2023 through the Company's secure online voting facility. All votes cast shall be subject to validation. LOIs and voting forms may be downloaded at https://www.sti.edu/asm2023

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

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

The Definitive Information Statement containing the attendance/voting (via remote communication) and election procedures, along with the Notice, Agenda, Proxy/Ballot, Management Report, SEC Form 17-A, and other information related to the Annual Stockholders' Meeting can be accessed at https://www.sti.edu/asm2023

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

AGENDA OF 2023 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order

2. Certification of Notice and Quorum

3. Approval of the Minutes of the 16 December 2022 Stockholder's Meeting

4. Management Report

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

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business from 16 December 2022 up to 21 December 2023

8. Election of Directors

9. Appointment of External Auditors

10. Adjournment

EXPLANATION AND RATIONALE OF EACH ITEM IN THE AGENDA

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Jesli A. Lapus, will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify that notices of the Annual Stockholders' Meeting ("ASM") were distributed to the stockholders of record at least fifteen (15) days before the date of the ASM. Atty. Carl Mark A. Ganhinhin of STI ESG shall issue a Certification attesting to the delivery of the ASM Notice. Copy of the ASM Notice was also posted at the Company's website.

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

   Except for the amendment of Articles of Incorporation, all the items in the Agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM. Each one (1) outstanding share of stock entitles the registered stockholders to one (1) vote.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 16 December 2022

   The minutes are available at the Company website, https://www.sti.edu/asm2023

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

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 16 December 2022 as appearing in the Minutes Book of the Corporation be approved."*

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

4. The Management Report

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

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

The Annual Report is also posted on the Company's website, https://www.sti.edu/asm2023. A resolution noting the Management Report will be presented to the stockholders for adoption.

Below is the proposed resolution:

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

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

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

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

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

   Below is the proposed resolution:

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

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

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 16 December 2022 Annual Stockholders' Meeting up to 21 December 2023. A list of the corporate acts to be ratified are enumerated in Item 16, pages 25-26 of the Definitive Information Statement.

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

   > *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 16 December 2022 Annual Stockholders' Meeting up to 21 December 2023 be approved, confirmed and ratified."*

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

7. Election of directors, including independent directors

In accordance with Section 2, Article IV of the Company's By-Laws and the 2020 Manual on Corporate Governance, the deadline for nominations to the Board was on 13 November 2023. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Definitive Information Statement.

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

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

8. Appointment of external auditor

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

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

Below is the proposed resolution:

> *"RESOLVED, to approve the appointment of SyCip Gorres Velayo & Co. as external auditor of the Corporation for the FY 2023-2024."*

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

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

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

10. Adjournment

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

STI EDUCATION SERVICES GROUP, INC.
2023 ANNUAL STOCKHOLDERS' MEETING
Thursday, 21 December 2023 at 11:00 a.m.
Via remote communication through Microsoft Teams

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

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

1. Stockholders intending to participate by remote communication through Microsoft Teams and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to corsec@sti.edu on or before 11 December 2023, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

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

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

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

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

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

   1.2.3 Other supporting document, as applicable

   A template of the LOI may be downloaded at https://www.sti.edu/asm2023

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

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links to the virtual meeting platform. For security purposes, the confirmation correspondence which includes access credentials,

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

4. A stockholder may cast his vote on each of the agenda items as contained in the voting form which may be downloaded at https://www.sti.edu/asm2023 Accomplished voting forms may be submitted by email to corsec@sti.edu. Deadline to vote in absentia is on 15 December 2023. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at https://www.sti.edu/asm2023 and submitted on or before 15 December 2023 via email to corsec@sti.edu, complete with the following requirements for validation purposes:

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

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

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

      1.2.1 Valid government-issued ID (with photo)

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

2. The validation process will be completed by the Office of the Corporate Secretary no later than three (3) business days from its receipt of the duly-accomplished proxy instrument. The Corporate Secretary reserves the right to request for additional information and documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

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

C. Participation and Determination of Quorum and Votes

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

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

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

4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those casts in absentia and by proxy. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

Date :

From :

To : The Office of the Corporate Secretary
(corsec@sti.edu)

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

This is to express my intent to participate in STI ESG's 2023 ASM to be held virtually on Thursday, 21 December 2023 at 11:00 a.m..

Please see my contact information below:

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

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

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

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

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

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

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

Looking forward to your favorable response.

Thank you.

____
(Signature over Printed Name)

PROXY

The undersigned stockholder of **STI EDUCATION SERVICES GROUP, INC.** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via remote communication through Microsoft Teams on **Thursday, 21 December 2023** at **11:00 a.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 16 November 2022			
2.	Approval of the Management Report for FY 2022-2023			
3.	Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 30 June 2023			
4.	Ratification of all acts, resolutions, proceedings of Management and the Board of Directors from 16 December 2022 to 21 December 2023			
5.	Election of Directors			
	Eusebio H. Tanco			
	Monico V. Jacob			
	Peter K. Fernandez			
	Maria Vanessa Rose L. Tanco			
	Joseph Augustin L. Tanco			
	Raul B. De Mesa			
	Martin K. Tanco			
	Paolo Martin O. Bautista			
	Jesli A. Lapus			
	Robert G. Vergara (Independent Director)			
	Ma. Leonora Vasquez-De Jesus (Independent Director)			
6.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2023-2024			

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

______________________	______________________
Date	*Printed Name of Stockholder*
	______________________
	Signature of Stockholder/ Authorized Signatory

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

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

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

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

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Services Group, Inc.**

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

4. SEC Identification Number **0000113156**

5. BIR Tax Identification Code **000-143-457**

6. **STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal** **1990**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 812-1784**

8. **21 December 2023, 11:00 a.m. via Remote Communication through Microsoft Teams**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **30 November 2023**

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Fixed Rate Bonds	**₱3,000,000,000**

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

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

Fixed Rate Bonds are listed in the Philippine Dealing & Exchange Corp. (PDEx).

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	21 December 2023
Time of Meeting	:	11:00 a.m.
Place of Meeting	:	To be conducted via remote communication through Microsoft Teams
Registrant's Mailing Address	:	STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	30 November 2023

Item 2. Dissenters' Right of Appraisal

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

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

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

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

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

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

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

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

(2) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the corresponding certificate(s) of stock within 10 days

after demanding payment for his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

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

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

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

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

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

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-seven million eight hundred twenty-nine thousand and four hundred forty-three (3,087,829,443) shares have been subscribed and paid-up. Out of the total issued shares, five million nine hundred fifty-two thousand and two hundred seventy-three (5,952,273) shares pertain to treasury shares. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Total shares owned by foreign shareholders as of 31 October 2023 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 October 2023, there were sixty-three (63) shareholders of the Company's outstanding capital stock. The Company has common shares only.

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

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.47
2	PRUDENT RESOURCES, INC.	13,465,465	0.44
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12
6	SANTOS, MARIA LOURDES	1,725,000	0.06

7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01
11	SPS. VALERIO, REUBEN M. & VALERIO, REMEDIOS	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	MADRIGAL, VICTORIA P.	63,384	0.00
18	LAO, ERIENE C.	63,384	0.00
20	PAULINO, M. LUZ LOURDES M.	55,061	0.00

(3) Dividend History and Policy on Dividends

Dividend History

On November 18, 2020, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.013 per share for a total amount of ₱40.0 million, in favor of the stockholders of record as at December 4, 2020. The dividends were paid on January 7, 2021.

On November 26, 2021, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.05 per share for a total amount of ₱154.1 million, in favor of the stockholders of record as at November 29, 2021. The dividends were paid on December 17, 2021.

On December 16, 2022, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.07 per share for a total amount of ₱215.7 million, in favor of the stockholders of record as at December 31, 2022. The dividends were paid on January 10, 2023.

Policy on Dividends

On September 19, 2017, the Board of Directors of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The Board approved a dividend declaration policy equivalent to 25% to 40% 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 and 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 Board 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 stockholders of record on the basis of outstanding stock held by them. Unless otherwise required by law, the Board, 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 payment 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 Board may deem appropriate.

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

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

Title of Each Class	No. of Shares Outstanding	No. of Votes
Common Stock	3,087,829,443	One (1) vote per share

(2) Record date

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

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

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

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

(a) Security Ownership of Certain Record/Beneficial Owners as of 31 October 2023

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

Class of Shares	**Name, Address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner**	**Nationality**	**Shares Owned**	**% Ownership**
Common	STI Education Systems Holdings, Inc.	Direct Owner	Filipino	3,040,623,037	98.47%

<u>The beneficial owner of STI Education Systems Holdings, Inc. is Mr. Eusebio H. Tanco.</u>

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

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

Name of Beneficial Owner	Title of Class	Number of shares	Nature of ownership	Citizenship	%
Jesli A. Lapus	Common	1	(D)	Filipino	0.00%
Monico V. Jacob	Common	2	(D)	Filipino	0.00%
Eusebio H. Tanco	Common	5*	(D)	Filipino	0.00%
Peter K. Fernandez	Common	1	(D)	Filipino	0.00%
Raul B. De Mesa	Common	2	(D)	Filipino	0.00%
Joseph Augustin L. Tanco	Common	2	(D)	Filipino	0.00%
Maria Vanessa Rose L. Tanco	Common	1	(D)	Filipino	0.00%
Paolo Martin O. Bautista	Common	1	(D)	Filipino	0.00%
Martin K. Tanco	Common	1	(D)	Filipino	0.00%
Robert G. Vergara	Common	1	(D)	Filipino	0.00%
Ma. Leonora Vasquez-De Jesus	Common	1	(D)	Filipino	0.00%

**Including four shares issued to individuals as trustee of Mr. Eusebio H. Tanco*

(c) Voting Trust Holders of 5% or More

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

(d) Changes in Control

There is no arrangement entered into by the Company or any of its stockholders which may result in change of control of the Company.

Legal Proceedings

The material pending legal proceedings to which STI ESG and its subsidiaries or affiliates is a party to are summarized below:

Girly G. Ico vs. Systems Technology Institute, Inc., et al.
NLRC NCR Case No. 00-06-07767-04
National Labor Relations Commission

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 claim 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 10.0% 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 dated 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 she did not also 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.

Gan Tiak Kheng and Kelvin Y. Gan vs. STI College Cebu, Inc. and Amiel C. Sangalang
Civil Case No. 15-135138
Branch 6, Regional Trial Court City of Manila
CA GR CV No. 115707, Court of Appeals

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.

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

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

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

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

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

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

After the parties filed their respective brief(s), STI ESG received the Decision dated February 27, 2023 on March 20, 2023. Based on the Decision, the Court of Appeals affirmed *in toto* the Trial Court's Order(s).

On May 3, 2023, STI ESG received the Motion for Reconsideration filed by the Plaintiffs.

Upon order of the Court of Appeals, STI ESG filed its Opposition dated July 14, 2023.

On August 29, 2023, STI ESG received the Plaintiff's Motion for Leave to file a Reply to the Opposition.

On September 28, 2023, STI ESG, through counsel, received the Resolution of the Court of Appeals, which submitted the Motion for Reconsideration filed by the Plaintiffs for resolution. Insofar as the Reply filed by the Plaintiffs, the same was merely noted by the Court of Appeals.

STI ESG is awaiting the resolution from the Court of Appeals.

Item 5. Directors and Executive Officers

(1) Directors and Executive Officers

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

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

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

(a) Monico V. Jacob
(b) Eusebio H. Tanco
(c) Peter K. Fernandez
(d) Raul B. De Mesa
(e) Joseph Augustin L. Tanco
(f) Ma. Vanessa Rose L. Tanco
(g) Martin K. Tanco
(h) Paolo Martin O. Bautista
(i) Jesli A. Lapus
(j) Robert G. Vergara
(k) Ma. Leonora Vasquez-De Jesus

Mr. Robert G. Vergara and Ms. Leonora Vasquez-De Jesus have been nominated as 2023 independent directors by the Corporate Governance Committee. The Certifications of Mr. Vergara and Ms. De Jesus as independent directors are attached hereto as Annexes "A" and "B".

In accordance with Section 11, Article II of the Company's By-Laws and the 2020 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting in accordance with the following procedure:

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

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

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

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

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

The Chairman of the Corporate Governance Committee is Ms. Ma. Leonora Vasquez-De Jesus. Messrs. Robert G. Vergara and Monico V. Jacob are the current members of the Corporate Governance Committee.

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Monico V. Jacob	Prudent Resources, Inc.	None	Filipino
Eusebio H. Tanco	Prudent Resources, Inc.	Chairman and President	Filipino
Peter K. Fernandez	Prudent Resources, Inc.	None	Filipino
Raul B. De Mesa	Prudent Resources, Inc.	None	Filipino
Maria Vanessa Rose L. Tanco	Prudent Resources, Inc.	None	Filipino
Joseph Augustin Eusebio L. Tanco	Prudent Resources, Inc.	None	Filipino
Martin K. Tanco	Prudent Resources, Inc.	None	Filipino
Paolo Martin O. Bautista	Prudent Resources, Inc.	Director	Filipino
Jesli A. Lapus	Prudent Resources, Inc.	None	Filipino
Robert G. Vergara	Prudent Resources, Inc.	None	Filipino
Ma. Leonora Vasquez-De Jesus	Prudent Resources, Inc.	None	Filipino

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

From the date of the last Annual Stockholders' Meeting, none of the directors have resigned or declined to stand for re-election due to a disagreement with the Company on any matter relating to its operations, policies or practices.

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

Jesli A. Lapus, 74, Filipino, Chairman

Mr. Lapus is the Chairman of STI Education Services Group, Inc. ("STI ESG"). He is also a member of the Executive Committee of STI ESG. He was first elected as Chairman and Independent Director of STI ESG on September 25, 2013. He also served as a member of the Executive and Corporate Governance Committees as well as the Chairman of the Audit and Risk Committee of STI ESG.

Mr. Lapus was first elected as a Non-Executive Director of STI ESG on 16 December 2022.

Mr. Lapus is a Non-Executive Director of STI Education Systems Holdings, Inc. ("STI Holdings"). He was first elected as a Non-Executive Director of STI Holdings on 19 December 2022. He is a member of the Audit and Risk and Related Party Transactions Committees.

Mr. Lapus is also a member of the Board of STI West Negros University.

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

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

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

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

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

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

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

Monico V. Jacob, 78, Filipino, Vice-Chairman and CEO, Executive Director

Mr. Jacob is the Vice Chairman and CEO of STI ESG and a member of the Executive Committee, Corporate Governance Committee, Compensation Committee, and Retirement Committee. He has served as an Executive Director of STI ESG since 2010.

Mr. Jacob is also the President and CEO of STI Holdings, and a member of its Executive Committee.

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

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

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

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the

General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

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

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

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

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

Mr. Tanco has served as a Director of STI ESG since 2010. He serves as the Chairman Emeritus of the Executive Committee and the Chairman of the Compensation Committee and Retirement Committee.

Mr. Tanco is also Chairman of STI Holdings, and the Chairman of its Executive Committee.

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

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

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

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

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

Peter K. Fernandez, 59, Filipino, President and Chief Operating Officer

Mr. Fernandez is the President and Chief Operating Officer of STI ESG. He has served as a Director of STI ESG since 2010.

Mr. Fernandez is also the President of STI West Negros University. Prior to this appointment, Mr. Fernandez served as Executive Vice President and Chief Operating Officer of STI ESG from 2004-2016. Prior to joining STI ESG, Mr. Fernandez was a member of the Asian Institute of Management faculty for four and a half years. Before joining AIM, Mr. Fernandez was a faculty member of the College of Computer Studies at the De La Salle University.
Mr. Fernandez earned his Bachelor of Science degree in Electronics and Communications Engineering and Master of Business Administration degree from the De La Salle University.

Raul B. De Mesa, 80, Filipino, Non-Executive Director

Mr. De Mesa has served as Non-Executive Director since 2010. He is a member of the Compensation, Retirement and Audit and Risk Committees of STI ESG.

Mr. De Mesa served as the President and Chief Executive Officer of Bank of Commerce. Mr. De Mesa is a distinguished banker with substantial years of experience in the financial industry. Prior to Bank of Commerce, he has 37 years of banking experience, having occupied various positions in several banking institutions such as Security Bank, Manila Banking Corporation, and Far East Bank & Trust Company. He served as a Director of Bank of Commerce.

Mr. De Mesa is presently the Chairman, President and CEO of AbaCore Capital Holdings, Inc.. He is also Chairman and President of RBM Holdings, Inc. and Pampanga Realty and Investment, Inc. He chairs the Boards of Pride Resources Infrastructure Development Corporation, ABAGT, Abacus Coal Exploreation and Development Corporation and Prime Star Development Bank. He is an independent director of Porac Bank and Montemaria Asia Pilgrims, Inc. He is a Director of Bancommerce Investment Corporation.

Joseph Augustin L. Tanco, 42, Filipino, Director

Mr. Tanco has served as a Director since 2010. He is a member of the Executive Committee of STI ESG.

Mr. Tanco is a Director and the Vice-President for Investor Relations of STI Holdings. He serves as a Director of iACADEMY, STI West Negros University and Philippines Firs Insurance Co., Inc.

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

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

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

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

Maria Vanessa Rose L. Tanco, 45, Filipino, Chairperson of the Executive Committee, Director

Ms. Tanco has served as a Director since 2010. She is the Chairperson of the Executive Committee of STI ESG.

Ms. Tanco is also a Director of STI Holdings.

She also holds directorships at STI West Negros University, PhilPlans First, Inc., PhilhealthCare, Inc. and Chantilly Nutriment Corporation.

Currently, she is the President and CEO of iACADEMY.

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

Martin K. Tanco, 57, Filipino, Director

Mr. Tanco has served as a Director of STI ESG since 2012.

He is also a Director of STI Holdings and is likewise a member of its Executive Committee and Audit and Risk Committees.

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

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

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

Paolo Martin O. Bautista, 54, Filipino, Director

Mr. Bautista was elected as a Director of STI ESG on May 23, 2018.

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

Mr. Bautista is an advisor to the Investment Committee of PhilPlans First, Inc. and a member of the Board of Directors. He is also a member of the Board of Directors at PhilhealthCrae, Inc., Philippine Life Financial Assurance Corporation and Maestro Holdings, Inc.

Mr. Bautista has over 20 years of experience in the areas of corporate finance, mergers and acquisition, debt and equity capital markets, credit risk management and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at the Investment Banking Division of Credit Suisse.

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

Robert G. Vergara, 62, Filipino, Independent Director

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

Mr. Vergara has also served as an Independent Director of STI Holdings since July 27, 2017. He is the Chairman of the Audit and Risk Committee and a member of the Related Party Transactions Committee of STI Holdings.

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

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

Mr. Vergara was elected as Director of Manila Polo Club on August 22, 2022.

Mr. Vergara has been a Director of Cabanatuan Electric Corporation since June 2010 and was elected as Chairman in August 2022. He was elected Director and Treasurer of Manila Polo Club, Inc. on 24 August 2020.

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

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

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

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

Ms. Vasquez-De Jesus has served as an Independent Director of STI ESG since 16 December 2022. She is the Chairperson of the Corporate Governance Committee and a member of the Audit and Risk Committee of STI ESG.

Ms. Vasquez-De Jesus is also an independent director of STI Holdings. She is the Chairperson of the Related Party Transactions Committee as well as a member of the Audit and Risk and Corporate Governance Committees.
Ms. Vasquez-De Jesus is currently an independent director of BDO-One Network Bank, Inc., a position which she has held since May 19, 2018.

Ms. Vasquez-De Jesus also serves as a director of Risks, Opportunities Assessment and Management Corporation, which is accredited by the Securities and Exchange Commission as a Corporate Governance Seminars provider.

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

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

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

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

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

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

Yolanda M. Bautista, 71, Filipino, Treasurer

Ms. Bautista has served as the Chief Finance Officer and Treasurer of STI ESG since 2003. She is likewise a member of the Compensation and Retirement Committees of STI ESG.

Ms. Bautista is also the Treasurer of STI Holdings and a member of its Executive Committee.

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

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

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc., DLS-STI College, Inc and iACADEMY. She is also the Group Chief Finance Officer of Philiippine Life Financial Assurance Corporation and PhilhealthCare, Inc. as well as the Chief Finance Officer and Treasurer of STI West Negros University.

Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., Global Resource for Outsourced Workers, Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. She serves as Treasurer of Total Consolidated Asset Management, Inc., Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Maestro Holdings, Inc., Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, P & O Management Services Phils., Inc., Quantum Analytix, TechGlobal Data Center, Inc., Techzone Condominium Corporation and Techzone Philippines, Inc.

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

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

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

He was also elected Corporate Secretary and Corporate Information Officer of STI Holdings.

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

Company, Philippine First Condominium Corporation, PhilsFirst, PhilLife, PhilCare, Inc., Philplans., Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI WNU, Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Ujobo Global Philippines, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

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

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

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

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

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

(2) Significant Employees

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

(3) Family Relationships

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

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

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

(4) Involvement in Certain Legal Proceedings

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

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

(b) any conviction by final judgment;

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

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

(5) Certain Relationships and Related Transactions

As of 31 October 2023, the Company has the following major transactions with related parties:

Consultancy Agreement with STI Holdings

STI ESG entered into an agreement with STI Holdings on the rendering of advisory services starting January 1, 2013. The advisory fees are payable to STI Holdings within 30 days upon receipt of billings and are non-interest bearing. The advisory fees are unsecured and there is no impairment.

Contract of Lease

STI ESG entered into a Contract of Lease with First Optima Realty Corporation on January 7, 2014. The contract covers lease of three (3) parcels of land in Poblacion, Lucena City, Quezon for a period of 25 years commencing on January 1, 2014 and expiring on January 1, 2039 for ₱2.1 million per annum, exclusive of taxes.

Contract of Lease

STI ESG entered into a Contract of Lease with Cement Center Inc. on August 15, 2017. The lease contract covers the rental of the lessor's property in Sta. Mesa with an area of 3,690.6 sqms for a period of 25 years commencing on the possession of STI ESG upon delivery of the leased premises. The term of the lease shall be renewable for another 25 years upon terms and conditions mutually agreed upon by the parties.

STI ESG shall pay a monthly rent of ₱50.0 per sqm or ₱184,000 per month, exclusive of taxes. STI ESG shall also pay an additional variable rent equivalent to 3% of the Divisible Gross Revenue (DGR), exclusive of taxes. DGR refers to Tuition and Other School Fees received by STI ESG on the school that it intends to set up on the leased premises, excluding miscellaneous and other pass-on revenues that STI ESG may receive.

Educational services and other transactions

STI ESG provides education services and sells educational materials and supplies to its subsidiaries and other affiliates. STI ESG likewise leases its real properties to some of its subsidiaries where school buildings are situated. These transactions are essential to the operations of the Corporation and the provision of educational services.

HMO and other insurance costs

To protect the health and safety of students, faculty and other personnel, the Corporation provides health, accident, death and disability insurance to its employees and students through some of its affiliates.

In 2020, STI ESG has engaged SGV to evaluate and document the arm's length nature of the pricing policies of STI ESG regarding its intercompany transactions with affiliates.

Transactions with Promoters

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

<u>The related parties of STI ESG are as follows:</u>

Associates	▪ STI Accent ▪ GROW ▪ STI Holdings ▪ STI Marikina *Note: STI Alabang became a wholly-owned subsidiary of STI ESG effective March 16, 2023.*
Affiliates	▪ PhilCare ▪ Phil. First Insurance Co., Inc. ▪ Philippines First Condominium Corporation ▪ Philippine Life Financial Assurance Corporation ▪ GROW VITE ▪ STI West Negros University ▪ iACADEMY *Note: Affiliates are entities under common control of a majority Shareholder*

Please refer to Note 31 of the Audited Financial Statements for a summary of the Corporation's related party transactions.

Item 6. Compensation of Directors and Executive Officers

(1) The directors receive per diems amounting to ₱25,000 beginning September 2021. The per diems are for their attendance at board and committee meetings and are gross of all taxes. There is no arrangement for compensation of directors. The directors and executive officers do not have a standard arrangement, employment contract, compensatory plan or arrangement or outstanding warrants or options with STI ESG.

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

ANNUAL COMPENSATION

	Year Ended	**Salaries and Bonus**	**Other Compensation**
Chief Executive Officer and the Top Four Highly Compensated Officers [a]	2021	₱28,972,567	None
	2022	30,652,457	None
	2023	35,518,959	None
	2024[b]	39,070,855	None
Board of Directors			
	2021	₱2,829,118	None
	2022	2,719,118	None
	2023	2,731,545	None
	2024 [b]	2,731,545	None

The compensation for board members comprises per diems.

Notes:

[a] *Executives namely: Monico V. Jacob (Vice-Chairman and CEO), Peter K. Fernandez (President and COO), Engelbert L. De Guzman (VP for Communications), Wilfred S. Racadio (VP for Legal Affairs) and Juan Luis Fausto B. Tubongbanua (VP for Corporate and Information Services).*

[b] *Figure is an estimated amount.*

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

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

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

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. (SGV) has been the Company’s External Auditors for the past years. They were reappointed in the Annual Stockholders’ Meeting held on December 16, 2022 as external auditors for the ensuing fiscal year.

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

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

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

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

The Company's Audit and Risk Committee reviews and approves the scope of audit work of the external auditor and the amount of audit fees for a given year. With respect to services rendered by the external auditor other than the audit of financial statements, the scope of and payment for the same are subject to review and approval by the management.

Mr. Robert G. Vergara is currently the Chairman of the Audit and Risk Committee while Mr. Raul B. De Mesa and Ms. Leonora Vasquez-De Jesus are its members.

The aggregate fees for the services rendered by SGV to the Company, particularly for the audit of the financial statements for the years ended June 30, 2023, 2022, and 2021 are shown below:

Period	Regular Audit Fees	Special Audit Fees(a)	OPE(b)	VAT	Total
June 30, 2023	₱11,015,202	₱–	₱984,429	₱1,439,956	₱13,439,587
June 30, 2022©	₱10,013,820	₱–	₱894,935	₱1,309,051	₱12,217,806
June 30, 2021	₱9,447,000	₱1,743,800	₱839,310	₱1,609,555	₱13,787,066

(a) Comparative June 2020 and 2019 Full Year Statements of Comprehensive Income
(b) OPE for June 30, 2023 is based on estimates

The Company has not paid any other fees to its external auditor aside from those disclosed in the table above.

The Company has no disagreements with its independent auditors on any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to mergers, consolidation, acquisition and similar matters.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 16 December 2022 Annual Stockholders' Meeting. The Minutes of the 16 December 2022 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Rules of Conduct and Voting Procedures
4. Declaration of Dividends
5. Approval of the Minutes of the 26 November 2021 Annual Shareholders' Meeting
6. Presentation of Management Report
7. Approval of Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2022
8. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 26 November 2021 to 16 December 2022
9. Election of Directors
10. Appointment of External Auditor
11. Adjournment

Based on the Minutes of the 16 December 2022 Annual Stockholders' Meeting, all of the nominee directors were present at the meeting. The shareholders present at the meeting were as follows: (a) STI Education Systems Holdings, Inc., represented by Mr. Monico V. Jacob as proxy; (b) Prudent Resources, Inc., with Mr. Eusebio H. Tanco as proxy; (c) Carolina Young, with Mr. Eusebio H. Tanco as proxy; (d) Monico V. Jacob; (e) Joseph Augustin Eusebio L. Tanco; (f) Raul B. De Mesa; (g) Eusebio H. Tanco; h) Jesli A. Lapus; (i) Peter K. Fernandez; (j) Martin K. Tanco; (k) Ma. Vanessa Rose L. Tanco, (l) Paolo Martin O. Bautista; (m) Robert G. Vergara; and (n) Ma. Leonora Vasquez-De Jesus.

The Corporate Secretary certified that notices for the meeting were sent to all stockholders of record. The Corporate Secretary further certified that the attendance record and the proxies and powers of attorney showed that present in person and proxy were 3,056,015,403 shares out of the 3,081,877,170 [net of treasury shares] issued and outstanding capital stock of the Company or 99.16% of the issued and outstanding capital stock. Hence, the Corporate Secretary certified as to the existence of quorum for the valid transaction of business.

At the 16 December 2022 Annual Stockholders' Meeting, each common share entitled the holder to one vote. At said meeting, each stockholder entitled to vote on a particular question or matter was entitled to vote for each share of stock standing in his name in the books of the Company as of record date.

Pursuant to the By-Laws of the Company, stockholders owning a majority of all of the issued and outstanding stock of the Company present or represented by proxy and entitled to vote, shall form a quorum for the transaction of business and the vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.
The voting was conducted through the voting portal and no contest was raised by any of the stockholders present at the 16 December 2022 Annual Stockholders' Meeting.

Stockholders were likewise given the opportunity to ask questions. No questions or objections were raised by stockholders during the 16 December 2022 Annual Stockholders' Meeting.

The following items were unanimously approved by the stockholders present at the 16 December 2022 Annual Stockholders' Meeting: (a) the Minutes of the 26 November 2021 Annual Stockholders' Meeting; (b) the Management Report; (c) the Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 30 June 2022; (d) the ratification of legal acts, proceedings and resolutions of the Board of Directors and of management from 26 November 2021 to 16 December 2022; (e) the election of directors; and (f) the appointment of SyCip Gorres Velayo & Co. as the external auditor of the Company for the fiscal year ending 30 June 2023.

Item 16. Matters Not Required to be Submitted

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

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 16 December 2022 to 21 December 2023. Said acts and resolutions of the Board of Directors and of

Management since the Annual Stockholders' Meeting held on 16 December 2022 include, among others: (a) the appointment of officers; (b) approval of audited financial statements; (b) the opening, maintaining and updating of corporate bank accounts and the appointment of signatories; (c) application for credit line facilities and/or long term loans with various financial institutions, including renewal, extension, increase, or amendment thereof; (d) execution of contracts in the ordinary course of business ; (e) approval of budget; (f) application for permits to offer various CHED courses and SHS academic tracks; (g) acquisition of real properties to be used as school campus; and (h) sale or acquisition of assets in the ordinary course of business.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 16 December 2022 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

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

No action will be taken with respect to the amendment of the Company's Articles of Incorporation and By-Laws.

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

(1) Vote required

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

The vote of stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval.

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

(2) Method

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

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

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

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

The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those casts in absentia and by proxy. The Corporate Secretary shall report the results of voting during the meeting.

The Company will seek the approval of the following:

(1) Approval of the Minutes of the Annual Stockholders' Meeting held on 16 December 2022

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

(3) Ratification of all acts of the Board of Directors and of Management from 16 December 2022 to 21 December 2023

(4) Election of Directors

(5) Appointment of External Auditor

Discussion on Compliance with Leading Practices on Corporate Governance

The Company adheres to the principles and practices of good corporate governance, as embodied in its Manual of Corporate Governance and related SEC Circulars.

On March 9, 2011, the Company submitted to the SEC its Amended Manual on Corporate Governance dated February 22, 2011 incorporating the directory provisions of the Revised Code of Corporate Governance in order to comply with the adopted leading practices on good corporate governance.

On July 18, 2014, the Company submitted the Amended Manual on Corporate Governance dated July 15, 2014 in compliance with SEC Memorandum Circular No. 9.

On September 30, 2020, the Company submitted the 2020 Manual on Corporate Governance to the SEC.

There have been no deviations from the Company's Manual of Corporate Governance.

To ensure that the Company observes good corporate governance and management practices and assure shareholders that the Company conducts its business in accordance with the highest level of accountability, transparency and integrity, the Company has undertaken the continuous improvement and monitoring of its governance and management policies. The Company submits a Certificate of Compliance with the Manual on Corporate Governance on an annual basis to the SEC. The Company likewise ensures that its officers and members of the Board of Directors attend the mandatory Corporate Governance Seminar annually in compliance with the SEC Memorandum Circular No. 20, series of 2013.

Moreover, the Company complies with the requirement to submit an Annual Corporate Governance Report (ACGR) on an annual basis. The Company filed its 2022 ACGR with the SEC on June 30, 2023. The Board of Directors also completes annual Board performance self-assessments which are submitted to the Compliance Officer who prepares and files the ACGRs.

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

The Company, through its Corporate Governance Committee, ensures that all the nominees to the Board possess all the qualifications and none of the disqualifications provided for in the Company By-Laws and Manual, the Corporation Code, Securities Regulation Code and other relevant laws, rules and regulations.

The Company also has an Audit and Risk Committee, which is tasked to review the Audited Financial Statements of the Company. The Chairman of the Audit and Risk Committee is an independent director, and each member thereof has at least an adequate understanding or competence of most of the Company's financial management systems and environment.

The Company consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the 16 December 2022 Annual Stockholders' Meeting with the directors, officers and stockholders who attended the meeting is attached hereto as Annex "D".

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

Board	Name	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman/Independent Director	Jesli A. Lapus	3	3	100%
Director	Eusebio H. Tanco	3	3	100%
Director	Monico V. Jacob	3	3	100%
Director	Joseph Augustin L. Tanco	3	3	100%
Director	Ma. Vanessa Rose L. Tanco	3	3	100%
Director	Peter K. Fernandez	3	3	100%
Director	Raul B. De Mesa	3	2	67%
Director	Martin K. Tanco	3	3	100%
Director	Paolo Martin O. Bautista	3	3	100%
Independent Director	Robert G. Vergara	3	3	100%
Independent Director	Ma. Leonora Vasquez-De Jesus	3	3	100%

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

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

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

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

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

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 23 November 2023.

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

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

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

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

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

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

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

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

ROBERT G. VERGARA

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

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

Doc. No. 389;
Page No. 79;
Book No. IV;
Series of 2023.

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

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of STI Education Services Group, Inc. and have been an independent director since 16 December 2022 to present.

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

Company/Organizations	Position/Relationship	Period of Service
STI Education Systems Holdings, Inc.	Independent Director	20 September 2019 to present
BDO- One Network Bank, Inc.	Independent Director	Sept. 2018 to present
Risks, Opportunities Assessment and Management Corporation	Director	2011 to present
New Generation Organization of Women Corporate Directors	Member	September 2023 to present
Women Corporate Directors	Member	November 2023

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

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

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

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

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

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

MA. LEONORA VASQUEZ-DE JESUS

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

SUBSCRIBED AND SWORN to before me this 13th day of November 2023 at Makati City, affiant personally appeared to me and exhibited to me her Passport No. P61450770 issued on 22 February 2018 at DFA Manila.

Doc. No. 388;
Page No. 79;
Book No. II;
Series of 2023.

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

Annex "C"

SECRETARY'S CERTIFICATE

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

1. I am the Corporate Secretary of **STI EDUCATION SERVICES GROUP, INC.** (the "Corporation"), a corporation duly organized and existing, under and by virtue of Philippine laws with office address at the STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

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

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

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

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

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

Doc. No. 464;
Page No. 94;
Book No. IV;
Series of 2023.

RONALD LUKE T. SARTHOU, JR. NOTARY PUBLIC ROLL NO. 63690 MAKATI CITY, PHILIPPINES

RONALD LUKE T. SARTHOU, JR.
Notary Public for Makati City
Appointment No. M-151
Until 31 December 2023
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 63690
PTR No. 9566818 / Makati / 04 January 2023
IBP No.248651 / Pangasinan /12 October 2022
MCLE Compliance No. VII-0015024 /
Pasig City / 7 April 2022

Annex "D"

MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF
STI EDUCATION SERVICES GROUP, INC.
Held on 16 December 2022, 3:00 p.m.
Conducted virtually via remote communication

PRESENT:	NO. OF SHARES
Total Number of Shares Present in Person	**1,926,901**
Total Number of Shares Present by Proxy	**3,054,088,502**
Total Number of Shares Represented In Person and By Proxy	**3,056,015,403**
Total Outstanding Shares [Net of Treasury Shares]	**3,081,877,170**
Attendance Percentage to Total Outstanding Shares	**99.16%**

I. CALL TO ORDER

The Vice-Chairman, Mr. Monico V. Jacob, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., recorded the minutes of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

(a) In accordance with the requirements of the Securities Regulation Code, notices for the meeting were sent to all stockholders of record as of 18 November 2022 at least fifteen (15) business days prior to the date of this meeting. The Corporation's Atty. Carl Mark A. Ganhinhin ("Atty. Ganhinhin") has issued a Certification to that effect.

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

(c) Present in person and represented in proxy are 3,056,015,403 shares or 99.16% of the total issued and outstanding capital stock of 3,081,877,170 [net of treasury shares] of the Corporation and that a quorum existed for the valid transaction of business.

The Certification issued by the Corporation's Atty. Atty. Ganhinhin is attached hereto as Annex "A".

III. RULES OF CONDUCT AND VOTING PROCEDURES

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

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

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

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

3. Votes cast as of 9 December 2022 for each proposed resolution have been tabulated and results will be announced during the meeting.

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

5. Relevant questions which have been submitted on or before 9 December 2022 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 26 November 2021 were uploaded for inspection on the Corporation's website.

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

> *"**RESOLVED**, that the Minutes of the Annual Stockholders' Meeting held on 26 November 2021 as appearing in the Minutes Book of the Corporation be approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Minutes of the Annual Stockholders' Meeting held on 26 November 2021 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,056,015,403	-	
% of Shares of Shareholders Present	100%	-	

The Corporate Secretary certified that the resolution approving the Minutes of the Annual Stockholders' Meeting held on 26 November 2021 was adopted by the stockholders.

V. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Peter K. Fernandez, rendered the Management Report for Fiscal Year 2021-2022. The Management Report for Fiscal Year 2021-2022 is attached hereto as Annex "B".

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

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

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

	For	Against	Abstain
Number of Voted Shares	3,056,015,403	-	
% of Shares of Shareholders Present	100%	-	

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

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

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

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

> *"**RESOLVED**, that the parent and consolidated Audited Financial Statements of the Corporation as at and for the fiscal year ended 30 June 2022 be noted and approved."*

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

	For	Against	Abstain
Number of Voted Shares	3,056,015,403	-	
% of Shares of Shareholders Present	100%	-	

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

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

The Corporate Secretary stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders since the 26 November 2021 Annual Stockholders' Meeting up to today's meeting has been included in the Definitive Information Statement which was uploaded on the Corporation's website.

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

> *"**RESOLVED**, that all legal acts, proceedings and resolutions of the Board of Directors and of the Management of the Corporation since the Annual Stockholders' Meeting held on 26 November 2021 up to 16 December 2022, be, as they are hereby, approved, confirmed and ratified."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the acts, proceedings and resolutions of the Board of Directors and of the Management of the Corporation since the Annual Stockholders' Meeting held on 26 November 2021 up to 16 December 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,056,015,403	-	
% of Shares of Shareholders Present	100%	-	

The Corporate Secretary certified that the resolution approving, confirming, and ratifying all the legal acts, resolutions, and proceedings of the Board of Directors and of the Management of the Corporation since 26 November 2021 up to 16 December 2022 was adopted by the stockholders.

VIII. ELECTION OF DIRECTORS

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

Under the Corporation's By-Laws and 2020 Manual on Corporate Governance, the nomination of the Corporation's directors shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be submitted to the Corporate Governance Committee and the Corporate Secretary at least forty-five (45) days before the date of the actual meeting.

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

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

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Peter K. Fernandez
4. Ma. Vanessa Rose L. Tanco
5. Joseph Augustin L. Tanco
6. Raul B. De Mesa
7. Martin K. Tanco
8. Paolo Martin O. Bautista
9. Jesli A. Lapus

For Independent Directors:

10. Robert G. Vergara
11. Ma. Leonora Vasquez-De Jesus

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

Nominee	***Votes***
Eusebio H. Tanco	33,616,169,433
Monico V. Jacob	33,616,169,433
Peter K. Fernandez	33,616,169,433
Ma. Vanessa Rose L. Tanco	33,616,169,433
Joseph Augustin L. Tanco	33,616,169,433
Raul B. De Mesa	33,616,169,433
Martin K. Tanco	33,616,169,433
Paolo Martin O. Bautista	33,616,169,433
Jesli A. Lapus	33,616,169,433
Robert G. Vergara (Independent Director)	33,616,169,433
Ma. Leonora Vasquez-De Jesus (Independent Director)	33,616,169,433

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

IX. APPOINTMENT OF EXTERNAL AUDITOR

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

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

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

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

	For	Against	Abstain
Number of Voted Shares	3,056,015,403	-	
% of Shares of Shareholders Present	100%	-	

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

X. OTHER MATTERS

The Corporate Secretary stated that, as of 9 December 2022, the cut-off date for submission of questions and/or queries on the Management report for Fiscal Year 2021-2022, no questions and/or queries were submitted to the Corporation.

XI. ADJOURNMENT

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

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:

MONICO V. JACOB
Vice-Chairman

Annex "A"

CERTIFICATION

This is to certify that **STI EDUCATION SERVICES GROUP, INC.** (the "Corporation"), has caused the distribution of its Definitive Information Statement ("SEC Form 20-IS") to stockholders of record as of 15 November 2022 in connection with the Corporation's Annual Stockholders' Meeting ("ASM") to be held on 16 December 2022.

The ASM Materials were sent through designated courier and via e-mail.

This Certification was issued based on the request of the Corporation's Corporate Secretary.

ATTY. CARL MARK A. GANHINHIN
School Legal Manager

MANAGEMENT REPORT

Business Development

STI Education Services Group, Inc. ("the Company")

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. STI ESG is also offering Senior High School (SHS) while select schools offer Junior High School (JHS). In School Year (SY) 2022-2023, STI ESG began offering Bachelor of Arts in Psychology and Bachelor of Science in Criminology in certain schools in the network.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

On March 16, 2023, STI ESG and the majority owners of STI-College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. Prior to this, STI ESG owned 40% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG effective March 2023.

As at September 30, 2023, 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 37 schools while franchisees operate 26 schools.

STI ESG's total student capacity aggregates to 147,212 students, with 105,812 pertaining to owned schools and 41,400 for franchised schools.

The enrollment figures of the Group for SY 2023-2024 indicate a robust increase of 27.0% as the Group enrollment for SY 2023-2024 close to 104,000 compared to over 81,000 enrollees in SY 2022-2023. In SY 2023-2024, the total count of new students reached over 49,000, marking a 37.0% growth from close to 36,000 new students in SY 2022-2023. Furthermore, enrollment in programs regulated by CHED registered an impressive 25.3% increase to more than 71,000 students compared to enrollees in SY 2022-2023 of close to 57, 000 students.

The enrollment figures are as follows:

	SY 2023-2024	SY 2022-2023	Increase	
			Enrollees	**Percentage**
Owned schools	71,782	54,158	17,624	33%
Franchised schools	32,200	27,539	4,661	17%
Total Enrollees	**103,982**	**81,697**	**22,285**	**27%**

The grouping of students according to the government regulatory agencies overseeing the programs is outlined 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 JHS and SHS.

	SY 2023-2024	%	SY 2022-2023	%
CHED	71,159	68%	56,876	70%
TESDA	1,682	2%	1,447	2%
DEPED*	31,141	30%	23,374	28%
TOTAL	**103,982**	100%	**81,697**	100%

**For SY2023-2024, DepEd count includes 30,674 SHS students and 467 JHS students while for SY2022-2023, count includes 23,077 SHS students and 297 JHS students.*

In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes while classes for SY 2023-2024 are all conducted face-to-face. For SY 2023-2024, classes across all levels started on August 29, 2023. For SY 2022-2023, classes for SHS and JHS students started on August 30, 2022 and on September 5, 2022 for tertiary students. STI implemented a flexible learning delivery modality for tertiary programs in the first semester of SY 2022-2023. All CHED professional and identified general education courses were delivered onsite, while other general education courses followed a blended modality, with a 50% onsite/face-to-face and 50% asynchronous ratio. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG

opted to conduct full face-to-face classes starting in the second semester of SY 2022-2023. As for JHS and SHS, classes have all been 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.

STI ESG Network

As a testament to its growing presence nationwide, the STI ESG network has sixty-three (63) active schools spread across Luzon, Visayas, and Mindanao and is comprised of sixty (60) STI-Branded Colleges and three (3) STI-Branded Education Centers. Likewise, of these sixty-three (63) schools, thirty-six (36) college campuses and one (1) education center are wholly-owned, while twenty-four (24) college campuses and two (2) education centers are operated by franchisees.

Suspension and Closure of Schools

In September 2020, STI ESG announced the suspension of the operations of some of its owned schools, namely: STI Cebu, STI Iloilo, STI Quezon Avenue, and STI Tuguegarao for SY 2020-2021, and cessation of the operations of STI Pagadian effective SY 2020-2021. Similarly, STI ESG announced the cessation of operations of some of its franchised schools, namely: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco), and suspension of operations of STI College Parañaque, Inc. (STI Parañaque) effective SY 2020-2021. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED in June 2021, and DepEd and Technical Education and Skills Development Authority (TESDA) in July 2021, of its decision not to accept enrollees for SY 2021-2022. Further, STI Iloilo ceased to operate beginning SY 2022-2023. STI ESG determined that continuing the operations of these schools was no longer viable due to low enrollment turnout and/or the high cost of rental of facilities.

The students enrolled in the aforementioned schools were given the option to transfer to other STI schools. The suspension and cessation of operations of the STI schools mentioned above have no material financial impact to the Group.

Capital Market Infrastructure

STI ESG listed its ₱3 Billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the Philippine Dealing and Exchange Corp. (PDEx) secondary market on March 23, 2017.

STI ESG's ₱3.0 billion bond issue has been assigned by Philippine Rating Services Corporation (PhilRatings) an Issue Credit Rating of **PRS Aa**, in its report to the Securities and Exchange Commission (SEC) dated January 23, 2017, which meant that STI ESG's proposed debt issue as of the date of the report is of "high quality and is subject to very low credit risk." According to PhilRatings, "Obligations rated **PRS Aa** are of high quality and are subject to very low credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aa is the second-highest rating category on PhilRatings' existing credit rating scale." 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. On the other hand, a Negative Outlook indicates that there is a potential for the present credit rating to be downgraded in the next 12 months.

STI ESG's ₱3.0 billion bond issue is the first tranche of its ₱5 billion fixed-rate bonds program under its 3-year shelf registration with the SEC, while the 3-year shelf registration ended on March 9, 2020. The Bonds carry 5.8085% and 6.3756% coupon rates 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 dates. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Enrollment and Graduates

In SY 2020-2021, private schools reported a dip in enrollment due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education during the aforementioned school year because of the financial difficulties experienced by their respective families/benefactors. Despite this, STI ESG and its subsidiaries (the Group) registered an enrollment of 62,490 at the start of the school year. The total enrollment further increased in the subsequent school years, 72,750 registered students at the beginning of SY 2021-2022 and 81,697 students at the start of SY 2022-2023.

The average percentage of students retained in a semester was at 98.3% in SY 2020-2021, remained steady at 98.6% in SY 2021-2022, and increased to 99.4% in SY 2022-2023. Meanwhile, the average percentage of students who migrated to the succeeding semester in SY 2020-2021 was 79.2%. Migration was notably higher at 95.5% in the following school year, SY 2021-2022, and levelled off at 95.7% in SY 2022-2023.

The enrollees in associate and baccalaureate degree programs, technical-vocational programs, and senior high school level for SY 2020-2021 accounted for 56%, 2%, and 42% of the total enrollment, respectively. The enrollment mix posted in SY 2021-2022 was 67% for associate and baccalaureate degree programs, 2% for technical-vocational programs, and 31% for senior high school tracks and specializations. Meanwhile, the enrollment mix in SY 2022-2023 was at 70%, 1%, and 29% for associate and baccalaureate degree programs, technical-vocational programs, and senior high school tracks and specializations, respectively.

There were 2,850 tertiary graduates for the first and second semesters, while 12,548 students graduated from senior high school in SY 2020-2021. For SY 2021-2022, there were 8,185 students who graduated from tertiary for the first and second semesters and 10,481 senior high school graduates. Meanwhile in SY 2022-2023, there were 9,960 tertiary graduates for the first and second semesters and 10,209 senior high school graduates.

Tuition Fee Increases

No increases in tuition fees and other school fees were implemented in SY 2019-2020, SY 2020-2021, and SY 2021-2022 for both college and senior high school. For SY 2022-2023, STI ESG introduced a 5% increase in tuition fee for college freshmen while the tuition and other school fees for senior high school students remained the same.

Financial Aid Programs

As part of the Group's continuing efforts to support more Filipino youth to have access to quality education especially during the unprecedented situation brought about by the economic impact of the COVID-19 pandemic, the Group partnered with banks and other institutions and provided rebates and discounts to students as follows:

DBP RISE

STI ESG executed a memorandum of agreement with the Development Bank of the Philippines (DBP) on March 17, 2021 for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed similar MOAs in November 2021 and in May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively.

Pag-IBIG – STI Educational Assistance Program

STI ESG strengthened its partnership with Pag-IBIG Fund to ensure that students from all walks of life will have the opportunity to receive quality education. Through the Pag-IBIG – STI Educational Assistance Program, Pag-IBIG Loyalty and Loyalty Plus cardholders, and their qualified dependents within the second degree of consanguinity and/or affinity availed of a 20% partial scholarship grant on tuition fees (excluding miscellaneous and other school fees) in any STI campus nationwide.

New Programs/Majors and Revised Curricula

STI ESG regularly conducts market studies to determine what degree and technical-vocational programs are needed by the industry and the market. Moreover, revisions to existing programs are implemented to meet changes in the identified needs, as well as changes in government regulatory requirements.

The Group reviews the existing course offerings as needed. The streamlining of program curricula in response to the market needs and industry developments drives the rationalization of STI course offerings. As such, three new programs were developed in SY 2020-2021, four new programs were developed and 16 programs were updated in SY 2021-2022 and one program was developed in SY 2022-2023. In addition, select STI campuses were given government permits to offer Bachelor of Science in Retail Technology and Consumer Science program (BSRTCS) and government recognition for 2-year Associate in Retail Technology Program (ART) in SY 2020-2021, and government permits for BS Psychology and BS Criminology programs in SY 2022-2023. ART has a ladderized curriculum preparatory for the BSRTCS and graduates of ART will receive a diploma upon completion of the program.

Standardized Courseware

STI ESG develops courseware to ensure the standard delivery of courses across all campuses in the STI ESG network. These are sets of teaching materials used by the instructors, including the course syllabus with the course outline that sets the general objectives of the course, presentation slides, the class hand-outs, and other materials for use throughout the course duration, with accompanying instructors' guides. The instructors' guides identify the specific objectives of each class session, the appropriate teaching methodologies to be used, and how the provided materials are to be used to achieve the set objectives. The courseware materials are suited for both online learning and face-to-face classes.

As of this writing, STI ESG has developed courseware for over 500 courses and new courseware materials are being developed as new courses and programs are offered. Moreover, existing courseware materials are regularly revised and updated to keep pace with recent developments in the target industries.

In SY 2022-2023, 38 courseware materials were developed and revised for Business and Management, Arts and Sciences, IT and Engineering, Tourism Management, and Hospitality Management. Meanwhile, 12 courseware materials and 12 new courseware materials were developed and updated for Senior High School and Junior High School, respectively. These courseware materials were embedded with activities leading toward the attainment of the STI 4Cs — Character, being Change- adept, being a good Communicator, and being a Critical Thinker — the required skills and attitude of top industries worldwide. Moreover, STI ESG updated the courseware materials that will suit the online modality and, at the same time, ensured that the materials are also Outcome-Based Education (OBE)-aligned with assessment tools, rubric, and performance tasks.

ONE STI Learning Model

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

Onsite learning refers to school activities to be conducted on-campus and follows the latest regulations issued by the IATF, DOH, CHED for tertiary, and DepEd for SHS.

STI ESG is not new to the concept of online learning as it has been implementing a blended learning model for the past seven years so that students can continue their studies at home uninterrupted despite any physical classroom disruptions. STI ESG 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. The eLMS 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 which students can use to collect works to support learning and/or achievements. This cloud-based eLearning tool gives the teachers and students a two-way platform where they can collaborate, assign, and submit homework, take assessments, and track learning progress, among others.

Digital Learning

In SY 2021-2022, the Group introduced various applications to make learning more interesting and a bit experiential for the students: Point-of-Sale (POS) Web Application Simulator, a complete and functioning web-based POS application designed to teach key retails store operations wherein the student outputs are stored in a database and can be easily accessed and reviewed by their teachers; On-demand videos in which the handouts were converted into video materials and were designed for self-paced learning for students taking up the Data Storytelling and Visualization course; and Airline Cabin Simulator, a web-based virtual reality (VR) application that allowed the Tourism Management students to explore the cabin of a Boeing 777 and it is run on both desktop and mobile devices. Meanwhile, for SY 2022-2023, the Group developed interactive reviewers and assessments for the Tourism Management students to supplement learning delivery. Traditional handouts were converted to interactive presentations wherein the students' scores and progress were recorded and tracked. The Group also developed instructional videos such as the Psychological Statistics Software that will provide students with a visual reference to the SOFA statistics software.

Standardized Periodical Examination

STI ESG's Academic Research Group (ARG) develops the Standardized Periodical Examinations. In SY 2018- 2019, ARG introduced the STI Test Bank System and prepared 1,119 exams for the first semester and 692 exams for the second semester. The following school year, 57 more exams were added to the Test Bank. For SY 2020-2021 and SY 2021-2022, in view of the ONE STI Learning Model, the Group administered practical Standardized Periodical Examinations in the form of task performances and iLearn and Share (iLS) activities in place of the written Standardized Periodical Examinations.

STI Career Camp

The STI Career Camp, launched during SY 2018-2019, is a free workshop for Grade 10 and Grade 12 students where they can explore their potential career options for Senior High School or College. The four camps – Baker's Camp, Entrepreneur's Camp, Game Developer's Camp and Photographer's Camp- aim to provide the participants with hands-on experiences that will help and guide them in choosing the right track or course.

In SY 2020-2021, the Group transitioned to a virtual Career Camp in which interested students go through engaging learning modules that were developed by utilizing Articulate Rise 360 and featured interactive activities suited for online modality. Articulate Rise 360 is a web app that lets the users create fully responsive online courses whether the participants are viewing the camps through a desktop computer, tablet or mobile. The Flight Attendants Camp was introduced in SY 2021-2022 and provided the students a glimpse of what it takes to become a flight attendant. It also included gamified activities and airline in-flight simulations/demonstrations.

During SY 2022-2023, with the easing of quarantine restrictions, the Group implemented both the onsite workshops and the virtual career camp.

Milestones

STI ESG remains steadfast in its commitment to strive for academic excellence that is directed towards the development of the institution and the improvement of the quality of its students and graduates.

Education Centers Upgraded to Colleges

STI College Tagum was granted college status by CHED effective SY 2019-2020.

58th Anvil Awards

STI ESG won big in the much-anticipated onsite return of the 58th Anvil Awards Gabi ng Parangal on March 8, 2023 at the Marriott Grand Ballroom in Pasay City. Presented annually by the Public Relations Society of the Philippines (PRSP), the country's premier organization for public relations professionals, STI College brough home the Silver Anvil Awards for the Student's Career Opportunity and Personality Evaluator (SCOPE) and the STI Official Facebook Page.

The STI SCOPE, an online personality assessment test created by the institution to generally aid students who are at a crossroad in choosing the ideal program and career path, bagged the Silver Anvil award under the Public Relations (PR) Program category, as a Specialized PR Program Advocacy Campaign. Meanwhile, the STI Official Facebook page won the Silver Anvil award under the PR Tools category- Social Media tool for its campaign to cultivate an engaging and enriching online community through insightful and informative content.

18th Philippine Quill Awards

The International Association of Business Communicators (IABC) awarded STI ESG with two merit awards under the Communication Management Marketing, Advertising, and Brand Communication category for STI SCOPE and STI Career Camp. STI ESG was recognized during the virtual award ceremony held on March 25, 2021 for its programs that are geared towards guiding and enriching the Filipino youth.

ICT Talent Partner of the Year

True to its word of creating "New Value Together", Huawei has recognized the significant contributions and exemplary performance of its industry and academic partners. In July 2021, Huawei conferred the ICT Talent Partner of Year 2020 award to STI ESG. The Group joined Huawei's Learn ON online program that tackled trends such as virtualization as well as networking and storage basics for cloud computing. Since 2020, STI ESG has produced 543 Huawei-certified students.

SABRE Awards Asia-Pacific

STI ESG was recognized for its youth-oriented program, the STI Career Camp, during the virtual SABRE Awards ceremony held in Tokyo, Japan on September 24, 2020. The STI Career Camp is the sole winner of the prestigious award from the Philippines and bested other Asia-Pacific region finalists in the Educational and Cultural Institutions category. The SABRE or Superior Achievement in Branding and Reputation Award is evaluated by a jury of more than 60 industry leaders worldwide.

Asia-Pacific Stevie Awards

STI ESG also received another international award for its STI Career Camp program under the Innovation in Communications/Public Relations category. STI ESG was a bronze awardee during the virtual awarding ceremony of the 2020 Asia-Pacific Stevie Awards held on September 22, 2020. The winners were judged by more than 100 executives around the world. The Stevie Awards is the world's premier business awards, conferring recognition for achievements that generate public recognition and positive contributions worldwide.

Faculty Achievements

International Conferences

STI ESG's Instructional Designer Alyanna Tobias joined the EDUtech Asia 2022 panel to discuss the topic "Redesigning Learning Experiences for the New Digital – Forward Model of Education." Held on November 9-10, 2022 at the Marina Bay Sands in Singapore, Tobias was joined by education leaders from Malaysia, Singapore, and Google Cloud as other panel members. The panel delivered insights on developing a roadmap to accessible education alongside innovation in curricula to meet the needs of 21st century learners. Meanwhile, Debbie Sacay, a faculty courseware developer, presented a show-and-tell about "Going Online with Social Studies." Her presentation focused on how technological innovations and strategies can be incorporated to tackle a complex subject, and included strategies that STI campuses utilize in delivering instruction for Social Studies and its related subjects.

On February 2, 2023, Instructional Designer Alyanna Tobias was appointed as one of the eight members of EDUtech Asia Advisory Board Panel. As an advisory board member, Tobias is expected to lend her extensive knowledge and experience to guide and advise the content of the next conference and identify topics and speakers vital in influencing technology-enabled learning outcomes and teaching strategies that shape the future of education delivery in Asia. EDUtech Asia is a dedicated festival for education leaders and policymakers from governments across the region to share their successes, strategies, and plans for the future of education, which continues to be shaped by the ongoing acceleration of digitalization.

Huawei held its Global Teacher Summit 2023 in Shenzhen, China on May 27, 2023. Around 150 professors and university leaders from 36 countries gathered to deliberate on how tertiary institutions can collaborate with private enterprises for the cultivation of ICT talent. STI ESG's ICT an Engineering Courseware Development Head Beronika Pena was one of the three representatives from the Philippines.

Academic Research

STI College Bacoor's faculty member Angelo Defensor, MBA MPA was one of the awardees for the NEC International Research Excellence Best Paper 2022 entitled "Japanese Business Culture" A Study on Foreigner Integration and Social Inclusion".

STI College Baguio's Academic Head Mia Torres-Dela Cruz presented her research paper, "Pattern Recognition of Durian Foliar Diseases using Fractal Dimension and Chaos Game", at the International Conference on Expert Clouds and Applications on February 9-10, 2023 in Bengaluru, India.

Guidance Assistant and General Education instructor Channell Florence Ann Pedrosa, from STI College – Balayan presented her research study “Students’ Learning and Satisfaction Towards a Stress-Free Management Program during the COVID-19 Pandemic” on April 20, 2023 via Zoom during the Adventist University of the Phiippines 5th nternational Research Forum. Her study focused on identifying the attitude of STI College Balayan’s students toward a stress management program that addresses pandemic stress.

Romnick Cartusiano, an IT faculty member of STI College Las Piñas, presented his research study on Las Piñas Flood Monitoring System with Alternate Route using Bayesian Network via Mobile Application using the city’s best practice at the 15th International Conference on Computer and Automation Engineering 2023 in Sydney, Australia on March 3-5, 2023.

STI College Balatagas’ faculty member, Angelo Coloma, published a research study titled “Speech Fluency Through Computer-Assisted Instruction” in the International Journal of Academic and Applied Research, a broad-based open access that provides world-class information and innovative tools in the fields of engineering, sciences, information technology, management research education research, and health among others. Coloma’s study aimed to reduce the frequency and severity of disfluency in the English language through computer-assisted instruction of Grade 10 students in a public school in Bulacan.

Certifications

STI College Cotabato’s faculty member Roland Carl Denopol received a certification for professional computer engineer on July 3, 2023 from the Computer Engineering Certification Board, Inc.

Meanwhile, Edrian Llauderes from STI College General Santos passed the National Competency Assessment on October 2, 2022 and is now recognized as a regional lead assessor for Housekeeping NC III and Housekeeping NC IV. Aside from being a regional lead assessor, Llauderes was also hailed as the regional Idol ng TESDA 2023 in the Wage-Employed category. The recognition aims to produce national idols who are the epitome of hard-working individuals and became successful in their own endeavor through the participation in the Technical Vocational Education and Training (TVET) programs. Also, from STI College General Santos, Edzel John Raposas, Preitzel Tagupa, and Mary Lou Emen, participated in a training on Global Professional Advancement for Tourism Management Professional. All faculty members passed all eight cognate micro-learning modules and professional core microlearning modules, held from April 17 to 28, 2023, and were recognized as Certified Tourism Management Professionals.

Ace Pasag, IT Program Head of STI College Baguio, completed several training and certification requirements of Microtiks S/A, Latvia held on August 12, 2022. In October 2022, Pasag received the certifications on MicroTik Certified Network Associate, MicroTik Certified Routing Engineer, and MicroTik User Management Engineer.

Student Achievements

The global pandemic changed the educational landscape as the schools transitioned to online learning and virtual conferences and competitions.

The educational landscape changed in SY 2020-2021 as educational institutions transitioned to online learning due to the ongoing global pandemic. With this, school activities likewise shifted to virtual conferences and online competitions.

The educational landscape changed in SY 2020-2021 as educational institutions transitioned to online learning due to the ongoing global pandemic. With this, school activities likewise shifted to virtual conferences and online competitions. SY 2022-2023, however, marked the resumption of in-campus activities and competitions.

12th ASEAN Para Games

Andrei Kuizon, BS Information Technology student from STI College Las Piñas, won the gold medals for Men's Shot Put F53/F54 Para Athletics and Men's Javein Throw F53/F54 Para Athletics during the 12th ASEAN Para Games held in Cambodia.

Local Competitions

Armed with clever ideas, Computer Engineering students from STI College Calamba and Caloocan dominated two out of five categories as the grand champions in Smart City and Smart Logistics, respectively, at the Packetworx's Packet Hacs 2023 Internet of Things Conference finals at World Trade Center on June 28, 2023.

At the same event, Information Technology students Jason Llanes and Christian Paul Flores from STI College Cagayan de Oro presented the app they developed for Cagayan de Oro city. The STI students, together with a representative from the city's Local Environment and Natural Resources Office, unveiled the Oro Kalimpyo App that enables seamless collection of solid waste by digitizing the manual tasks of writing the records of recyclable waste collected from households. The mobile app, which is in the Visayan language for better use of Cagay-anons, uses machine learning for an interactive scanner feature that assists users in identifying different types of recyclable materials, including plastic polymers. Data collected through the mobile applications are fed into the web dashboard managed by CLENRO where data can be monitored and reports can be easily generated. The app is being tested in pilot barangays and are expected to roll out in the third quarter of 2023.

Another Computer Engineering student was recognized by the Institute of Computer Engineers of the Philippines. Stephen Yecyec from STI College Surigao was lauded as the Most Outstanding Computer Engineering student in the Caraga region on December 1-2, 2022.

STI College Pasay-EDSA's BS Hospitality Management students bagged two championship a wards in the Cake Fiesta Manila 2022, the biggest and most exciting international baking and cake decorating expo in the country. Held on November 24-26, 2023, the group of Joenna Calixto, Crisel dela Cruz, and Aryanne Kaye Arnido won in the Cake Wars (college category) whereas the group of Danika Sarate, Antonio Dimaano, and Christine Angeline Dacillo won in Sweetscape (intercollegiate category).

Additionally, STI College Balagtas' Rodelio David Jr. and Cherryjoy Gamac took home the silver award in the prestigious Council of Hotel and Restaurant Educators of the Philippines (COHREP) 2022 National Skills Olympics on Filipino Dessert Live Cooking.

STI College Novaliches' BA Communication students Nicole Espina and Kristine Hazel Machuha meanwhile, earned a spot in the Catholic Mass Media Awards with their anti-drunk driving print ad.

STI Lucena's students joined the iSTAND: 7th Atimonan Social Media Summit 2022 Makabagong Normal sa Atimonan Short Film Festival where their short film titled "La Talentado" (The Talented) won 1 st runner-up. The short film showcases the life of Mr. Ryan Cadag Sabacco, a famous figure in Atimonan, highlighting his life and achievements to inspire Atimonanins into neoteric and progress-driven citizens, and also shows the power of social media in having an outlet of creativity and connecting with other talented people.

Nap Kelvin Berganio, a Grade 12 student from STI College Cubao, won the Senior Bronze medal at the National New Face of the Year Taekwondo Championship held on May 21, 2023 at the Ninoy Aquino Stadium.

STI College General Santos' students showed impressive performances and garnered recognition in different competitions. The school's BS Tourism Management students joined the 2nd China-ASEAN College Student International Tourism Innovation Competition where the group of Mike Joven Bastes, Precious Qhium Rama, Dhesiry Capilitan, and Noremae Peligrino won 1st place in the Cultural and Creative Production Design category while the group of Helen Grace Alicando, Ivory Capilitan, Stephanie Hamile, and JP Spencer Patriarca won 3rd place in Marketing Plan category.

Daniel Alburoto and Joeja Bernabe, on the other hand, brought home two silver medals from the Philippine National Skills Competition in Web Design Technology and 3D Game Art, respectively.

Eight students likewise excelled in the Regional PRISAA (Private Schools Athletic Association) 2023 held from April 29 to May 2, 2023. Hartlie Nhoriz Nacar won the gold medal in Bantamweight Taekwondo while Dianne Acosta won the bronze medal in Extemporaneous Speaking.

STI College Cauayan's Johndave Jaquias was hailed Mister World Ambassador International 2023 st runner-up. He also won a special award as Best in National Costume.

For the list of achievements in previous years, please visit www.sti.edu for prior years' 17A reports.

Faculty Development and Certification

STI ESG provides its faculty members with development programs designed as a system of services, opportunities, and projects that assist them in acquiring competencies necessary to perform their respective functions effectively.

The Courseware-based training (CBT) programs are held during semestral and summer breaks for all faculty members from wholly-owned and franchised schools that aim to improve the teaching methodologies and content knowledge for specific courses. Courses offered for training vary from year-to-year depending on the results of the needs analyses of the faculty members of the whole STI ESG network.

Faculty Training

SY 2020-2021 witnessed the disruption caused by the global COVID-19 health crisis to the education sector in which the Group recognized the need to transform the traditional in-classroom learning delivery to alternative modes leveraging on online learning platforms, tools, and technologies. Hence, the Group kicked off the school year with the Tech to Teach Faculty Training that was participated by 178 select faculty members. The training was designed to orient the faculty members on how they can fully utilize the STI eLMS and video conferencing tools of MS Teams in delivering their online classes.

Meanwhile, in partnership with Huawei, select STI faculty members from the IT and Engineering programs were given the opportunity to undergo free training and examination for various Huawei Certified ICT Associate (HCIA) Training and Certifications. The training and examination sessions were held online via Zoom and facilitated by trainers from Huawei ICT Academy. Fourteen faculty members passed the certification exams and became HCIA-certified faculty members.

During the same school year, the Group integrated SAP Business One Cloud System in the curriculum of BS Information Technology, BS Accountancy, BS Management Accounting, BS Accounting Information System, and BS Business Administration. In January 2021, the Business Management and IT faculty members attended an orientation about the system to equip them with the necessary knowledge and skills to teach SAP to their students. The training was conducted through MS Teams and facilitated by trainers from the FastTrack IT Academy. A total of 92 faculty members joined the training.

Faculty members assigned to teach the Travel Writing and Photography course under the BS Tourism Management program attended training focusing on building competencies in travel writing, travel photography, and travel blogging. The training, held on January 27-29 and February 3-5, 2021, was attended by 46 faculty members.

In SY 2021-2022, select STI faculty members from the IT and Engineering programs underwent free training and examination for various Huawei Certified ICT Associate (HCIA) certifications. The program was held in partnership with Huawei, a leading global provider of ICT infrastructure and smart devices. The Huawei ICT Academy was conducted online via Zoom on September 5, October 2, 9, 16, and 23, 2021, and was facilitated by the trainers from Huawei.

The SAP training was likewise continued from the previous school year in which 64 faculty members from the IT, Accounting, and Business Administration programs, who were handling SAP-related courses, joined the online training from January 31 to February 5, 2022 and February 7 to 11, 2022. The training was held due to the ongoing integration of SAP in the Group's IT, Accounting, and Business courses.

Meanwhile, 56 faculty members who are teaching the Applied Business Tools and Technologies in Tourism course completed the Amadeus Basic Reservation Course held on August 18, 19, 23, 24, 26, and 27, 2021. The training was conducted in line with the integration of the Amadeus Basic Reservation software with the aforementioned course.

Gatessoft also staged a training for the Group's faculty members who are teaching Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality after the Gatessoft point-of-sale and PMS software was integrated in the said courses. 58 faculty members joined the online training on August 2-6, 9-13, and 19-20, 2021.

The Group also provided training for the guidance personnel and homeroom or classroom advisers who play key roles in giving psychosocial support to the students. Partnered with Empath, a social enterprise that provides mental healthcare and psychoeducation services, 83 academic personnel attended the training held online on April 20, 22, 27, and 29, 2022.

SY 2022-2023 started with the Ready to Teach program, a biannual faculty orientation aimed to prepare the senior high school and tertiary faculty members on the new courseware materials, the Outcome-based Education (OBE) principles, and the digital tools to help facilitate the classroom lectures. The sessions for the first term were held on August 24, 2022 for SHS faculty members and on August 31, 2022 for the tertiary faculty members. Meanwhile, for the 2nd term, the training sessions were conducted on February 8-9, 2023.

Faculty members teaching Bachelor of Multimedia Arts students also underwent a series of online trainings on August 22-23 and August 25-26, 2022. The Group conducted a graphic design lecture using Figma and FigJam, graphic design software, to enhance the in-classroom learning engagement activities. Andrea Idioma from the Film Development Council of the Philippines likewise discussed industryrelevant digital sound production concepts and techniques.

Held also in August 2022, 49 Hospitality Management faculty members from different STI campuses participated in the eZee Absolute Property Management System (PMS) and eZee Optimus Point-of-Sale (POS) system training and certification that was facilitated by Netsynch Computer Solutions, sole authorized regional partner of travel technology company eZee Technosys. The five-day training aimed to equip the faculty members with knowledge and hands-on experience in navigating tourism and hospitality information systems.

Academic Head Training

The institution likewise provides training to its Academic Heads. In SY 2019-2020, their training focused on evidence-based problem-solving and decision-making for academic operations. The three-day training was attended by 71 Academic Heads from STI campuses nationwide.

In SY 2020-2021, the Academic Heads attended the ONE STI Academic Heads Training. The training aimed to equip the Academic Heads with the mindset and technical skills necessary for an academic manager in an online learning environment. The participants were tasked to plan and implement their local faculty development programs. The training was conducted on August 18-20 and 25, 2020, and participated by 60 Academic Heads.

Meanwhile, for SY 2021-2022, the Academic Heads headed into a journey of introspection, reflection, discovery, and action towards a high-performing and positive academic culture that supports student learning, development, and success. Attended by 61 Academic Heads across the network, the training was conducted online via MS Teams on August 31, September 2, and September 3, 2021. Afterwards, follow-through sessions were held throughout the school year to continually monitor and assist the Academic Heads in the implementation of their academic improvement plans.

Academic Heads went through a three-day training on October 12-14, 2022 that is designed to further strengthen their knowledge in quality assurance and performance management so that they can take on a larger role in academic quality management. The 61 Academic Heads were oriented on: (1) how to interpret and apply quality concepts, principles, and requirements to the academic operations; (2) doing a baseline assessment of their academic quality assessment system using CHED’s Institutional Sustainability Assessment (ISA) tool; and (3) create and execute a quality improvement plans for identified academic processes.

Faculty Certification

STI ESG administers a Faculty Competency Certification program (FCC), which evaluates a faculty member’s knowledge of a particular course. FCC ascertains if the faculty member has the minimum level of competence needed to teach the course. Certification requirements include passing a comprehensive certification exam for each course and garnering above-average faculty evaluation ratings from superiors, peers, and students. Accordingly, the faculty member will be issued certificates after passing the certification exams per course.

In SY 2020-2021, 2,857 faculty members were certified and 9,098 certificates were released. For SY 2021- 2022, 3,382 FCCs were granted and 9,310 certificates were released. Meanwhile, SY 2022-2023 registered 3,896 certified faculty members and released 11,637 certificates.

Graduate Studies Assistance Program

STI ESG also offers Graduate Studies Assistance Program for part-time full-load faculty members taking up Master in Information Technology. This assistance program features a socialized tuition scheme based on the enrollee's capacity to pay where the faculty member pays only a portion of the tuition and other school fees for every semester. In SY 2019-2020, 12 faculty members enrolled in the program wherein 11 of them completed the program in SY 2021-2022.

Student Development

STI ESG believes that learning should not be confined within the four corners of the classroom. To ensure that its graduates are equipped with a well-rounded education that will help them reach their highest potential, STI ESG encourages students to explore, enjoy, and learn through a wide array of academic, co- curricular, and extra-curricular activities.

For SY 2019-2020, all sports competitions which had been set for March 2020 were cancelled because of the implementation of the enhanced community quarantine in key areas in the country in response to the COVID- 19 pandemic.

The government restrictions continued in SY 2020-2021 and SY 2021-2022 as on-campus activities with large gatherings remain strictly prohibited. Student-related activities were then implemented online, mostly on social media platforms.

iLearn and Share

STI ESG's iLearn and Share (iLS) is an exhibition of performance tasks in which senior high school students are assessed based on their products and/or performance. The performance tasks are proof of how well they understood and learned the task. Students can then apply their learnings to real-life situations.

In SY 2020-2021 and SY 2021-2022, STI ESG conducted the first virtual nationwide SHS-iLS Expo. Instead of a big culminating event like in previous years, students submitted short videos of their projects through the eLMS. Graduating senior high students from various tracks and specializations developed and showcased over a thousand projects.

The SHS Expo was once again conducted either in the campuses or in events places outside campuses in SY 2022-2023. Open to the local community and industry practitioners, SHS students set up booths to demonstrate their final projects. Some of the notable projects are from STI College Carmona and STI College Calamba. A group of students from STI College Carmona presented a voice recognition and control device that allows users to operate in-door lighting and fixtures. Meanwhile, STI College Calamba students were recognized by the Department of Tourism for creating a technology that functions similar to Google Maps but gives additional information on local tourist attractions.

College Fair and Symposium

In SY 2021-2022, the College Fair and Symposium was launched and conducted virtually from January 10 to 22, 2022. The event, consisting of two parts the virtual exhibit and the virtual symposium, served as a suitable platform for the graduating tertiary students from different disciplines to showcase and demonstrate their projects and research outputs. For SY 2022-2023, the College Fair and Symposium was conducted as an in-campus activity where students from different programs showcased their projects and research outputs to their mentors, esteemed faculty members, fellow students, and guests from various industry sectors and companies.

Career Planning Program

The Career Planning Program (CPP) is a six-stage program comprised of activities intended to help the senior high school students explore and evaluate various career options. Through the CPP, students are carefully guided in making well-informed educational and career decisions. For SY 2020-2021 and SY 2021-2022, all activities including the one-on-one career planning consultation were conducted online via MS Teams. The CPP resumed in SY 2022-2023 where 9,497 senior high students have undertaken the program.

Campus Helpdesk Guidance Service

Accessible via the Campus Helpdesk site, the guidance service was created to provide a standardized avenue for students to schedule an appointment with their school's guidance personnel. Launched during SY 2022-2023, 890 campus helpdesk tickets were created from 28 schools further highlighting the importance of providing the students today with sufficient professional assistance to help them cope with overwhelming situations.

Talent Search

One of the much-awaited student competitions that marked its return during SY 2022-2023 is the Talent Search that aims to uncover the innate talent of STIers nationwide – from singers and musicians to dancers and up-and-coming models. All STI campuses nationwide send a total of over 100 contestants to compete in nine regional sites before advancing to the National Finals in events like the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI. The talent search has likewise been shown live on the STI Official Facebook Fan Page since 2016-2017. This school year, the national level was held simultaneously at the Aliw Theater and Star City in Pasay City on January 13, 2023 with 117 students competing for the national championship titles.

Tagisan ng Talino (TNT)

The TNT is an annual academic competition that tests the competencies of students on impromptu speech, essay writing, mobile app development, cooking, cake and table design, flairtending, tour guiding, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met. In SY 2022-2023, TNT resumed with 5,621 students participating in nine competitions.

Tagisan ng Sining (TNS)

The TNS is an annual competition that aims to challenge the students' artisty, creativity and originality in the field of photography and music video making. TNS returned in SY 2022-2023 with 1,190 students who eagerly joined the national competition.

Post-Graduation Report

The STI Alumni Relations, Placement, and Linkages (STI APL) department, through the respective STI School's Alumni and Placement Office, surveys the graduates to track employment rate. Based on most recent reports, around 71% of our surveyed graduates are employed within six months after they graduated.

Interactive Career Assistance and Recruitment System (I-CARES)

As part of the job placement assistance of STI, the STI APL institutionalizes partnerships locally and internationally to help increase the employability of graduates through the Interactive Career Assistance and Recruitment System.

The I-CARES is an exclusive job search system for STI graduates that facilitates the easy dissemination of information by STI's partners for their placement opportunities and provision of candidates (STI graduates) to fill in job openings. Partners of STI ESG for the job placement of STI graduates may post their job openings and request lists of graduates through www.i-cares.com or the I-CARES at no cost. There are close to 500 partner companies that are using I-CARES. For SY 2020-2021, the recruitment season, which usually occurs from February to May, was affected with the implementation of the community quarantine which then led to a decline in the number of job postings. With the economy slowly opening up in 2022, 163 partner companies were registered utilizing the I-CARES website with unique job postings.

On-the-ground, the Group usually conducts school activities such as job fairs for recruitment purposes and provides employment preparation seminars to graduating STI ESG students. For SY 2020-2021, however, on-the-ground activities were postponed in consideration of the nationwide restrictions on mass gatherings and implementation of community quarantine measures in response to the COVID-19 pandemic.

STI APL launched instead the STI Virtual Career Fair 2021 on January 29 and February 10, 2021 with Accenture and on February 11, 2021 with Teleperformance. This is an industry-academe collaboration to assist graduating students and alumni to be informed of the new recruitment practice amid the ongoing pandemic and also link them to job opportunities. With speakers from Accenture and Teleperformance, the career fair was both a webinar and virtual recruitment that was held exclusively for STI. Almost 500 graduating students and alumni nationwide attended the virtual career fair.

In the following year, SY 2021-2022, STI APL successfully conducted six virtual career fairs: Harnessing the Power of Opportunities for Holistic Growth/Data Analytics with Accenture on May 12, 2022; IT Management Trainee Program Qualifying Test with Metrobank on May 25, 2022; Serverless Framework and Agile Methodology with Digiteer on June 3, 2022; Developing Communication Skills with VXI on June 9, 2022; Anatomy of a Digital Talent: Upskilling with UBP Xcellerator with Unionbank on June 15, 2022; and Advice on Tech Tracks and Creating a Tech CV that Stands Out/Recruitday on Metaverse with Recruitday on June 23, 2022. These virtual career fairs were held exclusively for STI students and also served as an online recruitment activity that were attended by almost 2,000 students across the STI network.

STI APL also held the National Job Placement Month (NJPM) 2.0, a redesigned placement program that consists of online employment preparation seminar and virtual recruitment activities through the eLMS, from April to June 2021. The program aims to prepare the graduating students on how the "new normal" has changed the employment landscape and, at the same time, provide tips on entrepreneurship opportunities. Around 2,068 graduating students joined the seminar and 294 employers participated in the virtual recruitment. For SY 2021-2022, there were 7,385 graduating students who joined the online seminars and 400 employers who participated in the virtual recruitment.

For SY 2022-2023, the NJPM 2.0 was relaunched as the National Career Fest. Schools nationwide conducted the program as an onsite career fair from April to June. Meanwhile, STI APL hosted eight virtual career fairs with 2,763 student participants from different programs nationwide.

STI Distinguished Alumni Awards

STI ESG launched the STI Distinguished Alumni Awards (STIDAA) in 2014. STIDAA honors, awards, and recognizes alumni of STI campuses who have received distinctions and achievements in their chosen fields. Since its inception in 2014, 85 alumni have been awarded and recognized for their outstanding accomplishments.

In 2023, STIDAA recognized and honored 23 notable alumni in a gala event held at The Forums, Solaire Resort in Paranaque City on May 5, 2023. The 2023 STIDAA National Awardees were Allaine Geraldine Francisco, Prince Jefrey Hernandez, Yancy Kaibigan, Suharto Esmael, Yusop Dimaporo, Divine Tingzon, Edmar Andes, Jaztine Marie Alfafara, Eliseo Dela Cruz, Cariza Milam Llena, Patrick James Caidic, Joan Estabillo, Joel Mangaba, Christian Delgado, Christian Lozano, Jayson Silverio, Merely Fukuta, Angelica Ibanez, Marian Quitola, Hans Reginald Alejandro, Pampilo Catapang, Jr., Wilbert Gunao, and Michael Philip Favila.

Institutional Linkages

The Group continues to identify and explore institutional linkages, memberships, and cooperation agreements to engage in more meaningful academic collaborations to develop the students and increase the graduates' employability. These linkages may cover areas such as on-the-job training (OJT), employment opportunities, courseware enhancements, faculty development, employment preparation seminars, job fairs, and scholarship grants, among others.

Department of Education (DepEd)

STI ESG partnered with DepEd to strengthen the latter's Basic Education Learning Continuity Plan (BE-LCP), a package of academic interventions that will respond to the difficulties brought about by COVID-19. Under the partnership, STI ESG will provide DepEd various forms of support for free including rendition of technical assistance in the digitization or conversion of learning contents into digital format, transportation services, and use of STI facilities nationwide to name a few.

Huawei

STI ESH and Huawei brought their partnership into play after the turnover of the Huawei Smart Classroom, a digital innovation aiming to transform educational models to new heights. During the turnover event, Huawei introduced the IdeaHub board, an interactive whiteboard created to revolutionize both online and face-to-face education. The board offers a wide array of technological advancements that make life easy for both students and teachers. In addition, Huawei technologies have been integrated into the courses of Network Technology 1, Network Technology 2, and seminars. Select students are likewise given free Huawei certification exam vouchers. For SY 2022-2023, 221 students from various STI campuses nationwide pass the exam and have been certified.

Carnival Cruise Line

STI ESG signed a partnership with international cruise company Carnival Cruise Line (Carnival) on September 30, 2022 at the Manila Marriott Hotel in Pasay City. The agreement allows Carnival to operate a portion of STI College Pasay-EDSA campus as their recruitment center in cooperation with former's recruitment agency United Philippine Lines. The 610-square-meter recruitment center included a mezzanine and other amenities like the crew welfare and manning office, and pre-departure orientation seminar rooms. STI ESG will also provide facilities oriented to Carnival's standard such as kitchens and state-of-the-art lobby and lounge areas.

Fasttrack Solutions, Inc.

STI ESG signed a Memorandum of Agreement (MOA) with Fasttrack Solutions, Inc. on November 15, 2022. The partnership allows STI ESG to integrate SAP Business One on Cloud on the following programs: BS Accountancy, BS Management Accounting, BS Accounting Information System, BS Information Technology, BS Business Administration, and BS Retail Technology and Consumer Science. In addition, SAP Business One on Cloud can be accessed by both students and teachers on varied devices such as desktop computers, laptops, tablets, or mobile phones within the specified laboratory schedules.

Amadeus Marketing Philippines, Inc.

STI ESG renewed its partnership with Amadeus, a provider of Global Distribution System (GDS) training and certification, on September 8, 2022. The Amadeus Reservation Essentials training is integrated in the Applied Business Tools and Technologies in Tourism courses. A GDS is used in booking travel-related products or services such as flights, accommodations, and car rentals. Hence, a GDS certification will give the STI students with a better standing when looking for jobs in the tourism industry such as travel agencies and airline companies.

Accenture

STI ESG inked a three-year partnership with Accenture in a virtual signing event. The partnership covers the internship program, career development programs, and curriculum integration. During SY 2022- 2023, 68 students from STI Colleges Global City, Ortigas-Cainta, and Caloocan developed various IT applications for the company as part of their IT practicum. Students who will be able to complete their projects will be candidates for Software Engineer Associates in Accenture and will be exempted from the technical exam.

Manila Marriott Hotel and Sheraton Manila Hotel

Eleven top-performing BS Hospitality Management students were selected to be part of the first-ever Marriotternship program, a three-month internship conducted by Manila Marriott Hotel and Sheraton Manila Hotel. From March 15 to June 14, 2022, selected students from STI Colleges Caloocan, Global City, Las Piñas, Novaliches, Baguio, Sta. Maria, Ortigas -Cainta, Tanauan, Cagayan de Oro, and Cotabato were immersed in the hospitality management industry's best practice within both hotels, providing an experiential journey and maximizing the students' learning potential.

Development Academy of the Philippines (DAP)

STI ESG and DAP inked a Memorandum of Understanding during a ceremonial virtual signing on May 12, 2021. The partnership aspires to implement the Smarter Philippines through Data Analytics, Research and Development, Training and Adoption (SPARTA) within the STI network. SPARTA is a program that aims to put in place the necessary online education as well as research and development mechanism and infrastructure. As part of the collaboration, DAP prepares to implement various activities such as town hall meetings, online roadshows, and hackathons to strengthen STI's Bachelor of Science in Retail Technology and Consumer Science (BSRTCS) program. For the online training component of SPARTA, there are 1,500 allotted slots for STI scholars.

Fasttrack Solutions, Inc.

STI ESG signed a Memorandum of Agreement (MOA) with Fasttrack Solutions, Inc. on September 15, 2020. The partnership allows STI ESG to integrate SAP Business One on Cloud on the following programs: BS Accountancy, BS Management Accounting, BS Accounting Information System, BS Information Technology, and BS Business Administration. In addition, SAP Business One on Cloud can be accessed by both students and teachers on varied devices such as desktop computers, laptops, tablets, or mobile phones within the specified laboratory schedules. The MOA was renewed on October 4, 2021.

Amadeus Marketing Philippines, Inc.

STI ESG signed a MOA with Amadeus, a provider of Property Management System (PMS) and Point-of-Sale (POS) system training and certification, on July 28, 2021. The systems training modules are integrated in the courses Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality. A PMS is an integrated system centralizing the different transactions in an accommodation operation; while a POS is a system facilitates sales and inventory transactions in restaurants. Both certifications will give the STI students with a better standing when looking for jobs in the hospitality industry.

Manila Marriott Hotel and Sheraton Manila Hotel

Eleven top-performing BS Hospitality Management students were selected to be part of the first-ever Marriott internship program, a three-month internship conducted by Manila Marriott Hotel and Sheraton Manila Hotel. From March 15 to June 14, 2022, selected students from STI Colleges Caloocan, Global City, Las Piňas, Novaliches, Baguio, Sta. Maria, Ortigas-Cainta, Tanauan, Cagayan de Oro, and Cotabato were immersed in the hospitality management industry's best practices within both hotels, providing an experiential journey and maximizing the students' learning potential.

Scholarships

STI ESG partnered with various companies to aid in scholarship programs and increase employment opportunities for STI ESG's graduates.

Gift of Knowledge

To provide educational opportunities to deserving individuals who have no means of pursuing post-secondary education, STI ESG, through the STI Foundation for Leadership in Information Technology and Education, Inc. (STI Foundation), strengthens its partnership with various TV programs from different TV networks. No scholars were registered in SY 2020-2021 and SY 2021-2022 since the TV networks also experienced the disruption caused by the global pandemic and various TV shows went off-air. For SY 2022-2023, three new scholars were registered through the partner TV programs.

Sponsored Scholarship Programs

STI ESG and STI Foundation continually strengthen partnerships with corporations and government organizations to be able to provide scholarship programs to support the tertiary education of deserving individuals.

The STI Foundation and its partners were able to support 1,119 scholars in SY 2019-2020, 980 scholars in SY 2020-2021, 1,087 scholars in SY 2021-2022 and 654 scholars in SY 2022-2023.

Community Extension and Outreach Programs

Capitalizing on STI ESG's national reach, STI Foundation and STI campuses across the country spearheaded and/or collaborated with other groups to conduct several community involvement programs that intensified the spirit of camaraderie among employees and the desire to give back to the communities while developing an environment that will be beneficial to all stakeholders.

The STI Foundation

The STI Foundation aims to contribute to the improvement of the country's educational system through programs and projects that promote excellence in education.

Alternative Learning System (ALS)

STI Foundation responded to the call of DepEd for the private sector's participation and support in its ALS program, a non-formal education to help learners who wish to complete their basic education. The ALS program also aims to address the growing number of students who drop out of school every year.

STI ESG reached out to out-of-school youth aged 15 and above who still have not finished their secondary education and cannot afford to go through formal schooling. ALS employs collaborative modes of instruction (face-to-face instructions), e-learning materials (e-Skwela), and performance-based assessment. ALS aims to prepare and equip the learners with the knowledge required to pass the Accreditation and Equivalency (A&E) Test given by DepEd. There are five STI campuses offering ALS — STI Colleges Ortigas-Cainta, Batangas, Lipa, Muñoz-EDSA, and Rosario. Since SY 2020-2021 until the present, ALS classes were suspended in the aforementioned campuses due to the restrictions of conducting face-to-face classes among the students and consequently the ongoing realignment of ALS modules.

The STI Mobile School

The STI Mobile School is a fleet of tourist-sized buses converted into roving computer laboratories. Each bus is equipped with a state-of-the-art computer laboratory with internet access, multimedia computers, LCD monitors, sound system, and other top-of-the-line computer equipment.

Since its inception in 2011 until the end of SY 2022-2023, the STI Mobile School has travelled over a thousand sites and trained around 175,000 participants nationwide. From the six STI mobile school buses, one STI mobile school was donated to the 6th Infantry (Kampulan) Division of the Philippine Army during SY 2022-2023.

Adopt-a-School Program

STI ESG received a Certificate of Appreciation from DepEd for being one of its active partners in implementing the Adopt-a-School program. The STI Mobile School provides alternative learning facilities to DepEd's high schools in far-flung communities. The Adopt-a-School program aims to teach students computer concepts, GNU Image Manipulation Program (GIMP), multimedia animation, audio editing, and movie presentation through ICT-enhanced training sessions, among others.

STI Foundation extended assistance to various special community development projects, outreach programs, and humanitarian services to help tackle the needs of the disadvantaged sectors and other organizations.

In support of DepEd's Brigada Eskwela program, STI College Balagtas joined the Brigada Eskwela program of the Secondary DepEd schools in Balagatas, Bulacan in SY 2021-2022. The STI campus distributed health and sanitation products to the following schools: Guiguinto National Vocational High School, Taliptip National High School, Batia High School, Gat. Francisco Balagtas National High School, Iluminada Roxas National High School, Bunsuran National High School, Balagtas National Agricultural High School Annex, and Felizardo C. Lipana National High School. Meanwhile, in SY 2022-2023, various STI campuses joined the program: STI College Alabang donated COVID-19 prevention supplies and cleaning materials to Muntinlupa Business High School Sucat, Pedro E. Diaz High School, Cupang Senior High School, Poblacion National High School, Pamantasan ng Lungsod ng Muntinlupa; STI College San Jose donated electric fans to Dig-Dig National High School; and STI College Vigan provided face masks and gallons of ethyl alcohol and liquid handsoap to Magsingal National High School.

Community and Civic Engagements

Through STI ESG's partnership with the National Grid Corporation of the Philippines (NGCP), a privately- owned corporation in charge of operating, maintaining, and developing the country's state-owned power grid, STI Foundation facilitated the installation and regular maintenance of computer units donated by NGCP to 34 public elementary and high schools nationwide. Regular maintenance of the computer units for these public schools continued up to SY 2019-2020. During the same school year, five more computer laboratories were installed in five public schools. Meanwhile, in SY 2022-2023, STI Foundation sponsored the electricity and computer laboratory maintenance of eight public schools.

In SY 2020-2021, the STI ESG community likewise demonstrated its Bayanihan spirit as the students, faculty members, and school personnel all worked together to extend a helping hand to their respective communities during this time of a global pandemic. Activities such as face mask donations to local government units, feeding programs for frontliners, food pack donations, and setting up of community pantries, among others were organized by various STI campuses nationwide.

STI College Cotabato, meanwhile, partnered with the City of Cotabato and City Health Office for the mobile vaccination program called “Mobile Bakuna Bus.” Using the STI Mobile School, the bus reached out to individuals with no access to vaccination hubs in the region. During the pilot run, the “Mobile Bakuna Bus” visited the city’s old market where the citizens, mostly vendors who cannot leave their stores, received their first dose of vaccines. Since then, the bus has reached four areas within the city and more than 800 of its citizens have been vaccinated. The Mobile Bakuna Bus targets to reach strategic areas such as public markets, groceries, supermarkets, malls, schools, and barangay halls in Cotabato City.

On the other hand, STI Alaminos organized a tree planting activity at Adopt-a-Mountain Site in Barangay San Vicente, Alaminos City, Pangasinan. In partnership with the City Agriculture Office, around 107 STI students and six school personnel joined the community extension activity in support to the city government’s sustainable environmental program.

For SY 2022-2023, STI Alaminos organized a mangrove planting activity at Bued Mangrove Park in Alaminos City, Pangasinan. STI students, faculty members, and other school personnel joined together and planted 100 mangrove propagules. The activity aimed to raise awareness of the importance of mangroves in protecting their coastal community and reducing the effects of climate change. STI College Dumaguete students, faculty members, and school personnel also joined the Philippine Air Force in a coastal clean-up in Cangmating Beach, Sibulan in relation with the Philippine Environment Month 2022 with the theme, “Aksyon pare sa Natatanging Mundo.”

Business of Issuer

STI ESG is the largest subsidiary of STI Education Systems Holdings, Inc. (STI Holdings) the ultimate parent company of the Group. It is engaged in establishing, maintaining, and operating educational institutions. It derives its main revenues from tuition and other school fees of its own schools, and from the royalties and other fees for various educational services provided to its franchised schools.

STI ESG offers secondary (senior high school) and tertiary (college and TESDA) programs, as well as post- graduate and associate programs. The colleges of STI ESG offer associate/baccalaureate degrees and technical-vocational programs in the fields of ICT, Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by CHED and/or TESDA, as may be applicable. The education centers of STI ESG offer technical-vocational courses for information technology, multimedia arts, hospitality and restaurant services, culinary, and tourism and events management, among others. The programs in the education centers are accredited by TESDA.

STI ESG School Programs

Tertiary Programs

BS in Information Systems
BS in Computer Science
BS in Information Technology
BS in Accountancy
BS in Management Accounting
BS in Accounting Information System
BS in Business Administration major in Operations Management
BS in Hospitality Management
BS in Retail Technology and Consumer Science
BS in Culinary Management
BS in Tourism Management
BS in Computer Engineering
BA in Communication
Bachelor of Multimedia Arts
BS in Marine Engineering*
BS in Marine Transportation*
BS in Naval Architecture and Marine Engineering*
3-year Hotel and Restaurant Administration
2-year Information Technology Program
2-year Associate in Computer Technology
2-year Hospitality and Restaurant Services 2-year Tourism and Events Management
2-year Associate in Retail Technology

**These maritime programs are offered only to students of NAMEI Polytechnic College, Inc.*

Senior High School Programs

Academic Track
Accountancy, Business, and Management

Humanities and Social Sciences
Science, Technology, Engineering, and Mathematics
General Academic Strand

Technical-Vocational-Livelihood Track
ICT Strand with specializations in:
- Computer Programming
- Animation
- Illustration
- Broadband Installation
- Computer Hardware Servicing

Home Economics Strand with specializations in:
- Commercial Cooking
- Cookery
- Bartending

- Food and Beverage Services
- Bread and Pastry Production
- Local Guiding Services
- Travel Services
- Tourism Promotions Services
- Front Office Services

Industrial Arts Strand with specialization in:

- Electronics Products Assembly and Servicing

Junior High School

Grades 7 to 10

Professional Accreditations

International Organization for Standardization 9001:2008 (ISO 9001:2008)

On February 5, 2015, STI ESG received the official ISO 9001:2008 Certification for its Learning Delivery System. The ISO 9001:2008 certification is a milestone for the institution's thrust towards academic excellence by reaching global standards in its learning delivery system.

International Organization for Standardization 9001:2015 (ISO 9001:2015)

STI ESG is one of the pioneer institutions awarded with the ISO 9001:2015 Quality Management System (QMS) Certification in SY 2017-2018. This is a certification upgrade for its Learning Delivery System (LDS) with emphasis on risk-based thinking, improved applicability for services, and increased leadership requirements. The scope of the LDS was likewise extended to the senior high school level and was expanded with the inclusion of the student program development and job placement assistance.

STI ESG maintained its certification and was lauded by the ISO certifying body TÜV Rheinland Philippines, Inc. during its surveillance audit on October 28, 2022 for implementing various systems such as Campus Helpdesk, SHS Data Processing App, IT Asset Inventory System, Queuing System, Centralized Printing of Diploma and TOR system upgrade, and Talent Search system upgrade and for the implementation of Ready-To-Teach program to standardize courseware delivery of the faculty members throughout its network of schools.

Employees

STI ESG had 2,117 employees — 1,425 of whom were faculty members, 523 were non-teaching personnel, and 169 employees were from the main office as of June 30, 2023. STI ESG provides employees with development programs that assist them in effectively carrying out their jobs and prepare them for career advancement.

FUNCTION	NUMBER OF EMPLOYEES
Main Office	
Senior Management	9
Managers	52
Staff	108
Subtotal	169

FUNCTION	NUMBER OF EMPLOYEES
STI Schools	
Teaching Personnel (wholly-owned schools)	1,425
Non-teaching Personnel (wholly-owned schools)	523
Subtotal	1,948
TOTAL	**2,117**

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

The Company has a total Authorized Capital Stock (ACS) of Five Billion Pesos (₱5,000,000,000.00) divided into five billion (5,000,000,000) shares with a par value of One Peso (₱1.00) each. Out of the ACS, three billion eighty-seven million eight hundred twenty-nine thousand and four hundred forty-three (3,087,829,443) shares have been subscribed and paid-up. Out of the total issued shares, five million nine hundred fifty-two thousand and two hundred seventy-three (5,952,273) shares pertain to treasury shares. The common shares of the Company are not traded in any market, nor are they subject to outstanding warrants to purchase, or securities convertible into common shares of the Company.

(2) Holders

Foreign ownership limit for STI ESG is forty percent (40%) of the issued and outstanding common shares, equivalent to 1,232,750,868 common shares. Total shares owned by foreign shareholders as of 31 October 2023 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 October 2023, there were sixty-three (63) shareholders of the Company's outstanding capital stock. The Company has common shares only.

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

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.47
2	PRUDENT RESOURCES, INC.	13,465,465	0.44
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29
4	ROSSI, PURIFICACION G.	7,841,118	0.25
5	PRUDENCIO, TOMAS J.	3,732,400	0.12
6	SANTOS, MARIA LOURDES	1,725,000	0.06
7	YOUNG, CAROLINA	1,651,828	0.05
8	RAMOS, DULCE	1,155,447	0.04
9	BUSTOS, FELIXBERTO	792,283	0.03
10	DOMINGO, EMERITA R.	303,466	0.01

	Name	No of Shares Owned	% Ownership
11	SPS. VALERIO, REUBEN M. & VALERIO, REMEDIOS	241,279	0.01
12	ZARASPE, ANACLETA C.	214,038	0.01
13	MONES, REYNALDO A.	201,901	0.01
14	HEIRS OF EDGAR SARTE	148,622	0.00
15	RELLEVE, ALVIN K.	137,338	0.00
16	PUBLICO, EDGARDO	122,080	0.00
17	DUJUA, JOCELYN	115,532	0.00
18	MADRIGAL, VICTORIA P.	63,384	0.00
18	LAO, ERIENE C.	63,384	0.00
20	PAULINO, M. LUZ LOURDES M.	55,061	0.00

(3) Dividend History and Policy on Dividends

On November 18, 2020, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.013 per share for a total amount of ₱40.0 million, in favor of the stockholders of record as at December 4, 2020. The dividends were paid on January 7, 2021.

On November 26, 2021, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.05 per share for a total amount of ₱154.1 million, in favor of the stockholders of record as at November 29, 2021. The dividends were paid on December 17, 2021.

On December 16, 2022, the Parent Company's Board of Directors approved the cash dividends declaration of ₱0.07 per share for a total amount of ₱215.7 million, in favor of the stockholders of record as at December 31, 2022. The dividends were paid on January 10, 2023.

Policy on Dividends

On September 19, 2017, the Board of Directors of STI ESG adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The Board approved a dividend declaration policy equivalent to 25% to 40% 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 and 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 Board 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 stockholders of record on the basis of outstanding stock held by them. Unless otherwise required by law, the Board, 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 payment 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 Board may deem appropriate.

(4) Recent Sales of Unregistered or Exempt Securities

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

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

This discussion summarizes the significant factors affecting the financial condition of STI Education Services Group, Inc. ("STI ESG" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") and operating results for the years ended June 30, 2023, 2022, and 2021 as well as the significant factors affecting the operating results of the Group for the three-months periods ended September 30, 2023 and 2022 and financial condition as at September 30, 2023 and June 30, 2023.

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

Financial Condition

As at 30 September 2023

The Group posted consolidated total assets amounting to ₱12,655.3 million as at September 30, 2023, compared to the balance as at June 30, 2023 amounting to ₱11,282.3 million. The increase was driven by the ₱346.1 million increase in cash and cash equivalents and increase in receivables aggregating to ₱1,054.3 million largely from students and DepEd.

Cash and cash equivalents increased by ₱346.1 million or 22% from ₱1,571.7 million to ₱1,917.8 million as at June 30, 2023 and September 30, 2023, respectively, attributed largely to the tuition and other school fees for SY 2023-2024 collected during the quarter. This amount is net of the full payment of STI ESG's Corporate Notes Facility with China Banking Corporation (China Bank) totaling to ₱210.0 million.

Total receivables is up by ₱1,054.3 million from ₱342.0 million as at June 30, 2023 to ₱1,396.3 million as at September 30, 2023. 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 ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Prepaid expenses decreased by ₱25.0 million or 22%, from ₱114.9 million to ₱89.9 million as at September 30, 2023 substantially due to decreases in prepaid taxes, prepaid subscriptions and licenses, software maintenance cost, and advances to suppliers.

The carrying value of the equity instruments designated at FVPL amounted to ₱4.90 per share or an aggregate of ₱7.6 million as at September 30, 2023 compared to ₱5.80 or an aggregate value of ₱9.0 million as at June 30, 2023. 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 on the Philippine Stock Exchange. Dividends collected from this investment amounted to ₱0.2 million for both the three-month periods ended September 30, 2023 and 2022.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million as at June 30, 2023 to ₱68.3 million as at September 30, 2023, largely 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.

Total current liabilities increased by ₱1,679.4 million, from ₱3,016.7 million to ₱4,696.1 million as at June 30, 2023 and September 30, 2023, respectively, mainly due to the increase in unearned tuition and other school fees by ₱1,732.4 million from ₱43.9 million to ₱1,776.3 million as at September 30, 2023. Unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱287.7 million to ₱1,682.6 million as at September 30, 2023 from ₱1,970.3 million as at June 30, 2023 attributed to the reclassification to the current portion of interest bearing loans and borrowings of the principal amount under STI ESG's Term Loan Facility with China bank which is due in the next twelve months and the full payment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank.

Total equity decreased by ₱18.6 million from ₱6,295.2 million as at June 30, 2023 to ₱6,276.6 million as at September 30, 2023 substantially due to the net loss, net of actuarial gains on pension liabilities, recognized by the Group for the three-month period ended September 30, 2023.

June 30, 2023 vs. June 30, 2022

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2023**	**June 30, 2022**	**June 2023 vs June 2022**	
			Increase (Decrease)	
			Amount	**%**
Consolidated financial position				
Total assets	11,282.3	11,089.1	193.2	2%
Current assets	2,162.8	1,936.2	226.6	12%
Cash and cash equivalents	1,571.7	1,242.5	329.2	26%
Total liabilities	4,987.1	5,196.8	(209.7)	(4%)

Current liabilities	3,016.7	816.4	2,200.3	270%
Total equity	6,295.2	5,892.3	402.9	7%
Equity attributable to equity holders of the parent	6,298.3	5,894.0	404.3	7%
Financial ratios				
Debt-to-equity ratio	0.79	0.88	(0.09)	(10%)
Current ratio	0.72	2.37	(1.65)	(70%)
Debt service cover ratio	0.47	1.80	(1.33)	(74%)

**DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement as at June 30, 2023 and 2022 at 2.36 and 1.70, respectively.*

The Group continues to exhibit a strong financial position, primarily deriving cash and cash equivalent reserves from its operational activities. Financial ratios are sound and well within bank covenants. The Group consolidated total assets stood at ₱11,282.3 million as at June 30, 2023, compared to ₱11,089.1 million as at June 30, 2022. Current assets grew by ₱226.6 million, from ₱1,936.2 million to ₱ 2,162.8 million, while non-current assets slightly declined by ₱ 33.4 million, from ₱9,152.9 million to ₱ 9,119.5million. The overall increase in consolidated total assets was a result of another school year of strong operations. The net increase in cash and cash equivalents amounting to ₱329.2 million was primarily contributed by cash generated from operating activities, after taking into consideration the cash used in investing and financing activities. The net income of the Group, double that of the previous year, was the key contributor to the increase in net cash generated from operating activities. The more efficient collection of receivables from students was also a key factor in the huge increase in cash balances. This is also reflected in the reduction of the receivables balance from ₱445.1 million as at June 30, 2022 to ₱342.0 million as at June 30, 2023 even with the increase in the number of students this SY 2022-2023.

Cash and cash equivalents increased by ₱329.2 million from last year's ₱1,242.5 million to ₱1,571.7 million as at June 30, 2023. The Group generated net cash from operating activities aggregating to ₱1,418.7 million, mostly arising from the collection of tuition and other school fees from students and from the Department of Education (DepEd) for the Senior High School (SHS) vouchers and the Commission on Higher Education (CHED) for the Tertiary Education Subsidy (TES). The Group investing activities for the year ended June 30, 2023 aggregated to ₱266.3 million primarily driven by STI acquisition of parcels of land in Meycauayan City, Bulacan and payment of the contractors and suppliers for the recent construction and renovation projects of the Group. The Group likewise registered ₱825.6 million cash outflow in financing activities reflecting partial principal prepayment of the Term Loan Facility amounting to ₱ P240.0 million, payment of the principal amount due for the loan under the Corporate Notes Facility amounting to ₱30.0 million, payment of interests on loans and bond issue aggregating to ₱250.7 million, and cash dividends during the fiscal year ended June 30, 2023.

Receivables decreased to ₱342.0 million as at June 30, 2023, representing a reduction of ₱103.1 million when compared to the ₱445.1 million balance as at June 30, 2022. These receivables primarily consist of amounts expected to be collected from various sources, including receivables from students for tuition and other school fees, DepEd, CHED and Development Bank of the Philippines (DBP) for SHS vouchers, TES, and financial assistance to students, respectively. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

The receivables from students, specifically for tuition and other school fees, decreased by ₱57.8 million from ₱528.8 million to ₱471.0 million. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱10.0 million as at June 30, 2023, posting a decrease of ₱4.6 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.

On March 17, 2021, STI ESG executed a Memorandum of Agreement with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) covering SY 2020-2021. This program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. Similar MOAs with DBP were executed in November 2021 and May 2023, covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively. Receivables related to DBP RISE amounted to ₱1.6 million and ₱2.0 million as at June 30, 2023 and 2022, respectively.

Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱63.8 million as at June 30, 2023, lower by ₱23.7 million from ₱87.5 million as at June 30, 2022, representing an improvement in the collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Rent, utilities and other related receivables increased from ₱34.0 million as at June 30, 2022 to ₱56.5 million as at June 30, 2023. STI ESG entered into a lease agreement with a third party for a segment of its STI Academic Center Pasay EDSA property comprising a total area of 610 square meters. STI ESG funded the fit-out requirements in advance, and the third party will reimburse these costs with an additional 7.5% to cover the cost of money. The related fit-out costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date.

STI ESG's allowance for 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 ₱290.3 million as at June 30, 2023. This increase was due to the provision for ECL recognized during the year. Further, STI ESG implemented an interim policy on the deferral of write-off of receivables for the years ended June 30, 2023 and 2022 as approved by the BOD of STI ESG.

Inventories decreased by ₱28.5 million or 19% from ₱153.7 million to ₱125.2 million as at June 30, 2023. This reduction is substantially attributed to the sale of uniforms, net of acquisitions, during the fiscal year ended June 30, 2023.

Prepaid expenses and other current assets increased by ₱48.7 million, or 73%, from ₱ 66.2 million to ₱114.9 million as at June 30, 2023, attributed primarily to increase in input VAT credits, excess prior year's credits and creditable withholding taxes, and renewal of business permits, and advances paid to suppliers. The increase in the Input VAT arose mainly from the acquisition of two parcels of land in Meycauayan City, Bulacan from which STI ESG recognized input VAT amounting to ₱16.2 million. This account also includes input VAT recognized on the purchase of goods and services. Prepaid taxes posted an increase of ₱15.0 million or 36% from ₱40.0 million to ₱55.0 million representing business taxes and excess prior credits and creditable taxes that can be applied against future tax liabilities. Business taxes paid to local governments will be recognized as expense over the respective periods covered. Further, the increase of ₱18.2 million in advances to suppliers as at June 30, 2023 is primarily due to prepayments for the acquisition of students school uniforms in preparation for the upcoming SY 2023-2024. Prepaid expense others as at June 30, 2022, represent the unutilized portion of COVID-19 vaccines amounting to ₱ 2.9 million. STI ESG purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program. The cost of these vaccines has been fully expensed as at June 30, 2023.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange. This investment amounted to =P10.0 million for 1,550,000 shares, with each share priced at ₱6.45. STI ESG presented its subscription to REIT as "Equity Instruments designated at FVPL" in its consolidated statements of financial position as at June 30, 2023 and 2022. The carrying value of the equity instruments designated at FVPL amounted to ₱5.80 and ₱6.20 per share or an aggregate value of ₱9.0 million and ₱ 9.6 million as at June 30, 2023 and 2022, respectively. STI ESG recognized dividend income from RCR amounting to ₱0.6 million and ₱0.4 million in 2023 and 2022, respectively.

The noncurrent asset held for sale amounted to nil and ₱19.0 million as at June 30, 2023 and 2022, respectively. Pursuant to a deed of assignment executed by STI ESG and DBP in 2019, DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay for a consideration of ₱ 75.5 million. DBP likewise granted to STI ESG all the rights, title, and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

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

Fees aggregating to ₱8.8 million, representing legal and filing fees, publication, and other costs from the execution of the deed of assignment by and between DBP and STI ESG, were incurred up to the dates of the extrajudicial foreclosure sale of the mortgaged real estate properties situated in Pasig City and Tanay, Rizal. STI ESG recognized as interest income the accrued interests and default charges on the assigned loans of STI Tanay aggregating to ₱33.0 million in 2022. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans.

The extrajudicial foreclosure sale for the Pasig Property took place on March 16, 2021 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 to the title 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 receivables" 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. In anticipation of the actual tender of the redemption price, STI ESG reclassified the Pasig Property from "Investment Properties" to "Noncurrent asset held for sale."

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

In July 2022, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized noncurrent asset held for sale amounting to ₱19.0 million. The net value of Property and equipment, after deducting accumulated depreciation, stood at ₱7,505.7 million as at June 30, 2023 compared to ₱7,644.0 million as at June 30, 2022. The changes are attributed to acquisition of certain properties through deed of absolute sale and extrajudicial foreclosure, reclassification of properties from property and equipment to investment properties, and investment in new computers, school equipment and furniture during the fiscal year ended June 30, 2023.

Similarly, pursuant to the deed of assignment executed by STI ESG and DBP (as discussed in the preceding paragraphs), foreclosure proceedings for the Tanay property were initiated after several demand/collection letters were sent to STI Tanay. The Extrajudicial Foreclosure Sale for the Tanay, Rizal property took place in March 2022 and STI ESG was declared the winning bidder. The Certificate of Sale was issued on April 11, 2022 and annotated to the title on May 5, 2022. The one (1) year redemption period commenced on the date the Certificate of Sale is annotated on the title. STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱44.1 million and ₱ 66.9 million, based on 2022 appraised values, resulting in a gain on settlement of receivables amounting to ₱26.1 million for the year ended June 30, 2022.

On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants for a Dacion Price of ₱81.2 million. Consequently, STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price. On August 5, 2022, CHED approved the site transfer of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. STI Quezon Avenue subsequently resumed its operations at its new site in Tanay, Rizal beginning SY 2022-2023. Consequently, STI ESG reclassified the take-up of its Tanay property from "Investment Properties" to "Property and Equipment") account in September 2022. As of the date of transfer, the Tanay property has a carrying value of ₱115.7

million, inclusive of documentary stamp and transfer taxes. As at June 30, 2023 the said property has a carrying value of ₱112.8 million.

With the resumption of in-person classes during the fiscal year, the Group likewise invested in new computers, school equipment and furniture. The recognition of the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, *Leases* also contributed to the increase in property and equipment. These additions to the "Property and equipment" account were offset by the depreciation expense recognized by the Group for the year ended June 30, 2023, reflecting the allocation of costs of these assets over their respective useful lives. Further, in 2023, STI ESG reclassified the parcels of land situated in Las Piñas City with a carrying value of ₱40.5 million as of June 30, 2023, including the fully depreciated buildings thereon, to "Investment Properties". These properties, a part of which is being used as warehouse, have existing lessees with varying terms expiring in 2024 up to 2026.

Investment properties increased by ₱ 46.2 million from ₱628.9 million as at June 30, 2022 to ₱675.1 million as at June 30, 2023. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate cost of ₱140.1 million, inclusive of taxes and transfer fees. The property is intended to be the future site of STI Academic Center Meycauayan. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property. The agreement stipulates that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms expiring in 2024 up to 2025. This account also includes the parcels of land, including the improvements thereon, located in Las Pinas City (as discussed in the preceding paragraph). STI ESG also recognized the cost of the renovation of its office condominium units. This project, with a total contract cost of ₱88.0 million, was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022. The overall increase due to additions to "Investment Property" were partly mitigated by the reclassification of the Tanay property from "Investment Properties" to "Property and equipment" account since the said property is now being used by STI Quezon Avenue as its school building and grounds (as discussed in the preceding paragraphs).

Deferred tax assets (DTA), net of the deferred tax liability (DTL) recognized on the gain on settlement of receivables (as discussed in the preceding paragraphs) and unrealized foreign exchange gains, increased by ₱23.6 million from ₱ 18.4 million to ₱42.0 million as at June 30, 2023, representing taxes due on tuition and other school fees and monthly rentals collected in advance. Following statutory regulations, these revenues that are collected in advance are subject to income tax upon receipt. Also, the notable increase in deferred tax asset is attributed to the change in preferential income tax rate for proprietary educational institutions which was reduced from 10% to 1.0% effective July 1, 2020, up to June 30, 2023. After the expiration of the temporary tax relief provided by the CREATE Law for proprietary educational institutions, the income tax rate reverted to its previous rate of 10%. Consequently, the Group remeasured its deferred tax assets and liabilities which resulted to the increase of net DTA to ₱42.0 million as at June 30, 2023.

Goodwill, intangible, and other noncurrent assets increased by ₱26.4 million from ₱304.8 million to ₱ 331.2 million as at June 30, 2023 substantially due to the recognition of goodwill following the acquisition by STI ESG of 60% of the issued and outstanding capital stock of STI-College Alabang, Inc. (STI Alabang) from the former franchisee. Prior to this, STI ESG owned 40% of the issued and outstanding capital stock of STI Alabang. Consequently, STI Alabang became a wholly-owned subsidiary of STI ESG from its purchase of the said 60% in March 2023. The identifiable assets and liabilities of STI Alabang were recognized based on the assessment of the fair value of these assets and liabilities at the time of acquisition resulting in the ₽23.0 million excess of the purchase consideration.

Accounts payable and other current liabilities decreased by ₽11.9 million from ₽572.8 million as at June 30, 2022 to ₽560.9 million as at June 30, 2023. The decrease of ₽ 24.5 million in accounts payable is attributed to payments to various suppliers and contractors for recently completed construction projects.

Unearned tuition and other school fees increased by ₽13.3 million from ₽ 30.6 million as at June 30, 2022 to ₽43.9 million as at June 30, 2023. These balances represent advance payments of tuition and other school fees for the school year commencing after the financial reporting dates and will be subsequently recognized to revenues in the related school terms within the next fiscal year.

Income tax payable of ₽0.4 million reflects the income tax obligation of pertaining to their respective taxable income during the year ended June 30, 2023. obligation during the year ended June 30, 2023 was entirely offset by its available tax credits.

Current portion of interest-bearing loans and borrowings increased by ₽23.5 million from ₽159.5 million as at June 30, 2022 to ₽183.0 million as at June 30, 2023. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with China Bank amounting to ₽P60.0 million and ₽120.0 million, respectively, and the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to ₽3.0 million, all of which are due within the next twelve months. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Bank amounting to ₽120.0 million and ₽30.0 million, respectively, and LandBank loan amounting to ₽9.5 million.

The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₽1,200.0 million payable over a seven-year term. The agreement provided a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments are to be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On September 20, 2021, STI ESG made a partial prepayment aggregating to P=243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment was applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 23, 2022, China Bank partial principal prepayment in the amount of ₽240.0 million on its Term Loan Facility. On the same day, STI ESG made a prepayment aggregating to ₽244.5 million, inclusive of interests, on the outstanding Term Loan Facility balance covering the period September 19 to September 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and covered amortizations due on March 19, 2023 and September 19, 2023.

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

STI ESG had a ₽250.0 million Term Loan/Rediscounting Line Facility under the ACADEME Lending Program of LandBank. This program was executed in 2020 to finance the “study now, pay later” program of the government for students amid the financial difficulties that families were facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70.0% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% interest per annum and payable based on the maturity of the promissory note issued by the parent/benefactor/student, not exceeding three (3) years. The loans were covered by the promissory notes issued by the parents/benefactors/students and are interest-free for the students. STI ESG has an aggregate loan drawdown from this facility amounting to ₽P22.1 million, of which ₽3.0 million and ₽9.5 million are due within the next twelve (12) months as at June 30, 2023 and 2022, respectively. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The carrying value of the loan amounted to ₽3.0 million and ₽12.5 million as at June 30, 2023 and 2022, respectively. Of the ₽3.0 million outstanding loan, ₽2.1 million has been settled in August 2023 while the balance is maturing in January 2024.

Non-current portion of interest-bearing loans and borrowings, decreased by ₽303.8 million from ₽1,052.7 million to ₽748.9 million as at June 30, 2022 and 2023, respectively, due to the partial prepayment of the loan principal under Term Loan Facility amounting to ₽240 million in September 2022 and the reclassification of the interest-bearing loans due within the next twelve months into current portion of interest bearing loans and borrowings. Interest rates for the Term Loan and Corporate Notes Facility were repriced at the rates of 5.7895% and 6.5789% per annum effective September 19, 2021 and 2022, respectively. 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. Total bonds payable carried in the books is ₽2,988.4 million and ₽2,980.5 million as at June 30, 2023 and 2022, respectively, net of deferred finance charges, representing bond issue costs with carrying values of ₽11.6 million and ₽19.5 million, as at June 30, 2023 and 2022, respectively. The first tranche of the bond issue maturing in March 2024 with a carrying value of ₽2,175.1 million was recognized as "Current portion of bonds payable" as at June 30, 2023. On the other hand, the second tranche of the bond issue maturing in March 2027 with a carrying value of ₽813.3 million is reported as "Bonds payable, net of current portion" under the "Noncurrent Liabilities" category. The proceeds of the bonds have been fully utilized as at March 31, 2019. As at June 30, 2023, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.79:1.00 and DSCR at 2.36:1.00. DSCR as defined in the bond trust agreement is computed as EBITDA for the last twelve (12) months over total principal and interest due in the last 12 months. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and DSCR of not less than 1.05:1.00 computed based on its consolidated financial statements.

Current portion of lease liabilities amounted to ₽53.3 million as at June 30, 2023 and 2022. Noncurrent lease liabilities, net of new lease obligations, increased by ₽18.1 million from ₽264.3 million as at June 30, 2022 to ₽282.4 million as at June 30, 2023. The increase represents obligations that were recognized for the new and renewed lease agreements of the Group. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Pension liabilities increased by ₱16.0 million from ₱63.4 million to ₱79.4 million as at June 30, 2022 and June 30, 2023, respectively. The increase reflects both pension expenses and changes in the market value of the equity investments held within the pension plan assets of the Group, for the fiscal year ended June 30, 2023.

Other noncurrent liabilities increased by ₱26.7 million from ₱19.6 million to ₱46.3 million as at June 30, 2022 and June 30, 2023, respectively, representing advances in rental and refundable deposits received by STI ESG for new lease agreements.

Cumulative actuarial gain decreased by ₱9.8 million from ₱9.8 million to ₱ 2.6 thousand as at June 30, 2022 and June 30, 2023, respectively. This decline reflects changes in the market value of the equity investments held within the pension plan assets of the Group, for the year ended June 30, 2023. Similarly, the Group transferred the remeasurement gain on pension liabilities previously recognized for the schools that had ceased operations to earnings.

The Group's fair value adjustment on equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱1.7 million. This increase was driven by the fair value adjustments attributed to appreciation in the market value of STI ESG quoted investment shares, as well as unquoted equity shares held by STI ESG in De Los Santos Medical Center, Inc. (DLSMC).

STI ESG's share in associate's fair value loss on equity instruments designated at FVOCI amounted to ₱P38.8 thousand and ₱45.9 thousand, as at June 30, 2023 and June 31, 2022, respectively, representing fair value adjustment resulting from the decrease in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings increased by ₱413.0 million from ₱2,452.3 million to ₱2,865.3 million. This increase is mainly attributed to the net income recognized for the fiscal year ended June 30, 2023 which was partially offset by the cash dividends declared by STI ESG in December 2022 amounting to ₱215.7 million.

June 30, 2022 vs June 30, 2021

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2022**	**June 30, 2021**	**Jun 2022 vs June 2021**	
			Increase (Decrease)	
			Amount	**%**
Consolidated financial position				
Total assets	11,089.1	11,292.4	(203.3)	(1.8%)
Current assets	1,936.2	1,873.0	63.2	3.4%
Cash and cash equivalents	1,242.5	1,202.1	40.4	3.4%
Total liabilities	5,196.8	5,489.9	(293.1)	(5.3%)
Current liabilities	816.4	831.3	(14.9)	(1.8%)
Total equity	5,892.3	5,802.5	89.8	1.5%
Equity attributable to equity holders of the parent	5,894.0	5,802.7	91.3	1.6%

Financial ratios				
Debt-to-equity ratio	0.88	0.94	(0.06)	(6.4%)
Current ratio	2.37	2.25	0.12	5.3%
Debt service cover ratio	1.80	1.42	0.38	26.8%
Asset to equity ratio	1.88	1.95	(0.07)	(3.6%)

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

The Group posted consolidated total assets amounting to ₱11,089.1 million as at June 30, 2022, compared to the balance as at June 30, 2021 amounting to ₱11,292.4 million. This was driven by the decrease in property and equipment, net of acquisitions or additions, substantially due to depreciation expense recognized for the year ended June 30, 2022.

Cash and cash equivalents increased by ₱40.4 million from last year's ₱1,202.1 million to ₱1,242.5 million as at June 30, 2022. The Group generated net cash from operating activities aggregating to ₱877.9 million, mostly arising from the collection of tuition and other school fees from students and from the Department of Education (DepEd) for the Senior High School (SHS) vouchers and the Commission on Higher Education (CHED) for Tertiary Education Subsidy (TES). These funds were partly utilized to pay the contractors and suppliers of the recent construction and renovation projects of the Group, with net cash used in investing activities aggregating to ₱138.8 million. On the other hand, the Group registered ₱743.2 million cash used in financing activities, substantially representing payment of loan principal amounting to ₱249.5 million, interest payments on bonds and loans aggregating to ₱266.8 million, including prepayment fee and payment of cash dividends by STI ESG in December 2021.

Receivables increased to ₱445.1 million as at June 30, 2022 or by ₱8.1 million compared to ₱437.0 million as at June 30, 2021. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED and Development Bank of the Philippines (DBP) for SHS vouchers, TES and financial assistance to students. Receivables from students, pertaining to tuition and other school fees, increased by ₱56.7 million from ₱189.2 million to ₱245.9 million, net of expected credit loss (ECL). Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱87.5 million as at June 30, 2022, lower by ₱4.5 million from ₱92.0 million as at June 30, 2021 representing an improvement in collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱14.5 million as at June 30, 2022, posting a decrease of ₱10.0 million from ₱24.5 million as at June 30, 2021. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students 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. On March 17, 2021, STI ESG executed a Memorandum of Agreement with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) covering SY 2020-2021. The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022. Receivables from DBP related to DBP RISE amounted to ₱2.0 million and ₱2.9 million as at June 30, 2022 and 2021, respectively. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent, utilities and other related receivables increased by ₱2.5 million to ₱34.0 million as at June 30, 2022 from ₱31.5 million as at June 30, 2021 as receivables from STI ESG's new tenant was recognized on June 30, 2022. The rent receivables are expected to be collected within the next fiscal year. STI ESG's allowance for ECL recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱138.8 million as at June 30, 2021 to ₱244.7 million as at June 30, 2022 due to the provision for ECL recognized during the year.

Inventories decreased by ₱19.4 million or 11% from ₱173.1 million to ₱153.7 million as at June 30, 2022 representing sale of uniform and textbooks, net of acquisitions, during the year ended June 30, 2022.

Prepaid expenses and other current assets increased by ₱5.4 million, or 9%, from ₱60.8 million to ₱66.2 million as at June 30, 2022, substantially due to excess creditable taxes over the tax due in the fiscal year ended June 30, 2022. On the other hand, the Group paid the health insurance coverage of its employees for the period July 1, 2021 to June 30, 2022 before June 30, 2021 while the coverage for July 1, 2022 to June 30, 2023 was settled after the reporting date this year.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG presented its subscription to REIT as "Equity instruments designated at FVPL" in its consolidated statement of financial position as at June 30, 2022. The carrying value of the equity instruments designated at FVPL amounted to ₱6.20 per share or an aggregate amount of ₱9.6 million as at June 30, 2022. STI ESG recognized dividend income from RCR amounting to ₱0.4 million for the year ended June 30, 2022.

The receivable from STI College Tanay, Inc. (STI Tanay) is secured by real estate mortgages over certain properties which include STI Tanay's land and building, and a third-party mortgage located in Pasig City (Pasig Property), including improvements thereon. On March 16, 2021, the extrajudicial foreclosure sale for the Pasig Property was completed and STI ESG was declared as the winning bidder. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the certificate of sale to STI ESG and the same was annotated on August 5, 2021. Consequently, STI ESG recognized the said property as part of land and building under "Investment properties". STI Tanay and the third-party 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. Management likewise considered the Pasig Property to have met the criteria for financial statement presentation as noncurrent asset held for sale. STI ESG ceased the accounting for the Pasig Property as part of its investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell. Noncurrent asset held for sale, net of allowance for impairment, amounted to ₱19.0 million and nil as at June 30, 2022 and 2021, respectively (see discussions on succeeding paragraphs).

Property and equipment, net of accumulated depreciation, amounted to ₱7,644.0 million from ₱7,942.3 million as at June 30, 2022 and 2021, respectively. The decrease, net of the additions, represents the depreciation and amortization expense recognized during the twelve-month period ended June 30, 2022. The property and equipment balance as at June 30, 2021 included costs related to the construction of STI Legazpi, a four-storey school building with an estimated capacity of 2,500 students, built on a 4,149-square meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021, and consequently, the related depreciation expense was recognized beginning the same month.

Investment properties, net of accumulated depreciation, increased by ₱171.3 million from ₱457.6 million as at June 30, 2021 to ₱628.9 million as at June 30, 2022. STI ESG and DBP executed a Deed of Assignment in 2019 wherein DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay, a former franchisee. DBP likewise granted to STI ESG all the rights, title, and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect, and receive payment on the said loan and Promissory Notes. This loan of STI Tanay is secured by real estate mortgages over the following properties: 1) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay, and 2) a third-party mortgage over land and building including improvements thereon, located in Pasig City. STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay. The Extrajudicial Foreclosure Sale for the property located in Tanay, Rizal was conducted in March 2022 by the Office of the Clerk of Court of Rizal. At the conclusion of the Extrajudicial Foreclosure Sale, STI ESG was declared the winning bidder for the said Tanay property. The Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the Certificate of Sale on April 11, 2022, which certified that the real estate covered by a mortgage, where STI Tanay is situated was sold at a public auction to STI ESG, as the highest bidder, on March 15, 2022. The Certificate of Sale was annotated on the title on May 5, 2022. The one (1) year redemption period commenced on the date the Certificate of Sale is annotated on the title. Consequently, STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱44.1 million and ₱66.9 million, equivalent to the latest appraised values for land and building, respectively. The extrajudicial foreclosure resulted in a gain on settlement of receivable amounting to ₱26.1 million for the year ended June 30, 2022. Similarly, the Extrajudicial Foreclosure Sale for the property located in Pasig City was conducted on March 16, 2021 by the Office of the Clerk of Court of Pasig City. At the conclusion of the Extrajudicial Foreclosure Sale, STI ESG was declared the winning bidder for the said Pasig City property. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the Certificate of Sale which certified that the real estate covered by a mortgage on the property located in Pasig City was sold at a public auction to STI ESG, as the highest bidder, on March 16, 2021. The Certificate of Sale was annotated on the title on August 5, 2021. The one (1) year redemption period commenced on the date the Certificate of Sale was annotated to the title. STI ESG recognized the said property as part of its "Investment properties" amounting to ₱44.2 million and ₱9.7 million, equivalent to the latest appraised values of the land and building, respectively. The foreclosure resulted in a gain on settlement of receivable amounting to ₱ 19.0 million for the year ended June 30, 2022. On June 30, 2022, STI Tanay and the mortgagors sought the redemption of the mortgaged property located in Pasig City for ₱19.0 million. STI ESG executed the Certificate of Redemption which restored the mortgagors to their full ownership of the mortgaged property situated in Pasig City, including all its improvements, free and clear of the mortgage lien thereon. On the same date, STI ESG executed the release and cancellation of the third-party mortgage of the property situated in Pasig City. As mentioned in the preceding paragraphs, pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption. Upon cessation of the recognition of the Pasig Property as part of investment properties, the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱ 34.3 million to bring the carrying value to its redemption price. The payment for the redemption price was received on July 29, 2022. The gain on settlement of receivable and provision for impairment of noncurrent asset held for sale were presented in the consolidated statement of comprehensive income as "gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale" in the amount of ₱10.8 million. Also, the Investment Properties account includes properties under construction as at June 30, 2022 pertaining to the renovation of office condominium units owned by STI ESG. The related contract costs amounted to ₱88.0 million, inclusive of mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and the related construction management services. This project is intended to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

Investments in and advances to associates and joint venture decreased by 3% or ₱16.8 million from ₱503.8 million to ₱487.0 million as at June 30, 2021 and 2022, respectively, upon recognition of the Group's equity share in net losses of associates.

Deferred tax assets (DTA) decreased by ₱10.2 million or 36%, net of the deferred tax liability (DTL) recognized on the gain on settlement of STI Tanay receivables, from ₱28.6 million to ₱18.4 million as at June 30, 2022. The decrease is largely attributed to the application of the Net Operating Loss Carry Over (NOLCO) on the corporate income tax due for the year ended June 30, 2022.

Goodwill, intangible, and other noncurrent assets decreased by ₱113.6 million from ₱418.4 million to ₱304.8 million as at June 30, 2022. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million, representing deposits for the acquisition of shares of stock in De Los Santos-STI College, Inc. (De LosSantos-STI College) held by the shareholders owning 48% of the outstanding capital stock. On August 3, 2021, STI ESG paid the remaining ₱4.0 million to one of the shareholders. In the same month, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. Consequently, STI ESG applied its deposits as payment for the consideration relative to the acquisition of the non-controlling interest in De Los Santos-STI College. Noncurrent advances to suppliers decreased by ₱22.7 million representing the cost of construction works completed as at June 30, 2022 and as such was reclassified as part of the Group's "Property and Equipment". As at June 30, 2021, STI ESG has receivable from STI Tanay resulting from the Deed of Assignment executed by STI ESG and DBP wherein DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay. The Extrajudicial Foreclosure Sale for the real estate covered by mortgages on properties located in Pasig City and Tanay, Rizal declared STI ESG as the winning bidder. STI ESG then recognized the real estate mortgaged to secure the said loans as part of its "Investment Properties" and derecognized the receivable from STI Tanay as at June 30, 2022. Receivable from STI Tanay, related to the loans assigned by DBP, amounted to nil and ₱75.5 million as at June 30, 2022 and June 30, 2021, respectively (see foregoing discussions).

Accounts payable and other current liabilities decreased by ₱31.4 million from ₱604.2 million as at June 30, 2021 to ₱572.8 million as at June 30, 2022, substantially due to payments made by STI ESG to various contractors for obligations related to construction works as well as to suppliers of equipment and furniture for the new STI Academic Center Legazpi. Accounts payable decreased by ₱24.2 million due to payments made by STI ESG to various suppliers and contractors of recently completed construction projects. Accrued expenses, on the other hand, increased by ₱15.2 million, largely representing expenses related to in-person commencement ceremonies for SY 2021-2022. Meanwhile, interest payable as at June 30, 2022 decreased by ₱5.0 million as interests accruing as at June 2021 on STI ESG's Corporate Notes Facility and its Term Loan Facility were settled as at June 30, 2022. Similarly, the payable to STI Diamond College, Inc. (STI Diamond) amounting to ₱24.1 million as at June 30, 2021 which represents STI College Novaliches, Inc.'s (STI Novaliches) obligations to the former resulting from the assignment, transfer, and conveyance of all rights, title, and interest in assets and liabilities of STI Diamond to STI Novaliches in 2016 has been settled in full as at June 30, 2022. Further, the current portion of advance rent and security deposits presented under "Accounts payable and other current liabilities" decreased by an aggregate amount of ₱9.4 million due to reclassifications made to "Other Noncurrent Liabilities" of the advance rent and security deposit related to a lease contract renewed for a three-year term.

Current portion of interest-bearing loans and borrowings increased by ₱30.0 million from ₱129.5 million as at June 30, 2021 to ₱159.5 million as at June 30, 2022. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Banking Corporation (China Bank) amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the Land Bank of the Philippines (LandBank) ACADEME Program amounting to ₱9.5 million, which is also due within the next twelve months. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 has an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On 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, amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance under the Corporate Notes Facility was reported as part of the noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its Access to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program in favor of STI ESG. This program aims to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70.0% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% interest per annum and payable based on the maturity of the promissory note issued by the parent/benefactor/student, not exceeding three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2021, of which ₱9.5 million is due within the next twelve (12) months. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. The first and second drawdowns with outstanding balances as at June 30, 2022 amounting to ₱5.7 million and ₱6.9 million are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million to be applied to the existing ₱1,200.0 million Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid. STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax on September 20, 2021. The prepayment has been applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022, and September 19, 2022.

Unearned tuition and other school fees decreased by ₱18.1 million from ₱48.7 million as at June 30, 2021 to ₱30.6 million as at June 30, 2022. The balances as at June 30, 2022 and 2021 represent advance payments of tuition for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees in the related school term(s) within the financial calendar.

Current portion of lease liabilities increased by ₱4.5 million, net of rent concessions received during the year, from ₱48.8 million as at June 30, 2020 to ₱53.3 million as at June 30, 2022, representing additional lease obligations due within the next 12 months. Noncurrent lease liabilities decreased by ₱22.1 million, net of new lease obligations, from ₱286.4 million as at June 30, 2021 to ₱264.3 million as at June 30, 2022 representing obligations that were classified to the current portion of lease liabilities. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases*.

Income tax payable amounted to ₱160.8 thousand and ₱89.5 thousand, representing income tax due on the taxable income of STI ESG's subsidiaries as at June 30, 2022 and June 30, 2021, respectively. Taxable income of STI ESG for the year ended June 30, 2022 was covered by its NOLCO from the previous fiscal years. Income tax due on the net taxable income of STI ESG was covered by creditable withholding taxes.

The non-current portion of interest-bearing loans and borrowings, net of deferred finance charges, decreased by ₱280.7 million from ₱1,333.4 million to ₱1,052.7 million as at June 30, 2021 and June 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 2021.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 with the Philippine Dealing and Exchange Corp. (PDEx) 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 have carrying values, net of deferred finance charges, of ₱2,980.5 million and ₱2,973.1 million as at June 30, 2022 and June 30, 2021, respectively. The deferred finance charges represent bond issue costs with carrying value of ₱19.5 million and ₱26.9 million, as at June 30, 2022 and June 30, 2021, respectively. The proceeds of the bonds have been fully utilized as at March 31, 2019.

Pension liabilities increased by ₱3.1 million from ₱60.3 million to ₱63.4 million as at June 30, 2021 and June 30, 2022, respectively, representing pension expense, net of the remeasurement gain resulting from the change in the market value of the investments under the pension plan assets of the Group and the retirement fund contributions made during the year ended June 30, 2022.

Other noncurrent liabilities increased by ₱14.1 million from ₱5.5 million as at June 30, 2021 to ₱19.6 million as at June 30, 2022 representing advance rent and security deposit received by STI ESG in relation to a new lease agreement. Also included are the advance rent and security deposit, previously classified as current liabilities, related to a lease contract which was renewed in May 2022. These lease renewal and new lease agreement entered into during the year ended June 30, 2022 cover periods beyond one year.

Cumulative actuarial gain increased by ₱5.2 million from ₱4.6 million to ₱9.8 million as at June 30, 2021 and June 30, 2022, respectively, representing movement in the market value of the investments under the pension plan assets of the Group for the year ended June 30, 2022.

The Group's fair value adjustment on equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱1.2 million largely representing fair value adjustments resulting from the increase in the market value of the unquoted equity shares held by STI ESG in De Los Santos Medical Center, Inc. (DLSMC).

Other equity reserve changed by ₱15.9 million from ₱30.2 million as at June 30, 2021 to ₱46.1 million as at June 30, 2022 related to the acquisition of De Los Santos-STI College shares from minority shareholders. In August 2021, the shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000, representing 48% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. The transaction resulted in the recognition of De Los Santos-STI College as a wholly-owned subsidiary of STI ESG effective August 4, 2021. As a result, the equity attributable to non-controlling interest in De Los Santos-STI College was derecognized and reallocated to the Parent Company's other equity reserve within the equity section of the consolidated financial statements.

STI ESG's share in associate's fair value loss on equity instruments designated at FVOCI amounted to ₱45.9 thousand and ₱40.7 thousand, as at June 30, 2022 and June 31, 2021, respectively, representing fair value adjustment resulting from the decrease in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings increased by ₱100.5 million from ₱2,351.8 million to ₱2,452.3 million representing net income recognized for the year ended June 30, 2022, partially offset by the ₱154.1 million cash dividends declared in November 2021.

June 30, 2021, vs. June 30, 2020

The Group posted consolidated total assets amounting to ₱11,292.4 million as at June 30, 2021, vs. ₱11,227.9 million as at June 30, 2020. Cash and cash equivalents increased by ₱617.9 million driven by the proceeds from the sale of STI ESG's 20% share in the ownership of Maestro Holdings, Inc. (Maestro Holdings), collection of tuition and other school fees from students, and collection from DepEd and CHED for the SHS vouchers and TES, respectively. STI ESG derecognized its noncurrent asset held for sale following the sale of STI ESG's shares in Maestro Holdings on December 15, 2020, while depreciation expense is recognized on the Group's property and equipment during the year ended June 30, 2021.

Cash and cash equivalents increased by 106% or ₱617.9 million from ₱584.2 million to ₱1,202.1 million as at June 30, 2020, and June 30, 2021, respectively. STI ESG generated net cash from operations amounting to ₱529.0 million, mostly from the collection of tuition and other school fees from students and from DepEd and CHED for the SHS vouchers and TES, respectively. Similarly, STI ESG generated net cash from investing activities amounting to ₱165.5 million, attributed to the proceeds from the sale of STI ESG's shares in Maestro Holdings, amounting to Ten Million US Dollars (US$10.0 million), equivalent to ₱480.5 million, net of capital expenditures aggregating to ₱265.3 million during the year ended June 30, 2021. On the other hand, STI ESG made principal payments on its interest-bearing loans and borrowings, interest payments on its bond issue and outstanding loans, and paid cash dividends during the year ended June 30, 2021. The net cash used in financing activities amounting to ₱77.2 million is net of the proceeds from the loan drawdowns from STI ESG's credit facility with Bank of the Philippine Islands (BPI), Security Bank Corporation (Security Bank), and its Term Loan Facility with China Bank.

Receivables, net of allowance for doubtful accounts, amounted to ₱437.0 million as at June 30, 2021, down by ₱53.0 million from ₱490.0 million as at June 30, 2020. The receivables balance is composed of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED and DBP for SHS vouchers, TES and financial assistance to students, respectively. Likewise, the balance includes receivables from franchised schools which increased by ₱18.5 million from ₱57.6 million to ₱76.1 million largely attributed to charges for educational services and royalty fees during the year ended June 30, 2021. Receivables from students increased by ₱20.2 million from ₱301.4 million to ₱321.6 million. Meanwhile, improvements in collection efficiencies resulted in the reduction of the Group's allowance for ECL recognized in relation to the adoption of PFRS 9, Financial Instruments, from ₱145.1 million as at June 30, 2020 to ₱138.8 million as at June 30, 2021. Outstanding receivables from DepEd for the SHS qualified voucher recipients amounted to ₱24.5 million as at June 30, 2021, posting a decrease of ₱12.5 million from ₱37.0 million as at June 30, 2020. Accounts receivable from CHED amounted to ₱34.7 million and ₱20.0 million as at June 30, 2020 and 2021, respectively. Receivables from DBP related to DBP RISE amounted to ₱2.9 million as at June 30, 2021. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. As at June 30, 2020, other receivables account includes ₱75.5 million receivable from STI College Tanay, Inc. (STI Tanay), a franchisee, resulting from the Deed of Assignment entered into by STI ESG and DBP in November 2019. The said Deed of Assignment contains, among others, the assignment, transfer and conveyance, without recourse, of all of DBP's collectibles from STI Tanay to STI ESG for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes. As at June 30, 2021, the outstanding receivable was reclassified to noncurrent asset under "Goodwill, intangible and other noncurrent assets" account (see discussions in the preceding paragraphs).

Inventories increased by 30% or ₱40.0 million, from ₱133.1 million to ₱173.1 million, largely attributed to the acquisition of school uniforms and textbooks. Orders for the purchase of these uniforms and textbooks for SY 2020-2021 were made way before the implementation of the protocol restrictions to control the spread of the Novel Coronavirus Disease 2019 (COVID-19).

Prepaid expenses increased by ₱14.9 million, or 32%, from ₱45.9 million to ₱60.8 million as at June 30, 2021, substantially due to creditable taxes withheld and excess withholding taxes over the tax due, which increased by ₱10.6 million from ₱19.1 million to ₱29.7 million as at June 30, 2020 and 2021, respectively. These prepaid taxes will be applied against income tax due the following period. Prepaid subscriptions and licenses showed an aggregate increase of ₱8.4 million representing Microsoft, Adobe, eLMS, Sangfor Firewall, and Autodesk subscriptions. Sangfor Firewall is a security device that protects the head office and schools' network from internal and external attacks. Autodesk, on the other hand, refers to the software used to design school building blueprints. These subscription costs are normally renewed annually and are recognized as expense over the respective agreements' covering periods. Prepaid insurance likewise increased by ₱3.4 million from ₱2.8 million to ₱6.2 million substantially due to fire and building insurance and employees' health coverage which were paid in advance and are recognized as expense over the period covered. The Group recognizes the importance of a reliable internet connection in the implementation of the ONE STI Learning Model. Thus, 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. STI ESG provided internet connectivity assistance to students through a Smart SIM with up to 34-gigabyte data plan per month per student. Through this, students may access their eLMS, Microsoft Office 365 accounts, One STI Student Portal app, and other collaborative online learning tools anytime with no extra charge for Smart subscribers. The internet connectivity cost is covered by the existing tuition, other school and miscellaneous fees. Students who opted to use Globe SIM cards, however, are subject to a minimal fee due to higher cost of Globe data plan as compared to that of Smart. Prepaid internet cost related to the connectivity assistance provided to the students amounted to ₱2.1 million as at June 30, 2021. The increase in prepaid expenses was offset by the decline in STI ESG's Input VAT amounting to ₱8.8 million representing the amount subsequently charged to expense and those applied against output VAT due during the year.

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

Property and equipment, net of accumulated depreciation, amounted to ₱7,942.3 million from ₱7,918.7 million as at June 30, 2021 and 2020, respectively. The property and equipment balance consists of costs related to the construction of STI Academic Center Legazpi, a four-storey school building with an estimated capacity of 2,500 SHS and tertiary students, built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021. On April 23, 2021, Heva Management & Development Corporation and STI ESG executed a deed of absolute sale for the purchase of a parcel of land with an area of 2,615 square meters situated in West Diversion Road, Iloilo City for a total consideration of ₱183.1 million. As such, STI ESG reclassified the deposit for asset acquisition to land under “Property and Equipment” as at June 30, 2021. STI ESG paid the real property tax and documentary stamp tax for the transfer of ownership amounting to ₱2.9 million during the year ended June 30, 2021. As at June 30, 2021, the property has an aggregate cost of ₱185.9 million, inclusive of the related taxes. The property is intended to be the new site for STI Iloilo. These additions to property and equipment were substantially offset by the depreciation expense recognized during the year.

Investment properties declined by ₱28.5 million from ₱486.1 million as at June 30, 2020 to ₱457.6 million as at June 30, 2021, representing depreciation expense recognized for the year.

Deferred tax assets, net of deferred tax liabilities, decreased by ₱21.4 million from ₱50.0 million to ₱28.6 million as at June 30, 2020 and June 30, 2021, respectively. The Group assessed the impact of CREATE law on its deferred tax asset which may be realized on or before June 30, 2023 resulting in the reduction of deferred tax assets as at June 30, 2021 by ₱20.5 million.

Goodwill, intangible, and other noncurrent assets decreased by ₱113.2 million from ₱531.6 million to ₱418.4 million as at June 30, 2021, substantially due to the deposits for asset acquisition aggregating to ₱183.1 million, pertaining to the Iloilo property, which was reclassified to property and equipment. Noncurrent advances to suppliers decreased by ₱13.4 million representing advance payments for the simulator and other maritime equipment acquired by NAMEI Polytechnic Institute, Inc. (NAMEI) and completely installed as at June 30, 2021. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million as deposits to acquire shares in De Los Santos-STI College Inc. (De Los Santos-STI College), representing 48% of the outstanding capital stock. As at June 30, 2021, the outstanding receivable of STI ESG from STI Tanay amounting to ₱75.5 million was reclassified from “Receivables” to noncurrent asset under “Goodwill, intangible and other noncurrent assets” account” (see discussions in the preceding paragraphs).
Accounts payable and other current liabilities decreased by ₱34.9 million, or 5%, due to payments made by STI ESG to contractors and suppliers of equipment and furniture for the new STI Academic Center Legazpi and acquisition of simulator and other maritime equipment for NAMEI. The current portion of advance rent and security deposits likewise decreased by ₱17.0 million and ₱5.2 million, respectively, due to the application of advance rent and security deposits against the monthly rent due, in accordance with the provisions of the lease agreements, as a result of pre-terminated lease contracts, and refund to former lessees in relation to expired lease agreements on STI ESG’s investment properties.

Unearned tuition and other school fees decreased by ₱24.7 million from ₱73.4 million as at June 30, 2020 to ₱48.7 million as at June 30, 2021. This account refers to advance payment for tuition and other school fees for the SY 2021-2022.

Current portion of interest-bearing loans and borrowings decreased by ₱110.5 million from ₱240.0 million to ₱129.5 million as at June 30, 2021. The balance as at June 30, 2021 represents the current portion of the Term Loan of STI ESG with China Bank amounting to ₱120.0 million and LandBank loan amounting to ₱9.5 million which are due within the next twelve months. STI ESG made principal payments on its Corporate Notes Facility aggregating to ₱120.0 million in July 2020. On August 24, 2020, STI ESG availed a ₱300.0 million one-year loan from its credit line with BPI, at an interest rate of 4.25% subject to quarterly repricing. Meanwhile, on January 22, 2021, STI ESG availed of a 180- day loan amounting to ₱100.0 million from Security Bank, subject to interest at 4.75% per annum, payable quarterly. The credit lines are on a clean basis. The proceeds from these loans were used for working capital requirements. STI ESG fully settled the short-term loans with BPI and Security Bank on February 26, 2021 and March 30, 2021, respectively.

Current portion of lease liabilities decreased by ₱11.0 million, net of new lease agreements, from ₱59.8 million as at June 30, 2020 to ₱48.8 million as at June 30, 2021, representing payments made during the year ended June 30, 2021. Noncurrent lease liabilities decreased by ₱37.6 million from ₱324.0 million as at June 30, 2020 to ₱286.4 million as at June 30, 2021 representing present value of the remaining noncurrent portion of lease payments.

Income tax payable amounted to ₱89.5 thousand, representing income tax still due on the taxable income of STI ESG's subsidiaries as at June 30, 2021.

Noncurrent portion of interest-bearing loans and borrowings increased by ₱418.7 million from ₱914.7 million to ₱1,333.4 million as at June 30, 2020 and June 30, 2021, respectively. In July 2020, STI ESG made drawdowns from its Term Loan Facility aggregating to ₱400.0 million, subject to an interest rate of 5.81%. The outstanding balance of the Corporate Notes Facility was reclassified from current to noncurrent liability given the amendment of the maturity date of its Corporate Notes Facility as mentioned in the preceding paragraphs. STI ESG, following the PFRS 9, Financial Instruments, assessed the terms of the new or modified financial liability if the same are substantially different from the terms of the original financial liability. The modifications of financial liabilities of STI ESG did not result in the derecognition of the original liability since the difference between the discounted present value of the cash flows under the new terms from the discounted present value of the remaining cash flows of the original financial liability is below 10%. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million. The same amount is recognized as a premium on interest-bearing loans and borrowings, net of the amortized premium portion, thus increasing the carrying value of the Corporate Notes Facility from ₱240.0 million to ₱248.1 million as at June 30, 2021. The premium on the interest-bearing loans and borrowings will be amortized and presented as reduction to 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. Further, the noncurrent portion of the interest-bearing loans and borrowings on STI ESG's Term Loan Facility amounting to ₱120.0 million was reclassified from noncurrent to current liability as the same was due in March 2022. Interest rates for all drawdowns from the Term Loan Facility and the outstanding balance from the Corporate Notes Facility were repriced at a rate of 5.56% per annum effective on September 20, 2020 and February 1, 2021, respectively. The proceeds from these loans were used to settle the costs of construction, equipment and furniture acquired for STI Legazpi and for working capital requirements.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx the secondary market on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the Securities and Exchange Commission (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 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 ₱2,973.1 million and ₱2,966.1 million as at June 30, 2021 and 2020, respectively, net of deferred finance charges, for the bond issue with carrying values of ₱26.9 million and ₱33.9 million, as at June 30, 2021 and 2020, respectively. The proceeds from the bonds have been fully utilized as at March 31, 2019.

Pension liabilities decreased by ₱6.2 million from ₱66.5 million to ₱60.3 million as at June 30, 2020, and June 30, 2021, respectively, resulting from the increase in the market value of the investments under the pension plan assets of the Group and lower pension expense recognized during the year ended June 30, 2021 due to the optimization of the Group's workforce.

Other noncurrent liabilities decreased by ₱47.6 million from ₱53.1 million as at June 30, 2020 to ₱5.5 million as at June 30, 2021. This is largely attributed to the reclassification of the obligation of STI Novaliches to STI Diamond from noncurrent to current liability as a result of the conveyance of the latter's net assets to the former in August 2016. The outstanding balance amounting to ₱24.1 million represents the amount due within one year from June 30, 2021. The noncurrent portion of advance rent and security deposits likewise decreased by ₱21.3 million and ₱8.1 million, respectively, due to the application of advance rental and security deposits against the monthly rent due because of pre-terminated lease contracts on STI ESG's investment properties.

Cumulative actuarial gain, net of related tax, amounted to ₱4.6 million as at June 30, 2021 compared to the cumulative actuarial loss ₱7.9 million as at June 30, 2020, due to the impact of unrealized remeasurement gains resulting from the increase in the market value of the investment in equity shares of the pension plan assets.

In June 2020, other comprehensive income associated with noncurrent asset held for sale amounting to ₱91.9 million was reclassified by STI ESG to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively, following the disposal of STI ESG's 20% share in Maestro Holdings.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.3 million representing fair value adjustments resulting from the increase in the market value of the quoted equity shares held by STI ESG.

STI ESG's share in associate's fair value loss on equity instruments designated at FVOCI amounted to ₱30.8 thousand and ₱40.7 thousand, as at June 30, 2020 and 2021, respectively, representing fair value adjustment resulting from the decline in the market value of the quoted equity shares held by STI ESG's associate. Meanwhile, STI ESG's share in associate's cumulative actuarial gain amounted to ₱0.5 million and ₱0.6 million as at June 30, 2020 and 2021, respectively, due to impact of unrealized remeasurement gains recognized by STI ESG's associate.
Retained earnings decreased by ₱5.7 million from ₱2,357.5 million to ₱2,351.8 million, due to net loss recognized for the year ended June 30, 2021, and cash dividends declared by STI ESG in November 2020 amounting to ₱0.013 per share or an aggregate amount of ₱40.0 million to stockholders of record as of December 4, 2020, net of the impact of the reclassification of other comprehensive income amounting to ₱91.1 million associated with the disposal of STI ESG's noncurrent asset held for sale.

Results of Operations

The Consolidated Statements of Comprehensive Income provide insights on the financial performance of the Group for the years ended June 30, 2023. Overall, the operating results shown in the consolidated statements of comprehensive income demonstrate recovery from the economic impact of the COVID-19 pandemic and show substantial growth, both in terms of revenue and profitability, over the past three fiscal years.

The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2023, June 30, 2022, and June 30, 2021 <u>and the three-month period ended 30 September 2023 versus the three-month period ended 30 September 2022.</u>

Three-month period ended September 30, 2023 vs. three-month period ended September 30, 2022

For the three-month period ended September 30, 2023, the Group generated gross revenues amounting to ₱480.2 million, higher by 33% or ₱120.1 million from the same period last year of ₱360.1 million. The increase was primarily driven by the remarkable increase in the total number of students of the Group for SY 2023-2024. Gross profit likewise increased by ₱93.4 million or 51% year-on-year from ₱182.1 million to ₱275.5 million. Gross profit margin likewise increased from 51% for the three-month period ended September 20, 2022 to 57% for the three-month period ended September 20, 2023.

The Group recorded an operating loss for the three-month period ended September 30, 2023 amounting to ₱13.3 million, compared to the operating loss of ₱73.4 million for the same period last year. The Group recognized a net loss amounting to ₱21.8 million this quarter as against a ₱75.8 million net loss for the three-month period ended September 30, 2022.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱115.9 million for the three-month period ended September 30, 2023 compared to ₱58.1 million for the same period last year. EBITDA for the three-month periods ended September 30, 2023 and 2022 is computed as net loss excluding benefit from income tax, depreciation and amortization, equity in net earnings of associates and joint venture, interest expense and interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at fair value through profit or loss (FVPL), and gain on early extinguishment of loan. 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, 2023 is 24%, compared to 16% for the same period last year due to reasons cited above.

Years ended June 30, 2023, vs June 30, 2022

Enrollment figures of the Group for SY 2022-2023 grew by 12.0% with enrollment of 81,697 for SY 2022- 2023 compared to 72,750 enrollees in SY 2021-2022. In SY 2022-2023, the total count of new students reached close to 36,000, marking a 14% growth from over 31,000 new students in SY 2021-2022. Enrollment in programs regulated by CHED registered an impressive 16.1% increase compared to 49,005 students in SY 2021-2022. In addition, the retention rate1 in SY 2022-2023 improved to 99.3% surpassing the 98.6% recorded in the previous year, while the migration rate2 settled at 93.9% in SY 2022-2023 compared to 95.5% in SY 2021-2022.

The student enrollment of the schools under STI ESG at the start of the SY are as follows:

	SY 2022-2023	**SY 2021-2020**	**Increase**	
			Enrollees	**Percentage**
STI Network				
Owned schools	54,158	47,230	6,928	15%
Franchised schools	27,539	25,520	2,019	8%
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%

[1] Retention rate refers to the percentage of the students retained at the end of the term compared to the number of students at the beginning of the term.
[2] Migration rate refers to the percentage of students, excluding graduates, who enrolled from the previous term to the next term.
[3] DepEd count includes SHS students, and 208 and 241 students of NAMEI who are enrolled in basic education in SY 2021-2022 and SY 2020-2021, respectively.

STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model in SY 2020-2021. This model was in response to stringent social distancing measures including, but not limited to, class suspensions, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of the 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, anddiscussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system that students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a twoway platform where they can collaborate, assign, and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have already implemented a blended learning model for the past eight years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

The faculty members of the Group regularly undergo competency-based certifications and training programs to ensure that they are proficient in the subject matter to be able to deliver the required day- today lessons. During the SYs 2020-2021 and 2021-2022, the training programs were conducted online while the Group has been holding a combination of inSY 2022-2023. These training programs are conducted to ensure that the faculty members of the Group possess an acceptable level of competencies, have industry-based experience and credentials necessary to teach the courses assigned to them.

Classes of SHS and JHS students started on August 30, 2022 and September 5, 2022 for tertiary students while classes for all levels for SY 2021-2022 started on September 13, 2021. From last year's gradual transition to face-to-face classes for high-stake courses, STI implemented a flexible learning delivery modality in the first semester of SY 2022-2023. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using a blended modality, with a ratio of 50% onsite/face-to-face to 50% asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes starting on its second semester of SY 2022-2023. As for JHS and 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 and guidance on the conduct of face-to-face classes.

The consolidated gross revenues of the Group for the year ended June 30, 2023 amounted to ₽2,583.2 million marking a significant increase from ₽2,080.0 million for the year ended June 30, 2022.

Tuition and other school fees reached ₽2,248.7 million for the year ended June 30, 2023, reflecting a substantial increase of ₽424.7 million or 23% compared to same period of the previous year. The Group achieved a remarkable 12% growth - with enrollment of over 81,000 students for SY2022-2023 compared to approximately 72,000 enrollees in SY 2021-2022. Notably, enrollment in programs regulated by CHED registered an impressive 16% increase to close to 57,000 students compared to enrollment in SY 2021-2022 at over 49,000 students in CHED-regulated programs constituting 70% of the total student population in SY 2022-2023 compared to 67% for SY 2021- 2022. CHED programs bring in higher revenues per student.

Revenues from educational services and royalty fees both increased by 19% driven by the rise in the student population and improved collection efficiency of the franchised schools for SY 2022-2023. These 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.

The revenues generated from the sale of educational materials and supplies increased by ₽77.7 million, reflecting an impressive 266% increase when compared to the same period last year from ₽29.2 million to ₽106.9 million for the year ended June 30, 2023. This increase in sale of educational materials and supplies was driven by the sale of uniforms which relates to the transition to face-to-face classes for SY 2022-2023. Consequently, the cost of educational materials and supplies sold increased concomitant with the increase in the sale of educational materials and supplies.

Other revenues decreased by ₽25.2 million or 28% compared to same period last year from ₽89.0 million to ₽63.8 million for the year ended June 30, 2023. During the SY 2021-2022, the Group extended internet connectivity assistance to its students. The share of data connectivity costs charged to the franchised schools was recognized as part of other revenues for the year ended June 30, 2022.

The cost of educational services is higher by ₽45.4 million compared to last year, from ₽725.6 million to ₽P771.0 million for the years ended June 30, 2022 and 2023, respectively, driven by higher instructors' salaries and benefits expense, as well as the increase in student activities, programs, and related expenses. The impact of this increase was partially offset by the internet connectivity expenses incurred during SY 2021-2022. Instructors' salaries and benefits are up by ₽57.0 million from ₽ 247.0

million to ₱304.0 million as a result of a higher number of faculty members concomitant with the increase in 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 degrees as part of the faculty members' continuing education have been favorably adjusted.

Expenses related to student activities and programs rose by ₱45.8 million attributed to the expenses incurred for the resumption of in-person activities and programs for the students, higher subscription costs for Microsoft, eLMS and Amadeus software primarily driven by higher enrollment for SY 2022-2023, and distribution of laptops to ninety (90) students across the network. Huawei Philippines (Huawei), donated cash which was partly allocated to the provision of laptops distributed to select students who were awarded multiple certificates at the Huawei ICT Academy. STI ESG, in partnership with Huawei, integrated in-demand ICT technologies into some of its programs tackling five technology domains namely, (1) cloud computing (2) big data (3) artificial intelligence (4) routing and switching, and (5) storage. The savings generated from the shift to a more efficient cloud subscription plan partially offset these increases in costs. Also, during SY 2021-2022, STI ESG extended internet connectivity assistance to students in order that they may access their online learning platforms and tools. This internet connectivity assistance was no longer provided to students during SY 2022-2023 as all schools conduct in-person classes already.

Similarly, other expenses categorized under the cost of educational services cost have registered an increase. The cost of developing courseware during the fiscal year ended June 30, 2023 increased by ₱2.7 million driven by STI ESG s streamlining of program curricula in response to the market needs and industry developments. Courseware materials for SHS and JHS, likewise, were developed. Expenses related to school materials and supplies grew by ₱4.8 million as in-person classes were conducted this SY 2022-2023 compared to on-line classes administered in SY 2021-2022. Further, rent expenses have increased by ₱3.3 million, from ₱20.9 million to ₱24.2 million for the years ended June 30, 2022 and 2023, respectively, driven by the increase in the monthly rental for lease agreements which were renewed during the year ended June 30, 2023.

Gross profit improved from ₱1,330.6 million to ₱1,729.1 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment. Gross profit margins likewise improved from 64% to 67% for the years ended June 30, 2022 and 2023, respectively.

General and administrative expenses registered a 12% increase, equivalent to ₱106.9 million, from ₱913.8 million to ₱1,020.7 million for the years ended June 30, 2022 and 2023, respectively, driven by the increase in enrollment and the resumption of face-to-face classes.

Salaries and benefits are higher by ₱44.9 million for the year end June 30, 2023 compared to same period last year. This increase is primarily due to salary adjustments that were implemented during the fiscal year ended June 30, 2023. Also, certain plantilla positions were filled up in preparation for the resumption of face-to-face classes during SY 2022-2023. The Group conducted more in-person classes for SY 2022-2023 while classes for SY 2021-2022 were mostly held online as such, light and water expenses rose by ₱64.7 million, from ₱63.4 million for the year ended June 30, 2022, compared to ₱128.1 million for the year ended June 30, 2023 as a result of the increased use of schools facilities. Similarly, the costs associated with external services, particularly janitorial services, increased by ₱29.0 million from ₱59.0 million to ₱88.0 million for the year ended June 30, 2023.

The Group recognized a provision for ECL amounting to ₱60.8 million, representing ECLs on outstanding receivables from students' tuition and other school fees as at June 30, 2023. This provision for ECL is lower by ₱53.6 million compared to ₱114.4 million for the year ended June 30, 2022. The receivables collected by the schools during the year and as at report date improved significantly compared to the previous year. The Group recognized ECL based on the historical credit loss experience adjusted with forwardlooking information. The most recent receivables are assigned 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.

The provision for impairment of goodwill amounting to ₱3.8 million which was recognized during the year ended June 30, 2022, was recognized upon the cessation of operations of STI Iloilo. The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and ₱2.0 million for the years ended June 30, 2023 and 2022, respectively. For SY 2022-2023, the Group implemented a more strategic online advertising campaign, leveraging various social media platforms that directly targeted the students and their influencers. The Group also focused on creating a variety of short-form videos with bite-sized content that are visually appealing and captured the attention of the students. These short-form videos have lower production and advertisement costs. Thus, the Group recognized advertising and promotions expense amounting to ₱29.1 million for the year period ended June 30, 2023, lower by ₱4.7 million compared to ₱33.8 million for the year period ended June 30, 2022. Moreover, in preparation for the resumption of in-person classes for the SY 2023-2024, expenses related to repairs and maintenance increased by ₱10.0 million from ₱19.3 million to ₱29.3 million for the year ended June 30, 2023. Other expenses such as those related to transportation, training, meetings and conferences, and supplies likewise increased compared to same period in the previous year driven by the resumption of in-person activities and programs.

The Group posted an operating income of ₱708.4 million, marking a significant 70% increase for the year ended June 30, 2023, compared to same period last year amounting to ₱416.8 million. The improvement is attributed to higher revenues driven by the increase in the student population and improvement in the enrollment mix, with more students enrolled in CHED-regulated programs for SY 2022-2023. Operating margins likewise improved from 20% to 27% for the years ended June 30, 2022 and 2023, respectively.

Interest expense amounted to ₱275.9 million for the year ended June 30, 2023, compared with the same period last year of ₱289.3 million. The reduction is attributed to the principal payments made by STI ESG on its Corporate Notes Facility amounting to ₱30.0 million and the partial principal prepayment on STI amounting to ₱240.0 million in September 2022. The savings on the interest expense related to the principal payments made were partially offset by the prepayment fee equivalent to 1.5% of the amount prepaid or ₱3.9 million, inclusive of gross receipts tax. Likewise, the interest rate of the outstanding balance of the Term Loan and Corporate Notes Facilities of STI ESG was repriced at 6.5789% per annum effective September 20, 2022 compared to 5.7895% per annum in the previous year.

Rental income increased by ₱67.3 million year-on-year from ₱55.0 million to ₱122.3 million. This increase is attributed to a higher occupancy rate, primarily driven by new lease agreements entered into by STI ESG in some of its investment properties during the fiscal year ended June 30, 2023.

Interest income decreased from ₱37.5 million to ₱ 18.3 million for the year ended June 30, 2023. The interest income recorded for the year ended June 30, 2022 is substantially attributed to the accrued interests and default charges related to the loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral for the loans of STI Tanay. These properties, situated in Tanay, Rizal and Pasig City were foreclosed on March 15, 2021 and March 16, 2022, respectively (see discussion in the preceding paragraphs). This account also includes interest income generated from STI ESG short-term placements.

STI ESG recognized equity in net earnings of associates and joint venture amounting to ₽15.2 million for the year ended June 30, 2023, a turn-around from the reported equity in net losses of associates and joint venture aggregating to ₽12.0 million for the year ended June 30, 2022.

The Group disposed some of its obsolete and fully depreciated equipment and furniture resulting in ₽0.1 million gain for the year ended June 30, 2023. STI ESG also recognized a gain on sale amounting to ₽1.5 million from the disposal of its transportation equipment for the year ended June 30, 2022.

Collection efficiencies led to an increase in the recovery of receivables previously written-off from ₽9.2 million to ₽10.1 million for the years ended June 30, 2022 and 2023, respectively.
STI ESG recognized dividend income from RCR and DLSMC amounting to ₽0.6 million and ₽1.9 million, respectively, for the year ended June 30, 2023 and from RCR and DLSMC amounting to ₽0.4 million and ₽0.8 million, respectively, for the year ended June 30, 2022.

The Group recognized unrealized gain on foreign exchange differences amounting to ₽2.3 million and ₽44.5 million for the fiscal years ended June 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₽0.1 million and ₽1.3 million for the years ended June 30, 2023 and 2022, respectively. These forex gains recognized are -denominated cash and cash equivalents, largely related to the proceeds of the disposal of STI ESG 20% stake in Maestro Holdings.

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

The Group applied the practical expedient approach for some rent concessions granted to the Group, following the amendments to PFRS 16, COVID-19-related Rent Concessions. This resulted in the recognition of other income aggregating to ₽P6.1 million which were presented as part of "other income (expense) – net" in the statement of comprehensive income for the year ended June 30, 2022. The account "other (expense) -net" also includes a reversal of interest income from past due accounts of consolidated subsidiaries in the amount of ₽15.9 million for the year ended June 30, 2022.

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

Benefit from income tax amounted to ₽15.4 million for the fiscal year ended June 30, 2023, compared to ₽12.1 million provision for income tax which was recognized for the same period last year. The significant difference is attributed to the change in preferential income tax rate for proprietary educational institutions which was reduced from 10.0% to 1.0% effective July 1, 2020, up to June 30, 2023. After the expiration of the temporary tax relief provided by the CREATE Law for proprietary educational institutions, the income tax rate reverted to its previous income tax rate of 10%. Consequently, the Group remeasured its deferred tax assets and liabilities which resulted in an increase in DTA as at June 30, 2023.

STI ESG reported a net income of ₽621.9 million for the year ended June 30, 2023, more than double the ₽253.3 million net income for the same period last year.

Remeasurement loss on pension liability amounted to ₽4.4 million for the year ended June 30, 2023, while a ₽5.2 million remeasurement gain, net of income tax effect, for the year ended June 30, 2022 was recognized by the Group. These fluctuations reflect the movements in the value of equity shares forming part of pension assets.

Total comprehensive income for the year ended June 30, 2023 amounted to ₽618.6 million compared to ₽259.8 million for the year ended June 30, 2022. This improvement is attributed to the higher number of enrollees and an improved enrollment mix in favor of CHED-regulated programs for SY 2022-2023 compared to that of SY 2021-2022.

Earnings before interest, taxes, depreciation and amortization (EBITDA) defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint venture, and nonrecurring losses (gains) such as gain on foreign exchange differences, gain on settlement of receivables (net of provision for impairment of noncurrent asset held for sale), income on rent concessions and fair value loss on equity instruments at FVPL increased from ₽868.4 million for the year ended June 30, 2022 to ₽P1,248.7 million for the year ended June 30, 2023. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin likewise improved from 42% to 48% for the year ended June 30, 2023 due to the reasons 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 ₽P600.1 million for the year ended June 30, 2023 compared to core income for the same period last year of ₽168.9 million.

Years ended June 30, 2022, vs June 30, 2021

The enrollment figures of the Group for SY 2021-2022 indicate a robust increase of 16.4% as enrollment for SY 2021-2022 reached 72,750 compared to 62,490 enrollees in SY 2020-2021. Furthermore, enrollment in programs regulated by the CHED registered an impressive 38.4% increase compared to enrollees in SY 2020-2021 to more than 49,000 students in SY 2021-2022, which is notably higher than pre-pandemic levels. In addition, the retention rate[1] in SY 2021-2022 improved to 98.6% compared to 98.3% in the previous year, while the migration rate[2] is up to 95.5% in SY 2021-2022 compared to 79.2% in SY 2020-2021.

The student enrollment of the schools under STI ESG at the start of the SY are as follows:

	SY 2021-2022	SY 2020-2021	Increase	
			Enrollees	Percentage
STI Network				
Owned schools	47,230	39,890	7,340	18%

Franchised schools	25,520	22,600	2,920	13%
Total Enrollees	**72,750**	**62,490**	**10,260**	**16%**

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 2021-2022	%	SY 2020-2021	%
CHED	49,005	67%	35,412	56%
TESDA	1,040	2%	1,036	2%
DEPED*	22,705	31%	26,042	42%
TOTAL	**72,750**	100%	**62,490**	100%

[1] Retention rate refers to the percentage of the students retained at the end of the term compared to thenumber of students at the beginning of the term.
[2] Migration rate refers to the percentage of students, excluding graduates, who enrolled from the previous term to the next term.
[3] DepEd count includes SHS students, and 208 and 241 students of NAMEI who are enrolled in basic education in SY 2021-2022 and SY 2020-2021, respectively.

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

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 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.

Classes of both SHS and tertiary students for SY 2020-2021 started on September 7, 2020, while classes for SY 2021-2022 started on September 13, 2021. 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. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. The Group is continuously ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

The consolidated gross revenues of the Group for the year ended June 30, 2022 amounted to ₱2,080.0 million compared to ₱1,620.6 million for the year ended June 30, 2021.

Tuition and other school fees amounted to ₱1,823.9 million for the year ended June 30, 2022, up by ₱413.7 million or 29% from same period last year attributed to the increase in the student population for SY 2021-2022. The Group registered a robust growth of 16% with more than 72,000 enrollees for SY 2021-2022 compared to over 62,000 enrollees in SY 2020-2021. Private schools reported a dip in enrollment for SY 2020-2021 due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. New students enrolled in CHED programs increased by 72% from 11,162 students in SY 2020-2021 to 19,250 in SY 2021-2022. Furthermore, the increase in tuition and other school fees is also attributable to the higher number of enrollees in programs regulated by CHED, which is at 49,005 for SY 2021-2022, thus registering an impressive 38% increase compared to enrollment in SY 2020-2021 at 35,412 students and is notably even better than pre-pandemic levels. CHED enrollment comprises 67% of the total student population for SY 2021-2022 compared to 56% for SY 2020-2021. CHED programs bring in higher revenues per student.

Revenues from educational services and royalty fees both increased by 17%. This is largely attributed to the increase in the student population of franchised schools for SY 2021-2022. 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 ₱20.5 million or 30% compared to same period last year from ₱68.5 million to ₱89.0 million for the year ended June 30, 2022 associated with the higher number of students.

Sale of educational materials and supplies increased by ₱5.2 million or 22% compared to same period last year from ₱24.0 million to ₱29.2 million as of June 30, 2022. The sale of uniforms increased by ₱6.1 million with the implementation of limited face-to-face classes for identified high-stake tertiary courses. This was partially offset by the decline in sales of textbooks by ₱2.1 million due to the lower number of SHS students. 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 ₱80.5 million compared to last year, from ₱645.1 million to ₱725.6 million for the years ended June 30, 2021 and 2022, respectively, substantially due to higher instructors salaries and benefits expense and other direct expenses. Instructors' salaries and benefits are up by ₱54.9 million from ₱192.2 million to ₱247.1 million due to the increase in the number of faculty members concomitant with the increase in 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. Student activities, programs and other related expenses increased by ₱27.1 million substantially due to expenses related to holding of in-person commencement exercises for the SY 2021-2022 and the subscriptions of the Group to eLMS and CloudSwyft solutions. Commencement expenses amounted to ₱28.0 million and ₱13.2 million for the years ended June 30, 2022 and 2021, respectively. The schools in the Group held in-person graduation ceremonies for graduating SHS and TER students of SY 2021-2022 while the graduation ceremonies for SY 2020-2021 were all held virtually. The increase in eLMS subscriptions is attributed to the higher enrollment in SY 2021-2022 while the Group subscribed to CloudSwyft to provide virtual laboratory solutions for the students. CloudSwyft is a tool for the education sector where each student can access multiple applications such as AutoCAD, Microsoft 365, and Adobe Systems, among others. This virtual laboratory technology provides off-the-shelf and customizable virtual laboratory templates that are automated, highly accessible, and available on-demand to foster hands-on digital learning for thousands of STI students nationwide.

General and administrative expenses increased by 11% or ₱86.9 million from ₱826.9 million to ₱913.8 million for the years ended June 30, 2021 and 2022, respectively. The Group deployed only a skeleton workforce in the schools and offices to attend to concerns that needed face-to-face coordination and likewise embraced the work-from-home arrangements to the furthest extent possible during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ) periods. With the improvement in the COVID-19 situation, all members of the administrative support staff are now reporting to their offices, thus, light and water expense is higher by ₱20.3 million in 2022, from ₱43.1 million for the year ended June 30, 2021 compared to ₱63.4 million for the year ended June 30, 2022. Similarly, the costs of external services, particularly janitorial services, increased by ₱6.0 million from ₱13.2 million to ₱19.2 million for the year ended June 30, 2022. The Group recognized a provision for ECL amounting to ₱114.4 million, representing ECLs on outstanding receivables from students' tuition and other school fees as at June 30, 2022, for the year ended June 30, 2022. This amount is higher by ₱65.8 million compared to ₱48.6 million for the year ended June 30, 2021 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at June 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 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. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million representing receivables from an associate was recognized for the year ended June 30, 2021 while provision for impairment of goodwill related to the closure of STI Iloilo amounting to ₱3.8 million was recognized during the year ended June 30, 2022. The Group likewise recognized provision for inventory obsolescence amounting to ₱2.0 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively. Advertising and promotions expense recognized for the year ended June 30, 2022 and 2021 amounted to ₱33.8 million and ₱46.0 million, respectively as the Group channeled its marketing promotions and campaigns largely using online platforms instead of the traditional television advertisements. Repairs and maintenance increased by ₱4.3 million from ₱15.0 million to ₱19.3 million for the year ended June 30, 2022 in preparation for the holding of in-person classes for the SY

2022-2023. Retirement plan expense likewise increased by ₱2.1 million from ₱8.6 million to ₱10.7 million for the year ended June 30, 2022 representing increase in current service cost for employees as at June 30, 2022.

The Group posted an operating income of ₱416.8 million for the year ended June 30, 2022, more than three times the operating income amounting to ₱129.1 million for the year ended June 30, 2021. The improvement is due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with more students enrolled in CHED programs for SY 2021-2022.

Interest expense amounted to ₱289.3 million for the year ended June 30, 2022, compared with the same period last year of ₱302.3 million. The decrease is attributed to the principal payments made by STI ESG on its Corporate Notes Facility amounting to ₱120.0 million in July 2020 and the partial principal prepayment on STI ESG's Term Loan Facility amounting to ₱240.0 million in September 2021. The savings on the related interest expense on the principal payments made was partially offset by the prepayment fee equivalent to 1.5% of the amount prepaid or ₱3.9 million, inclusive of gross receipts tax. Likewise, the interest rate of the outstanding balance of the Term Loan and Corporate Notes Facility was repriced at 5.7895% per annum effective September 20, 2021 compared to 5.5556% per annum in the previous year.

Rental income decreased by ₱35.7 million year-on-year from ₱90.7 million to ₱55.0 million due to pre-termination and nonrenewal of lease agreements in some of the investment properties of STI ESG.

The Group recognized unrealized gain on foreign exchange differences amounting to ₱44.5 million and ₱0.7 million for the years ended June 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱1.3 million and ₱3.3 million for the years ended June 30, 2022 and 2021, respectively. These gains are attributed to STI ESG's dollar-denominated cash and cash equivalents, largely from the proceeds of the disposal of the 20% stake of STI ESG in Maestro Holdings since the sale was settled in US dollars.

Interest income increased from ₱3.7 million to ₱37.5 million for the year ended June 30, 2022, substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans of STI Tanay. These properties, situated in Tanay, Rizal and Pasig City were foreclosed on March 15, 2021 and March 16, 2022, respectively. This account also includes interest income on investment of STI ESG in short-term placements.

Equity in net losses of associates amounted to ₱12.0 million for the year ended June 30, 2022 compared to equity in net earnings of associates aggregating to ₱3.7 million recognized for the same period last year.

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

The Group recognized a gain on the sale of its transportation equipment amounting to ₱1.5 million for the year ended June 30, 2022.

Collection efficiencies resulted in the increase in the recovery of receivables previously written-off by ₱2.8 million from ₱6.4 million to ₱9.2 million for the years ended June 30, 2021 and 2022, respectively.

STI ESG recognized dividend income from RCR and DLSMC amounting to ₱0.4 million and ₱0.8 million, respectively, for the year ended June 30, 2022 and from DLSMC amounting to ₱0.8 million for the year ended June 30, 2021.

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, COVID-19-related Rent Concessions resulting in recognition of other income aggregating to ₱6.1 million and ₱17.7 million which are presented as part of "other income (expense) - net" in the statement of comprehensive income for the years ended June 30, 2022 and 2021, respectively. The account "other income (expense) – net" also includes a reversal of interest income from past due accounts of consolidated subsidiaries in the amount of ₱15.9 million.

Provision for income tax amounting to ₱12.1 million was recognized for the year ended June 30, 2022. Meanwhile, provision from income tax amounting to ₱20.2 million was recognized for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10.0% to 1.0% following the enactment of the CREATE Act in April 2021. The reduced income tax rate has a retroactive effect beginning July 1, 2020 and will be effective up to June 30, 2023.

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

STI ESG reported a net income of ₱253.3 million for the year ended June 30, 2022, a turnaround from ₱60.1 million net loss for the year ended June 30, 2021.

Remeasurement gain on pension liability, net of income tax effect, amounted to ₱5.2 million and ₱12.5 million for the years ended June 30, 2022 and 2021, respectively, due to the movements in value of equity shares forming part of pension assets.

Total comprehensive income for the year ended June 30, 2022 amounted to ₱259.8 million compared to ₱46.0 million comprehensive loss for the year ended June 30, 2021. The improvement is attributed to the higher number of enrollees and improvement in the enrollment mix in favor of CHED programs for SY 2021-2022 compared to that of SY 2020-2021.

Earnings before interest, taxes, depreciation and amortization (EBITDA) defined as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint venture, and nonrecurring losses (gains) such as gain on foreign exchange differences, gain on settlement of STI Tanay receivable (net of provision for impairment of noncurrent asset held for sale), income on rent concessions, fair value loss on equity instruments at FVPL, gain on sale of noncurrent asset held for sale (net of capital gains tax) and loss on loan modification increased from ₱628.5 million for the year ended June 30, 2021 to ₱868.4 million for the year ended June 30, 2022. EBITDA margin likewise improved from 39% to 42% for the year ended June 30, 2022 due to the reasons 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 ₱168.9 million for the year ended June 30, 2022 compared to core income for the same period last year of negative ₱92.4 million.

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		
		2023	**2022**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	24%	16%	EBITDA margin improved in 2023 as compared to the same period in 2022 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	57%	51%	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	0%	(1%)	The return on equity is expected to be lower during the first quarter of both fiscal years following the revenue recognition model of the Group. The revenues of the Group, primarily derived from tuition and other school fees, are recognized only at the start of the term or beginning August 2023 for SY 2023-2024 and beginning August 2022 for SHS and JHS, and September 2022 for Tertiary programs, for SY 2022-2023. The

		As at/Three-month periods ended September 30		
		2023	2022	Remarks
				remaining fees will be recognized as income over the remaining months of the related school term(s). The Group expects the ROE to improve by end of fiscal year 2023-2024.
Debt service cover ratio (DSCR)*	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	0.49	2.33	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	0.73	0.83	D/E ratio improved due to the prepayment made by STI ESG on its Corporate Notes Facility.

**DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Bank granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

Material Changes in Balance Sheet Accounts

Cash and cash equivalents increased by ₱346.1 million from ₱1,571.7 million to ₱1,917.8 million as at June 30, 2023 and September 30, 2023, respectively. The Group generated cash from operating activities aggregating to ₱725.1 million during the three-month period ended September 30, 2023. The collection of tuition and other school fees during the three-month period ended September 30, 2023 was the key contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the contractors and suppliers of the recent renovation projects of the Group. On the other hand, the Group registered ₱318.6 million net cash used in financing activities substantially representing scheduled principal payment and prepayment of the loan under the Corporate Notes Facility of STI ESG with China Bank amounting to ₱30.0 million and ₱180.0 million, respectively, as well as interest payments of bonds and loans aggregating to ₱76.0 million during the three-month period ended September 30, 2023.

Receivables increased to ₱1,396.3 million as at September 30, 2023 or by ₱1,054.3 million, more than three-folds of the receivable balance as at June 30, 2023 amounting to ₱342.0 million. Receivables from students increased by ₱694.4 million from ₱419.6 million to ₱1,114.0 million, reflecting tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s).

Receivables from DepEd likewise increased to ₱390.9 million as at September 30, 2023 from ₱10.0 million as at June 30, 2023. 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 related to DBP RISE amounted to ₱2.3 million and ₱1.6 million as at September 30, 2023 and June 30, 2023, respectively. STI ESG and DBP executed a Memorandum of Agreements to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) in 2021. This program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. A similar MOA with DBP was executed in May 2023, covering the implementation of DBP RISE for deserving students enrolled beginning SY 2022-2023.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱0.8 million as at September 30, 2023 from ₱1.0 million as at June 30, 2023. A memorandum of agreement by and among CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG was executed in 2018 in order that the students within the STI ESG network may avail of the TES and Student Loan Program (SLP) under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). 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 expenses. 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.

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 school year.

Receivables related to educational services and sale of educational materials and supplies amounted to ₱93.8 million as at September 30, 2023, higher by ₱30.0 million from ₱63.8 million as at June 30, 2023. This balance comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools and an affiliate. The increase in receivables largely represents receivables for the sale of uniforms and prowares during the three-month period ended September 30, 2023. These receivables from franchised schools and affiliates are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱10.5 million to ₱45.9 million as at September 30, 2023 from ₱56.5 million as at June 30, 2023 representing collection of rentals and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2023.

STI ESG's allowance for estimated credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱290.3 million as at June 30, 2023 to ₱333.2 million as at September 30, 2023. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2023.

Inventories decreased by ₱5.1 million or 4%, from ₱125.2 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, 2023.

Prepaid expenses and other current assets decreased by ₱25.0 million or 22% from ₱114.9 million as at June 30, 2023 to ₱89.9 million as at September 30, 2023 which is substantially attributed to the decrease in prepaid taxes, prepaid subscriptions and licenses, software maintenance cost, and advances to suppliers. The decrease in the prepayments related to business taxes, subscriptions and licenses, and software maintenance represents the portion of these prepayments made as at June 30, 2023 which were charged to expense during the three-month period ended September 30, 2023. Prepaid taxes likewise decreased from ₱55.0 million to ₱36.3 million representing the income tax obligation of STI ESG which was applied against its available tax credits. Advances to suppliers decreased from ₱18.2 million to ₱11.0 million representing certain purchase orders for uniforms for SY 2023-2024 which have been completely delivered and paid in full during the three-month period ended September 30, 2023. On the other hand, prepaid insurance increased by ₱13.6 million from ₱ 0.7 million to ₱14.4 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money security payroll and fidelity insurance, and health insurance coverage for employees. The premiums related to these insurance coverages were settled in advance and are recognized as expense over the respective periods of the insurance coverages, which are normally within one year from the beginning of the current fiscal year.

STI ESG subscription to quoted equity shares of RCR, recognized as equity instruments designated at FVPL, has carrying values of ₱4.90 and ₱5.80 per share or an aggregate value of ₱7.6 million and ₱9.0 million as at September 30, 2023 and June 30, 2023, respectively.

Property and equipment decreased by ₱22.3 million, net of additions, to ₱7,483.4 million as at September 30, 2023 from ₱7,505.7 million June 30, 2023 representing depreciation expense recognized during the three-month period ended September 30, 2023. The Group invested in new computers, school equipment and furniture in preparation for SY 2023-2024. The recognition of the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, *Leases* also contributed to the increase in property and equipment. These additions to the "Property and equipment" account were offset by the depreciation expense recognized by the Group for the three-month period ended September 30, 2023, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties decreased by ₱6.6 million from ₱675.1 million as at June 30, 2023 to ₱668.5 million as at September 30, 2023, representing the depreciation expense recognized during the three-month period ended September 30, 2023.

Equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱0.9 million from ₱71.5 million to ₱72.4 million as at September 30, 2023, attributed to the net increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million to ₱68.3 million as at September 30, 2023, 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.

Accounts payable and other current liabilities decreased by ₱117.2 million from ₱560.9 million as at June 30, 2023 to ₱443.7 million as at September 30, 2023 representing payments made to various suppliers and contractors of recently completed renovation projects and decrease in accrued expenses related to school activities and programs and interest on loans and borrowings. Accrued expenses related to school activities and programs, primarily for commencement expenses, decreased reflecting payments made to suppliers during the three-month period ended September 30, 2023. Interest payable as at September 2023 decreased from ₱21.5 million to ₱5.8 million representing interest payments on STI ESG's Corporate Notes and Term Loan Facility Agreements with China Bank in September 2023.

Unearned tuition and other school fees increased by ₱1,732.4 million from ₱43.9 million as at June 30, 2023 to ₱1,776.3 million as at September 30, 2023. This unearned tuition and other school fees will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations amounted to ₱58.4 million and ₱53.4 million as at September 30, 2023 and June 30, 2023, respectively. Noncurrent lease liabilities declined by ₱15.9 million from ₱ 282.4 million to ₱266.5 million representing the lease obligations which are due within the next twelve months. 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 increased by ₱57.9 million from ₱183.0 million as at June 30, 2023 to ₱240.9 million as at September 30, 2023. The balance as at September 30, 2023 represents the current portion of the Term Loan Facility of STI ESG with China Bank amounting to ₱240.0 million and the Land Bank of the Philippines (LandBank) loan amounting to ₱0.9 million which is due in January 2024. 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 interest 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. Similarly, STI ESG paid in full the outstanding loan balance under its Corporate Notes Facility with China Bank aggregating to ₱210.0 million on September 19, 2023.

Income tax payable amounted to ₱1.0 thousand and ₱0.4 million as at September 30, 2023 and June 30, 2023, respectively, reflecting the income tax obligation of STI ESG's subsidiaries for their respective taxable income during the three-month period ended September 30, 2023 and year ended June 30, 2023, respectively. The income tax obligations of STI ESG and certain subsidiaries for the three-month ended September 30, 2023 were entirely offset by their respective tax credits.

Non-current portion of interest-bearing loans and borrowings, decreased by ₱270.0 million from ₱ 745.3 million to ₱475.7 million, net of deferred finance cost, as at June 30, 2023 and September 30, 2023, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings amounting to ₱120.0 million representing principal amount under the Term Loan Facility of STI ESG with China bank that is due in September 2024 and the prepayment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank in September 2023 aggregating to ₱180.0 million, of which ₱30.0 million was recognized as current portion of interest bearing loans and borrowings.

Cumulative actuarial gain amounted to ₱1.9 million as at September 30, 2023 from ₱2.6 thousand as at June 30, 2023. The increase reflects changes in the market value of the equity investments held within the pension plan assets of the Group for the three-month period ended September 30, 2023.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.3 million from P15.0 million to ₱16.3 million as at September 30, 2023. This increase was driven by the fair value adjustments attributed to net appreciation in the market value of quoted investment shares held by STI ESG.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱38.8 thousand and ₱35.6 thousand, as at June 30, 2023 and September 30, 2023, respectively, representing unrealized fair value adjustment resulting from the increase in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings decreased by ₱21.5 million from ₱2,865.3 million to ₱2,843.8 million representing net loss recognized for the three-month period ended September 30, 2023.

Material Changes in Income Statement Accounts

The Group generated gross revenues amounting to ₱480.2 million during the three-month period ended September 30, 2023, an increase of ₱120.1 million from ₱360.1 million of the same period last year.

Tuition and other school fees amounted to ₱334.8 million for the three-month period ended September 30, 2023, up by ₱107.1 million or 47% from ₱227.7 million of the same period last year attributed to the increase in the student population for SY 2023-2024. The Group registered a robust growth in enrollment of 27% for SY 2023-2024 reaching close to 104,000 students compared to over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED programs increased by 33% from close to 22,000 in SY 2022-2023 to over 29,000 in SY 2023-2024. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared to enrollment in SY 2022-2023 of over 56,000 students. CHED programs bring in higher revenues per student.

Revenues from educational services and royalty fees increased by 22%, primarily attributed to the increase in the student population of franchised schools for SY 2023-2024. 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 ₱4.4 million or 18% from ₱23.7 million for the three-month period ended September 30, 2022 to ₱28.1 million for the three-month period ended September 30, 2023, concomitant with the higher number of students this year.

The revenues generated from the sale of educational materials and supplies amounted to ₱66.9 million for the three-month period ended September 30, 2023 from ₱67.3 million for the same period last year. Sale of educational materials and supplies recognized during the three months ended September 30, 2023 and 2022 are generally attributed to the sale of uniforms. However, certain orders of franchised schools for student uniforms were fulfilled only after September 30, 2023 resulting in lower sales of educational materials and supplies for the three-month period ended September 30, 2023 attributed to timing differences. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is higher by ₱29.1 million, from ₱127.7 million to ₱156.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Instructors' salaries and benefits are up by ₱20.3 million from ₱42.6 million to ₱62.3 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. School materials and supplies increased by ₱4.7 million from ₱1.9 million to ₱6.6 million for three-month periods ended September 30, 2022 and 2023, respectively, attributed to acquisition of school learning materials. Rent expense recognized under the cost of educational services likewise increased by ₱1.8 million from ₱5.3 million to ₱7.1 million for three-month periods ended September 30, 2022 and 2023, respectively, representing rent expense for building occupied by STI Alabang. On the other hand, costs incurred related to student activities and programs increased by ₱1.8 million from ₱12.8 million for three-month period ended September 30, 2022 to ₱14.6 million during the three-month period ended September 30, 2023 driven by the increase in enrollment for FY 2023-2024.

General and administrative expenses increased by 13% or ₱33.4 million from ₱255.4 million to ₱288.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Salaries and benefits are higher by ₱9.1 million to ₱69.6 million for the three-month period ended September 30, 2023 compared to same period last year of ₱60.5 million reflecting merit increases for deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2023. Tertiary classes during the first term of SY 2022-2023 were on a flexible learning modality while classes in all levels for SY 2023-2024 are delivered onsite. As such, light and water expenses are higher by ₱1.8 million from ₱25.0 million to ₱26.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Similarly, outside services such as security and janitorial services are higher by ₱5.3 million from ₱19.1 million to ₱24.4 million for the three-month periods ended September 30, 2022 and 2023, respectively. Repairs and maintenance expenses are higher by ₱1.1 million from ₱4.6 million to ₱5.7 million for the three-month periods ended September 30, 2022 and 2023, respectively, due to refurbishment of school facilities and cleaning of air-conditioning units in preparation for the start of classes for SY 2023-2024. Taxes and licenses expense is higher by ₱1.2 million from ₱7.3 million to ₱8.5 million for the three-month periods ended September 30, 2022 and 2023, respectively, reflecting the increase in business taxes concomitant with the increase in revenues. Advertising and promotions expense is higher by ₱1.7 million from ₱8.5 million to ₱10.2 million for the three-month periods ended September 30, 2022 and 2023, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2023-2024. Also, the Group recognized a provision for ECL amounting to ₱42.8 million from the three-month period ended September 30, 2023 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2023. This provision for ECL is higher by ₱10.5 million compared to ₱32.3 million for the three-month period ended September 30, 2022 reflecting increase in receivables from students from same period last year. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students pertaining to prior years.

The Group posted an operating loss of ₱13.3 million for the three-month period ended September 30, 2023 compared to the same period last year's operating loss of ₱73.4 million. The improvement is due to higher revenues attributed to the increase in the student population.

Interest expenses decreased by ₱4.9 million, from ₱72.6 million to ₱67.7 million for the three- month period ended September 30, 2023 attributed to the principal payments made by STI ESG on its Term Loan Facility amounting to ₱240.0 million in September 2022 and full payment made by STI ESG of its Corporate Notes Facility aggregating to ₱210.0 million in September 2023.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million and ₱26.8 million for the three-month periods ended September 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.3 thousand and ₱0.1 thousand for the three-month periods ended September 30, 2023 and 2022, respectively.

Interest income increased from ₱2.7 million for the three-month period ended September 30, 2022 to ₱5.0 million for the three-month period ended September 30, 2023 attributed to the investment of STI ESG in short-term investments and money market placements.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with China Bank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended September 30, 2023.

Gain on disposal of property and equipment amounted to ₱14.4 thousand for the three-month period ended September 30, 2023 compared to ₱49.9 thousand for the three-month period ended

September 30, 2022. This represents gain on the disposal of fully depreciated property and equipment of certain schools which are no longer in use.

The Group recognized recovery of accounts written-off amounting to ₱1.8 million for the three-month period ended September 30, 2023 compared to ₱2.6 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱3.0 million for the three-month period ended September 30, 2023, compared to ₱2.5 million for the three-month period ended September 2022.

Dividend income amounted to ₱1.1 million for the three-month period ended September 30, 2022 compared to ₱0.2 million for the three-month period ended September 30, 2023. This represents dividend income from DLS Medical Center (DLSMC) and RCR amounting to ₱0.9 million and ₱0.2 million, respectively, for the three-month period ended September 30, 2022 and ₱0.2 million from RCR for the three-month period ended September 30, 2023.

The Group also recognized other income aggregating to ₱4.5 million for the three-month period ended September 30, 2022, substantially 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. STI ESG on the other hand, recognized other expenses amounting to ₱0.2 million for the three-month period ended September 30, 2023 representing amortization of bond issue costs and deferred finance charges on its Term Loan Facility with China Bank.

The Group reported "Benefit from income tax" amounting to ₱5.9 million and ₱3.4 million for the three-month periods ended September 30, 2023 and 2022, respectively, mainly representing taxes due on tuition and other school fees collected in advance.

STI ESG reported a net loss of ₱21.8 million for the three-month period ended September 30, 2023 compared to ₱75.8 million net loss for the same period last year attributed to the increase in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement losses, net of taxes, amounting to ₱1.9 million and ₱0.9 million, for the three-month periods ended September 30, 2023 and 2022, respectively, due to the adjustments in the market value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱1.3 million for the three-month period ended September 30, 2023, compared to ₱0.6 million for the three-month period ended September 30, 2022. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive loss for the three-month period ended September 30, 2023 amounted to ₱18.6 million compared to ₱76.1 million total comprehensive loss for the three-month period ended September 30, 2022.

EBITDA is up from ₱58.1 million for the three-month period ended September 30, 2022 to ₱115.9 million for the three-month period ended September 30, 2023. EBITDA margin is 24% for the three-month period ended September 30, 2023 compared to 16% for the same period last year due to the 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 ₱40.2 million for the three-month period ended September 30, 2023 compared to core income for the same period last year of negative ₱108.5 million.

Financial Risk Disclosure

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

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

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

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with credit terms of thirty (30) to one hundred eighty (180) days.

As at September 30, 2023 and June 30, 2023, the Group's current assets amounted to ₱3,531.8 million and ₱2,162.8 million, respectively, while current liabilities amounted to ₱4,696.1 million and ₱3,016.7 million, respectively. The current liabilities as at September 30, 2023 and June 30, 2023 include the 7-year bonds aggregating to ₱2,176.7 million and ₱2,175.1 million, respectively, net of unamortized issue costs, maturing in March 2024.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at November 21, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interest due in the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank, and the STI bondholders. The Group's policy is to keep the DSCR not lower than 1.05:1.00. DSCR, as defined in the loan agreement, is 0.49:1.00 and 2.33:1.00, as at September 30, 2023 and 2022, respectively. As at June 30, 2023, the Group's DSCR is 0.47:1.00. In anticipation of the reclassification to current liabilities of the STI bonds maturing in March 2024, STI ESG requested for a waiver of the DSCR from the local bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by the local bank on August 15, 2022. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at September 30, 2023 and June 30, 2023. STI ESG is compliant with the DSCR imposed under the bond trust agreement governing its bond issue.

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

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

Interest rate risk - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 bonds and the 10-year bonds.

Capital Risk- The Group's objectives when managing capital are 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 STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00. As at September 30, 2023 and 2022, the Group's D/E ratios, as defined in the loan agreement, are 0.73:1.00 and 0.83:1.00, respectively. As at June 30, 2023 the Group's D/E ratio is 0.79:1.00.

Agreements/Commitments and Contingencies/Other Matters

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

b. Except as provided in Note 34 of the Notes to Audited Consolidated Financial Statements attached as part of "Exhibits and schedules," and Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A" to the Quarterly Report for the Period Ended 30 September 2023, 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 STI ESG.

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

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 in the loan agreements. See Notes 18, 19, and 35 of the Notes to the Audited Consolidated Financial Statements of the Company attached as part of "Exhibits and schedules" and Notes 16 and 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A" to the Quarterly Report for the Period Ended 30 September 2023 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 26 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. The academic cycle is one academic year that starts in late August and September for JHS and SHS, and the tertiary level, respectively, and ends in June of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

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 19 of Notes to Audited Consolidated Financial Statements and Note 17 of the Notes to Unaudited Interim Consolidated 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 by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017, and cash payments by the Joint Venture Parties.

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

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

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

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

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

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

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 HEIs who 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. This subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expense. Additional benefits are likewise given to persons with disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled.

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

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

n. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Previous to this, the following owned schools have ceased operations: STI Iloilo, STI Pagadian and STI Tuguegarao. In addition, the following franchised schools likewise ceased to operate: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and STI College Parañaque, Inc. (STI Parañaque). These schools closed as a result of the pandemic. In SY 2021-2022, NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees for Junior High School (JHS) and SHS only. The grade school students were advised to transfer to another school or refunded the fees paid, if any. For SY2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned by STI ESG. NPIM ceased operations effective June 30, 2022.

   On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

n. On March 26, 2021, Republic Act ("RA") No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law, 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 NIRC 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, 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.

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

	September 30, 2023 (Unaudited)	**June 30, 2023 (Audited)**	**Sept 2023 vs June 2023 Increase (Decrease)**	
			Amount	**%**
Consolidated financial position				
Total assets	12,655.3	11,282.3	1,373.0	12%
Current assets	3,531.8	2,162.8	1,369.0	63%
Cash and cash equivalents	1,917.8	1,571.7	346.1	22%
Total liabilities	6,378.7	4,987.1	1,391.6	28%
Current liabilities	4,696.1	3,016.7	1,679.4	56%
Total equity	6,276.6	6,295.2	(18.6)	0%
Equity attributable to equity holders of the parent	6,279.9	6,298.3	(18.4)	0%

Financial ratios				
Debt-to-equity ratio[(1)]	0.73	0.79	(0.06)	(8%)
Current ratio[(2)]	0.75	0.72	0.03	4%
Debt service cover ratio[(10)]	0.49	0.47	0.02	4%
Asset to equity ratio[(3)]	2.02	1.79	0.17	9.0%

	Three months ended September 30			
	2023	**2022**	**Increase (Decrease)**	
	(Unaudited)	**(Unaudited)**	**Amount**	**%**
Condensed Statements of Income				
Revenues	480.2	360.1	120.1	33%
Direct costs [(4)]	204.7	178.0	26.7	15%
Gross profit	275.5	182.1	93.4	51%
Operating expenses	288.8	255.4	33.4	13%
Operating loss	(13.3)	(73.3)	60.0	(82%)
Other expenses - net	(14.3)	(5.9)	(8.4)	142%
Loss before income tax	(27.6)	(79.2)	51.6	(65%)
Net loss	(21.8)	(75.8)	54.0	(71%)
EBITDA [(5)]	115.9	58.1	57.8	99%
Core income (loss) [(6)]	(40.2)	(108.5)	68.3	(63%)
Net loss attributable to equity holders of the Parent Company	(21.5)	(75.0)	53.5	(71%)
Loss per share [(7)]	(0.010)	(0.024)	0.014	(1%)
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	725.1	562.3	162.8	29%
Net cash used in investing activities	(74.2)	(32.5)	(41.7)	128%
Net cash used in financing activities	(318.6)	(358.4)	39.8	(11%)
Effect of exchange rate changes on cash and cash equivalents	13.7	26.8	(13.1)	(49%)

	As at and for three months ended September 30			
	2023	**2022**	**Increase (Decrease)**	
	(Unaudited)	**(Unaudited)**	**Amount**	**%**
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio [(2)]	0.75	1.50	(0.75)	50%
Quick ratio [(8)]	0.71	1.41	(0.70)	50%
Cash ratio [(9)]	0.41	0.77	(0.36)	(47%)
Solvency ratios				
Debt to equity ratio [(1)]	0.73	0.83	(0.10)	(12%)
Asset to equity ratio [(3)]	2.02	1.79	0.23	13%
Debt service cover ratio (DSCR) [(10)]	0.49	2.33	(1.84)	(79)
Interest coverage ratio [(11)]	0.59	(0.09)	0.68	(756%)

Profitability ratios				
EBITDA margin [12]	24%	16%	0.08%	50%
Gross profit margin [13]	57%	51%	0.06%	12%
Operating profit margin [14]	(3%)	(20%)	0.17%	(85%)
Net income (loss) margin [15]	(5%)	(21%)	0.16%	(76%)
Return on equity [16]	(0%)	(1%)	0.01%	(77%)
Return on assets [17]	(0%)	(-1%)	0.01%	(143%)

(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 benefits from income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures and nonrecurring gains/losses such as gain on foreign exchange differences, gain on early extinguishment of loan, fair value loss on equity instruments at FVPL, and donation income .*

(6) *Core income 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) *DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

(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 [annualized] 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.*

<u>SEC FORM 17-A</u>

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY AND CORPORATE INFORMATION OFFICER, 5th FLOOR SGV II BUILDING, 6758 AYALA AVENUE, MAKATI CITY, METRO MANILA, PHILIPPINES 1229.

SIGNATURE

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

STI EDUCATION SERVICES GROUP, INC.
Issuer

Date: 23 November 2023

ARSENIO C. CABRERA, JR.
Corporate Secretary

The following document has been received:

Receiving: Salvador Baculanta
Receipt Date and Time: November 03, 2023 10:00:31 AM

Company Information

SEC Registration No.: 0000113156
Company Name: STI EDUCATION SERVICES GROUP, INC.
Industry Classification: M81590
Company Type: Stock Corporation

Document Information

Document ID: OST11103202381768750
Document Type: Financial Statement
Document Code: FS
Period Covered: June 30, 2023
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents sti.edu

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Services Group, Inc. and Subsidiaries** (collectively referred to as "the Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at and for the fiscal years ended June 30, 2023, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JESLI A. LAPUS	**MONICO V. JACOB**	**YOLANDA M. BAUTISTA**
Chairman of the Board	*Vice Chairman and CEO*	*Chief Finance Officer*

Subscribed and sworn to before me this 27 OCT 2023, affiant(s) exhibiting to me their SSS ID/Passport, as follows:

Names	CTC/Passport/SSS Number	Date and Place of Issuance
Mr. Jesli A. Lapus	Passport No. P6589685A	28 March 2018, DFA Manila
Mr. Monico V. Jacob	Passport No. P6179864B	26 January 2021, DFA Manila
Ms. Yolanda M. Bautista	SSS No. 03-2678038-9	

ISABELLA MARIE L. NAGUIAT
Notary Public for Makati City
Appointment No. M-240
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 78656
PTR No. 9567585 / Makati / 04 January 2023
IBP No. 248656 / Makati / 12 October 2022

Doc. No. 439;
Page No. 89;
Book No. III;
Series of 2023.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
sti-esg@sti.edu	(632) 8812-1784	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
63	1st Thursday of November	June 30

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera Jr.	accabrera@htc-law.com.ph	(632) 8813-7111	(+63) 917-5213820

CONTACT PERSON's ADDRESS

5/F, SGV II Building, 6758 Ayala Avenue, Makati City

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

Opinion

We have audited the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. Provision for credit losses for the year ended June 30, 2022 amounted to ₱60.8 million.

The disclosures on the allowance for expected credit losses are included in Notes 4 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments,* to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) checked the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2023, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱250.9 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically forecasted revenue growth, long-term growth rate and discount rate.

The Group's disclosures about goodwill are included in Notes 4 and 16 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include forecasted revenue growth, long-term growth rate and discount rate. We compared the key assumptions used, such as forecasted revenue growth and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2023 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended June 30, 2023, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Loubelle V. Mendoza.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 9564665, January 3, 2023, Makati City

October 13, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,571,737,633**	₱1,242,529,465
Receivables (Note 6)	**342,010,955**	445,126,178
Inventories (Note 7)	**125,227,248**	153,713,231
Prepaid expenses and other current assets (Note 8)	**114,852,313**	66,232,173
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,990,000**	9,610,000
	2,162,818,149	1,917,211,047
Noncurrent asset held for sale (Note 10)	**–**	19,000,000
Total Current Assets	**2,162,818,149**	1,936,211,047
Noncurrent Assets		
Property and equipment (Note 11)	**7,505,664,889**	7,644,004,726
Investment properties (Note 12)	**675,138,874**	628,889,120
Investments in and advances to associates and joint venture (Notes 13 and 14)	**493,988,698**	486,960,030
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15)	**71,501,232**	69,769,480
Deferred tax assets - net (Notes 30 and 39)	**41,994,892**	18,429,503
Goodwill, intangible and other noncurrent assets (Note 16)	**331,164,982**	304,833,948
Total Noncurrent Assets	**9,119,453,567**	9,152,886,807
TOTAL ASSETS	**₱11,282,271,716**	₱11,089,097,854
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of bonds payable (Note 19)	**₱2,175,083,335**	₱–
Accounts payable and other current liabilities (Note 17)	**560,930,731**	572,758,134
Current portion of interest-bearing loans and borrowings (Note 18)	**183,042,276**	159,544,753
Unearned tuition and other school fees (Note 22)	**43,940,924**	30,625,479
Current portion of lease liabilities (Note 29)	**53,358,726**	53,289,586
Income tax payable	**376,536**	160,814
Total Current Liabilities	**3,016,732,528**	816,378,766
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 18)	**748,861,025**	1,052,687,728
Bonds payable - net of current portion (Note 19)	**813,339,649**	2,980,515,064
Lease liabilities - net of current portion (Note 29)	**282,377,214**	264,324,776
Pension liabilities - net (Note 28)	**79,429,605**	63,382,032
Other noncurrent liabilities (Note 20)	**46,338,093**	19,557,546
Total Noncurrent Liabilities	**1,970,345,586**	4,380,467,146
Total Liabilities *(Carried Forward)*	**4,987,078,114**	5,196,845,912

	June 30	
	2023	2022
Total Liabilities *(Brought Forward)*	**₱4,987,078,114**	₱5,196,845,912
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Note 21)	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock (Note 21)	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain (Note 28)	**2,589**	9,775,594
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**15,008,758**	13,277,006
Other equity reserve (Note 21)	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain (Note 13)	**163,082**	796,685
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(38,774)**	(45,903)
Retained earnings (Note 21)	**2,865,327,141**	2,452,343,935
Total Equity Attributable to Equity Holders of the Parent Company	**6,298,271,025**	5,893,955,546
Equity Attributable to Non-controlling Interests	**(3,077,423)**	(1,703,604)
Total Equity	**6,295,193,602**	5,892,251,942
TOTAL LIABILITIES AND EQUITY	**₱11,282,271,716**	₱11,089,097,854

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2023	2022	2021
REVENUES (Note 22)			
Sale of services:			
Tuition and other school fees	**₱2,248,671,271**	₱1,823,948,963	₱1,410,236,021
Educational services	**149,075,493**	125,387,103	107,311,098
Royalty fees	**14,736,299**	12,386,738	10,560,747
Others	**63,805,952**	89,048,506	68,472,630
Sale of goods -			
Sale of educational materials and supplies	**106,863,072**	29,217,458	24,003,336
	2,583,152,087	2,079,988,768	1,620,583,832
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**771,040,217**	725,615,500	645,112,828
Cost of educational materials and supplies sold (Note 25)	**83,060,489**	23,817,609	19,397,346
General and administrative expenses (Note 26)	**1,020,698,068**	913,763,626	826,930,018
	1,874,798,774	1,663,196,735	1,491,440,192
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**708,353,313**	416,792,033	129,143,640
OTHER INCOME (EXPENSES)			
Interest expense (Notes 18, 19, 23 and 29)	**(275,919,172)**	(289,270,749)	(302,277,833)
Rental income (Note 12, 29, and 31)	**122,265,868**	55,022,242	90,708,316
Interest income (Notes 5, 6, 10 and 23)	**18,288,499**	37,529,266	3,738,387
Equity in net earnings (losses) of associates and joint venture (Note 13)	**15,161,635**	(12,001,488)	3,661,134
Recovery of accounts written off (Note 6)	**10,133,135**	9,153,868	6,440,065
Dividend income (Notes 9 and 15)	**2,488,404**	1,199,289	791,884
Foreign exchange gain - net	**2,455,546**	45,835,048	4,005,931
Fair value loss on equity instruments at FVPL (Note 9)	**(620,000)**	(387,500)	–
Gain on:			
Sale of property and equipment	**134,743**	1,534,265	57,610
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	10,832,534	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	–	15,460,821
Loss on loan modification (Note 18)	**–**	–	(8,298,502)
Other income (expenses) - net (Note 29)	**3,762,071**	(10,911,280)	16,686,438
	(101,849,271)	(151,464,505)	(169,025,749)
INCOME (LOSS) BEFORE INCOME TAX *(Carried Forward)*	**606,504,042**	265,327,528	(39,882,109)

	Years Ended June 30		
	2023	2022	2021
INCOME (LOSS) BEFORE INCOME TAX *(Brought Forward)*	**₱606,504,042**	₱265,327,528	(₱39,882,109)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**6,798,832**	1,996,170	174,406
Deferred	**(22,229,902)**	10,067,128	19,999,086
	(15,431,070)	12,063,298	20,173,492
NET INCOME (LOSS)	**621,935,112**	253,264,230	(60,055,601)
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liabilities (Note 28)	**(4,859,506)**	5,319,314	13,893,134
Tax effect on remeasurement loss (gain) on pension liabilities (Note 30)	**492,178**	(149,428)	(1,398,081)
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**1,731,752**	1,244,792	1,363,444
Share in associate’s remeasurement gain (loss) on pension liability (Note 13)	**(633,603)**	166,058	158,937
Share in associate’s unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**7,129**	(5,242)	(9,813)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**(3,262,050)**	6,575,494	14,007,621
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱618,673,062**	₱259,839,724	(₱46,047,980)
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱623,308,931**	₱254,674,709	(₱56,914,526)
Non-controlling interests	**(1,373,819)**	(1,410,479)	(3,141,075)
	₱621,935,112	₱253,264,230	(₱60,055,601)
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱620,046,881**	₱261,250,203	(₱42,906,905)
Non-controlling interests	**(1,373,819)**	(1,410,479)	(3,141,075)
	₱618,673,062	₱259,839,724	(₱46,047,980)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 32)	**₱0.20**	₱0.08	(₱0.02)

See accompanying Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2023, 2022 AND 2021

	Capital Stock (Note 21)	Additional Paid-in Capital	Treasury Stock (Note 21)	Cumulative Actuarial Gain (Loss) (Note 28)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 15)	Other Equity Reserve (Note 21)	Share in Associates' Cumulative Actuarial Gain (Note 13)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 13)	Other Comprehensive Income associated with Noncurrent Asset Held for Sale (Note 21)	Retained Earnings (Note 21)	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 income	–	–	–	–	–	–	–	–	–	**623,308,931**	**623,308,931**	**(1,373,819)**	**621,935,112**
Other comprehensive income (loss)	–	–	–	**(4,367,328)**	**1,731,752**	–	**(633,603)**	**7,129**	–	–	**(3,262,050)**	–	**(3,262,050)**
Total comprehensive income (loss)	–	–	–	**(4,367,328)**	**1,731,752**	–	**(633,603)**	**7,129**	–	**623,308,931**	**620,046,881**	**(1,373,819)**	**618,673,062**
Transfer of remeasurement gain on pension liabilities to retained earnings	–	–	–	**(5,405,677)**						**5,405,677**	–	–	–
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	–	**(215,731,402)**	**(215,731,402)**	–	**(215,731,402)**
Balance at June 30, 2023	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱2,589**	**₱15,008,758**	**(₱46,104,556)**	**₱163,082**	**(₱38,774)**	**₱–**	**₱2,865,327,141**	**₱6,298,271,025**	**(₱3,077,423)**	**₱6,295,193,602**
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 income	–	–	–	–	–	–	–	–	–	254,674,709	254,674,709	(1,410,479)	253,264,230
Other comprehensive income (loss)	–	–	–	5,169,886	1,244,792	–	166,058	(5,242)	–	–	6,575,494	–	6,575,494
Total comprehensive income (loss)	–	–	–	5,169,886	1,244,792	–	166,058	(5,242)	–	254,674,709	261,250,203	(1,410,479)	259,839,724
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	–	(154,093,859)	(154,093,859)	–	(154,093,859)
Acquisition of De Los Santos-STI College minority shares of stock (Note 21)	–	–	–	–	–	(15,891,750)	–	–	–	–	(15,891,750)	(74,378)	(15,966,128)
Balance at June 30, 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
Balance at July 1, 2020	₱3,087,829,443	₱386,916,479	(₱10,833,137)	(₱7,889,345)	₱10,668,770	(₱30,941,455)	₱471,690	(₱30,848)	₱91,876,446	₱2,357,529,814	₱5,885,597,857	₱2,922,328	₱5,888,520,185
Net loss	–	–	–	–	–	–	–	–	–	(56,914,526)	(56,914,526)	(3,141,075)	(60,055,601)
Other comprehensive income (loss)	–	–	–	12,495,053	1,363,444	–	158,937	(9,813)	–	–	14,007,621	–	14,007,621
Total comprehensive income (loss)	–	–	–	12,495,053	1,363,444	–	158,937	(9,813)	–	(56,914,526)	(42,906,905)	(3,141,075)	(46,047,980)
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	–	(40,000,000)	(40,000,000)	–	(40,000,000)
Disposal of noncurrent asset held for sale (Note 10)	–	–	–	–	–	728,649	–	–	(91,876,446)	91,147,797	–	–	–
Balance at June 30, 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

See accompanying Notes to the Consolidated Financial Statements.

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱606,504,042**	₱265,327,528	(₱39,882,109)
Adjustments to reconcile income (loss) before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12, 16, 24 and 26)	**483,023,801**	481,167,163	486,556,911
Interest expense (Notes 18, 19, 23 and 29)	**275,919,172**	289,270,749	302,277,833
Unrealized foreign exchange gain - net (Note 5)	**(2,338,828)**	(44,561,806)	(679,400)
Interest income (Notes 5, 6, 10 and 23)	**(18,288,499)**	(37,529,266)	(3,738,387)
Equity in net losses (earnings) of associates and joint venture (Note 13)	**(15,161,635)**	12,001,488	(3,661,134)
Dividend income (Notes 9 and 15)	**(2,488,404)**	(1,199,289)	(791,884)
Fair value loss on equity instruments at FVPL (Note 9)	**620,000**	387,500	–
Gain on:			
Sale of property and equipment	**(134,743)**	(1,534,265)	(57,610)
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	(10,832,534)	–
Sale of noncurrent asset held for sale, net of capital gains tax (Note 10)	**–**	–	(15,460,821)
Movements in pension (Note 28)	**11,188,067**	8,358,384	7,737,092
Income on rent concessions (Note 29)	**–**	(6,054,606)	(17,677,038)
Provision for impairment of:			
Goodwill (Notes 16 and 26)	**–**	3,806,174	–
Investments in and advances to associates and joint venture (Notes 13 and 26)	**–**	–	10,265,554
Loss on loan modification (Note 18)	**–**	–	8,298,502
Operating income before working capital changes	**1,338,842,973**	958,607,220	733,187,509
Decrease (increase) in:			
Receivables	**66,374,758**	(74,701,464)	(92,816,113)
Inventories	**29,446,474**	19,361,673	(39,902,139)
Prepaid expenses and other current assets	**(54,108,408)**	(7,270,149)	(16,383,151)
Increase (decrease) in:			
Accounts payable and other current liabilities	**(50,630,335)**	(83,516,558)	(59,160,074)
Unearned tuition and other school fees	**43,940,924**	30,625,479	48,670,417
Other noncurrent liabilities	**26,780,547**	14,093,246	(47,651,967)
Net cash generated from operations	**1,400,646,933**	857,199,447	525,944,482
Interest received	**18,288,499**	20,436,394	3,738,387
Income tax paid	**(202,296)**	(123,877)	(1,177,794)
Net cash provided by operating activities	**1,418,733,136**	877,511,964	528,505,075
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 11 and 38)	**(149,870,730)**	(86,318,224)	(265,278,645)
Investment properties (Notes 12 and 38)	**(147,999,761)**	(34,230,335)	–
Subsidiary, net of cash received (Note 39)	**9,232,049**	–	–
Equity instruments at FVPL (Note 9)	**–**	(9,997,500)	–

(Forward)

	June 30		
	2023	2022	2021
Proceeds from:			
Sale of noncurrent asset held for sale (Note 10)	**₱19,000,000**	₱–	₱480,540,000
Sale of property and equipment (Note 11)	**135,000**	1,652,430	64,231
Dividend received (Notes 9, 13 and 15)	**9,994,897**	6,995,502	1,851,602
Proceeds from (acquisition of/payments for) intangible assets and other noncurrent assets (Note 16)	**(6,774,372)**	(16,947,326)	4,589,019
Advances to associates and joint venture (Note 12)	**–**	–	(10,265,554)
Capital gains tax paid (Note 10)	**–**	–	(45,963,285)
Net cash provided by (used in) investing activities	**(266,282,917)**	(138,845,453)	165,537,368
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interests	**(250,500,565)**	(266,445,938)	(270,128,758)
Long-term loans (Note 18)	**(279,544,753)**	(249,544,753)	(120,000,000)
Dividends (Note 21)	**(214,756,479)**	(153,667,156)	(39,998,062)
Lease liabilities (Note 29)	**(80,779,082)**	(73,175,691)	(65,611,278)
Short-term loans (Note 18)	**–**	–	(400,000,000)
Net proceeds from:			
Long-term loans (Note 18)	**–**	–	397,000,000
Short-term loans (Note 18)	**–**	–	400,000,000
Landbank ACADEME Program (Note 18)	**–**	–	21,971,627
Net cash used in financing activities	**(825,580,879)**	(742,833,538)	(76,766,471)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,338,828**	44,561,806	679,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	**329,208,168**	40,394,779	617,955,372
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,242,529,465**	1,202,134,686	584,179,314
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,571,737,633**	₱1,242,529,465	₱1,202,134,686

See accompanying Notes to the Consolidated Financial Statements.

NOTES TO THE 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, including Senior High School (SHS), and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

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

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 Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by 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 Phases 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at October 13, 2023, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phases 1 and 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, the Parent Company applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As at October 13, 2023, the Parent Company has not received the CARs from the BIR.

STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Previous to this, the following owned schools have ceased operations: STI Cebu, STI College Iloilo, Inc. (STI Iloilo), STI College Pagadian, Inc. (STI Pagadian) and STI College Tuguegarao, Inc. (STI Tuguegarao). In addition, the following franchised schools likewise ceased to operate: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and STI College Parañaque, Inc. (STI Parañaque). These schools closed as a result of the pandemic. In SY 2021-2022, NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees for Junior High School (JHS) and SHS only. The grade school students were advised to transfer to another school or refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned by STI ESG. NPIM ceased operations effective June 30, 2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of the STI schools mentioned above did not have a material financial impact on the Group.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

On March 16, 2023, STI ESG and the majority owners of STI College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owned 40% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly owned subsidiary of STI ESG (see Note 39).

As at June 30, 2023, STI ESG's network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

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.

The accompanying consolidated financial statements were approved and authorized for issue by the BOD on October 13, 2023.

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

Basis of Preparation

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

Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and September for JHS and SHS, and the tertiary level, respectively, and ends in June of the following year. The Group transitioned to full remote learning with the imposition of the community quarantine restrictions around the country for SYs 2020-2021 and 2021-2022. In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes.

STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model in SY 2020-2021. This model was in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of the 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 eight (8) years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

The faculty members of the Group regularly undergo competency-based certifications and training programs to ensure that they are proficient in the subject matter to be able to deliver the required day-to-day lessons. During the SYs 2020-2021 and 2021-2022, the training programs were conducted online, while the Group holds a combination of in-person and online faculty members' training beginning SY 2022-2023. These training programs are conducted to ensure that the faculty members of the Group possess the acceptable level of competencies and have industry-based experience and credentials necessary to teach the courses assigned to them.

Classes of SHS and JHS students for SY 2022-2023 started on August 30, 2022 and September 5, 2022 for tertiary students while classes for all levels for SY 2021-2022 started on September 13, 2021. From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG implemented a flexible learning delivery modality in the first semester of SY 2022-2023. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a distribution of 50% onsite/face-to-face to 50% asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to higher education institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face to face classes for tertiary enrollees starting on its second semester of SY 2022-2023. As for SHS and JHS, 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 the limited face-to-face classes.

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

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2023 and 2022 and for the years ended June 30, 2023, 2022 and 2021.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2023		2022		2021	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Kalookan, Inc. (STI Caloocan)[(a)]	Educational Institution	**100**	**–**	100	–	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–	100	–
STI Iloilo	Educational Institution	**100**	**–**	100	–	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–	100	–
STI Pagadian	Educational Institution	**100**	**–**	100	–	100	–
STI Training Academy	Educational Institution	**100**	**–**	100	–	–	–
STI Tuguegarao	Educational Institution	**100**	**–**	100	–	100	–
NAMEI Polytechnic Institute, Inc. (NAMEI)	Educational Institution	**94**	**–**	94	–	94	–
NPIM [(b)]	Educational Institution	**100**	**–**	100	–	–	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**100**	**–**	100	–	52	–
STI Alabang [(d)]	Educational Institution	**100**	**–**	40	–	40	–
STI Quezon Avenue [(e)]	Educational Institution	**–**	**100**	–	100	–	52

(a) A subsidiary through a management contract
(b) NPIM ceased operations effective June 30, 2022.
(c) In June 2016, De Los Santos-STI College advised the 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 21). De Los Santos-STI College has not resumed its school operations as at October 13, 2023.
(d) On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Notes 13, 16, 31 and 39). STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.
(e) A wholly owned subsidiary of De Los Santos-STI College.

Accounting Policies of Subsidiaries. The separate financial statements of the subsidiaries are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as at June 30, except for the accounts of STI Tuguegarao, STI Caloocan, and STI Iloilo whose financial reporting date ends on December 31; and STI Batangas, STI Novaliches, STI Tanauan, STI Lipa, STI Pagadian, STI Sta. Maria, De Los Santos-STI College and STI Quezon Avenue whose financial reporting date ends on March 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

On transactions with non-controlling interests without loss of control, the difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed of is treated as an equity transaction and is presented as "Other equity reserve" within the equity section of the consolidated statement of financial position.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2022. The adoption of these new standards and amendments did not have any significant impact on the consolidated financial statements except otherwise stated.

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

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

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

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

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

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

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

Annual Improvements to PFRSs 2018-2020 Cycle

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

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

  The amendments have no impact on the Group since the subsidiaries, associates and joint venture of STI ESG are not first-time adopters of PFRSs.

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

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

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

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

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

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective for Fiscal Year 2024

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

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

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

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

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

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

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

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

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

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

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

Effective for Fiscal Year 2025

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

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

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2023 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

<u>Business Combination and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share in the acquiree's identifiable net assets. Acquisition-related costs are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement
The Group measures certain financial instruments, such as equity instruments at FVOCI and equity instruments at FVPL, at fair value at each reporting date. Also, the fair values of financial instruments measured at amortized cost and investment properties are disclosed in Notes 12 and 36 to the consolidated financial statements, respectively.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

External valuers are involved in the valuation of significant assets, such as investment property. Every year, the Group decides whether to involve an external valuer in determining the fair value of these assets. The current practice of the Group is to involve external valuers every two to three years depending on the circumstances including market conditions and requirements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing on the information in the valuation computation to contracts and other relevant documents.

Management, in conjunction with the Group's external valuers, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from date of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial Recognition and Measurement
Financial assets are classified at initial recognition, and subsequently measured at amortized cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments). This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at June 30, 2023 and 2022, the Group's financial assets at amortized cost include cash and cash equivalents, receivables (except for advances to officers and employees) and rental and utility deposits under "Goodwill, intangible and other noncurrent assets" account.

Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments). Upon initial recognition, the Group can elect to classify its equity investments as equity instruments at FVOCI, irrevocably, when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

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

As at June 30, 2023 and 2022, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI (see Note 15).

Financial assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

As at June 30, 2023 and 2022, the Group's listed equity investments for trading are classified as financial assets at FVPL (see Note 9).

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial assets are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses external credit ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECL. For exposures without external credit ratings, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Determining the stage for impairment
The Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of a default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

The Group applies a simplified approach in calculating ECLs for receivables from students. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

Modification of Financial Assets
Where possible, the Group seeks to modify or renegotiate the terms of its receivables from other parties. This may involve extending payment due dates, changing interest rates and agreeing to new payment conditions. The Group continuously reviews such accounts after modification of terms to ensure that payments are still likely to occur. The Group may also subsequently determine that the credit risk on such assets has significantly improved after modification, depending on the credit performance of the assets.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, an entity shall recalculate the gross carrying amount of the financial asset and shall recognize a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Write-off Policy
The Group writes off a financial asset after a certain period since the time the receivable has been determined to be impaired. Receivables are written off when the bad debts are likely to be irrecoverable and/or it is uneconomic to pursue further the collection of the receivable after efforts made by the Group.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

In June 2023 and July 2022, the BOD of STI ESG approved an interim policy for the deferral of the write-off of STI ESG's receivables for the years ended June 30, 2023 and 2022, respectively.

Reclassification of Financial Assets
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

A change in the objective of the Group's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred all the risks and rewards of ownership of the asset substantially, or (b) the Group has neither transferred nor retained all the risks and rewards of the asset substantially, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

b. Financial liabilities

Initial Recognition
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs which include the Group's bond issuance costs, such as taxes and various fees paid to investment banks, law firms, auditors, regulators, and so on.

The Group does not have financial liabilities at FVPL. The Group's financial liabilities as at June 30, 2023 and 2022 are measured at amortized cost.

Subsequent Measurement

Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), lease liabilities, and other noncurrent liabilities (excluding advance rent and deferred lease liability) (see Notes 17, 18, 19 and 20).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Exchange or Modification of Financial Liability

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss in the consolidated statement of comprehensive income.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Offsetting of Financial Instruments
Financial assets and liabilities are offset with the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories
Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted-average method. Net realizable value of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. Net realizable value of promotional materials and school materials and supplies is the current replacement cost.

Prepaid Expenses and Other Current Assets
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by Philippine taxation laws and regulations. CWT is presented as part of "Prepaid taxes" under the "Prepaid expenses and other current assets" account in the consolidated statement of financial position. CWT is stated at its estimated net realizable value.

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Investment properties are not depreciated or amortized once classified as held for sale. Equity method of accounting for investment in shares of an associate ceases upon classification of the investment as a noncurrent asset held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment
The Group's property and equipment consists of land, buildings, equipment, furniture and fixtures, leasehold improvements, library holdings, construction in-progress and right-of-use assets (ROU) that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives or lease term (in the case of ROU assets), whichever is shorter:

Buildings	20 to 25 years
Office and school equipment	5 to 15 years
Office furniture and fixtures	5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	5 years
Computer equipment and peripherals	3 years
Library holdings	5 years
Right-of-use asset – land	25 years
Right-of-use asset – building	2 to 10 years
Right-of-use asset – transportation equipment	3 to 5 years

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation or amortization is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the costs of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for operational use.

Investment Properties

Investment properties include land and buildings held by the Group for capital appreciation and rental purposes. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Depreciation of buildings is computed on a straight-line basis over 20 to 25 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of the property for subsequent accounting is its carrying value at the date of the change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for use, capital appreciation and or rental purposes.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalizable rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during the year shall not exceed the amount of borrowing costs incurred during that year.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred in the year in which they occur.

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

The Group has interest in Philippine Healthcare Educators, Inc. (PHEI), a joint venture company. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's interest in associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there is a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint venture and the Parent Company are identical, except for Global Resource for Outsourced Workers, Inc. (GROW) which has December 31 as its financial reporting date, and the associates' and joint ventures' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint ventures and the financial reporting date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of the Group, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2023		2022		2021	
Associate	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [(a)]	Medical and related Services	**49**	–	49	–	49	–
STI Alabang [(b)]	Educational Institution	–	–	40	–	40	–
STI – College Marikina, Inc. (STI Marikina)	Educational Institution	**24**	–	24	–	24	–
GROW	Recruitment Agency	**17**	**3**	17	3	17	3
STI Holdings (see Note 4)	Holding Company	**5**	–	5	–	5	–

[(a)] *Dormant entity*

[(b)] *On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Notes 13 and 31). STI Alabang became a wholly-owned subsidiary of STI ESG as at June 30, 2023.*

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has assessed the intangible assets as having a finite useful life which is the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of three years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint venture, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Provisions for impairment are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized provisions for impairment may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last provision for impairment was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization (in the case of property and equipment, investment properties and intangible assets), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGUs to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Unearned Tuition and Other School Fees
Unearned tuition and other school fees represent contract liabilities which refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). This also includes advance

payment for tuition and other school fees for the school year commencing after the financial reporting date. This represents contract liabilities under PFRS 15, *Revenue from Contracts with Customers*.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, such as under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as "Interest expense" in the consolidated statement of comprehensive income.

Capital Stock and Additional Paid-in Capital
Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of the consideration received in excess of par value are recognized as additional paid-in capital.

Treasury Stocks
Own equity instruments which are reacquired (treasury stocks) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in capital.

Retained Earnings and Dividend on Common Stock of the Parent Company
The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and reduced by dividends on capital stocks. Dividends on capital stocks are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings/Loss per Share Attributable to the Equity Holders of the Parent Company
Earnings/loss per share is computed by dividing net income/loss attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to stock split and stock dividend declaration, if any.

Diluted earnings/loss per share is calculated by dividing the net income/loss attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue Recognition
Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and

bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following are contract balances relative to PFRS 15:

Receivables. Receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs under the contract. The Group's "Unearned tuition and other school fees" account represents contract liabilities which will be recognized as revenue when the related educational services are rendered. This includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time and is recognized as income over the corresponding school term to which they pertain on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the "Unearned tuition and other school fees" account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenues from educational services and royalty fees are satisfied over time based on a percentage of monthly franchise receipts and are recognized in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods is transferred to the customer.

Other Revenues. Other revenues include income related to the software license subscriptions provided to franchised schools. These revenues are satisfied at a point in time and are recognized at the time of sale when control or rights to the goods or services are transferred to the customer.

The following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group's right to receive the payment is established.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the year these are incurred.

Pension Cost

The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
Parent Company	Funded, noncontributory defined benefit plan
Subsidiaries (except De Los Santos-STI College and STI Quezon Avenue)	Unfunded, noncontributory defined benefit plan
De Los Santos-STI College and STI Quezon Avenue	Funded, defined contribution plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as an expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed for some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI Quezon Avenue were members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP) up to May 2022. CEAP's coverage was a funded, noncontributory, defined contribution plan for De Los Santos-STI College's and STI Quezon Avenue's qualified employees under which De Los Santos-STI College and STI Quezon Avenue paid fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI Quezon Avenue, however, were covered under RA No. 7641, the Philippine Retirement Law, which provided for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee was equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, De Los Santos-STI College and STI Quezon Avenue accounted for their retirement obligations under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the defined contribution (DC) plan. For the DB minimum guarantee plan, the liability was determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation was calculated annually by a qualified independent actuary using the projected unit credit method. The net interest expense (income) on the net DB liability (asset) for the period were determined by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan were recognized in profit or loss.

The DC liability, on the other hand, was measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this was reflected in the DC benefits. Remeasurements of the net DB liability, which comprised actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), were recognized immediately in OCI.

When the benefits of a plan were changed or when a plan was curtailed, the resulting change in the benefit that relates to past service or the gain or loss on curtailment was recognized immediately in profit or loss. De Los Santos-STI College and STI Quezon Avenue recognized gains or losses on the settlement of a DB plan when the settlement occurred (see Note 28).

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

Right-of-use assets
The Group classifies its ROU assets as part of property and equipment. Refer to the accounting policies in Property and Equipment.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases with Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification
Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to a lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. A lessee recognizes the effect of the rent concession by recognizing the reduction in payment as other income in profit or loss in the consolidated statement of comprehensive income.

Group as a Lessor. The Group had lease agreements for the lease of its investment properties. These leases, where the Group retains all the risks and benefits of ownership of the asset substantially, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the “Prepaid expenses and other current assets” or “Accounts payable and other current liabilities” accounts in the consolidated statement of financial position.

Operating Segment
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3 to the consolidated financial statements.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post-year-end events that provide additional information about the Group’s financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. **Segment Information**

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

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

Management monitors 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 consolidated financial statements.

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

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

	June 30		
	2023	2022	2021
Consolidated net income (loss)	**₱621,935,112**	₱253,264,230	(₱60,055,601)
Depreciation and amortization[1] (see Notes 11, 12, 16, 24 and 26)	**420,842,361**	422,934,908	425,962,749
Interest expense[1] (see Notes 18, 19, 23 and 29)	**256,614,538**	268,022,014	278,642,040
Interest income (see Notes 5, 6 and 23)	**(18,288,499)**	(37,529,266)	(3,738,387)
Provision for (benefit from) income tax	**(15,431,070)**	12,063,298	20,173,492
Equity in net losses (earnings) of associates and joint venture (see Note 13)	**(15,161,635)**	12,001,488	(3,661,134)
Foreign exchange gain - net	**(2,455,546)**	(45,835,048)	(4,005,931)
Fair value loss on equity instruments at FVPL	**620,000**	387,500	–
Gain on settlement of receivables, net of provision for impairment of noncurrent asset held for sale (see Notes 10 and 12)	**–**	(10,832,534)	–
Income on rent concessions[2] (see Note 29)	**–**	(6,054,606)	(17,677,038)
Gain on sale of noncurrent asset held for sale[3] (see Note 10)	**–**	–	(15,460,821)
Loss on loan modification (see Note 18)	**–**	–	8,298,502
Consolidated EBITDA	**₱1,248,675,261**	₱868,421,984	₱628,477,871

[1]*Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*

[2]*Presented as part of "Other income (expenses) - net"*

[3]*Net of capital gains tax amounting to ₱45.9 million paid during the year ended June 30, 2021.*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information for the years ended June 30, 2023, 2022 and 2021, and certain assets and liabilities information as at June 30, 2023 and 2022 regarding geographical segments:

	For the year ended June 30, 2023					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	**₱1,407,024,660**	**₱239,585,468**	**₱835,133,394**	**₱34,789,700**	**₱66,618,865**	**₱2,583,152,087**
Results						
Income before other income (expenses) and income tax	**₱296,388,950**	**₱59,994,011**	**₱345,144,878**	**₱4,643,863**	**₱2,181,611**	**₱708,353,313**
Equity in net earnings of associates and joint venture	**15,161,635**	**–**	**–**	**–**	**–**	**15,161,635**
Interest expense	**(263,216,828)**	**(3,865,002)**	**(5,278,958)**	**(1,501,233)**	**(2,057,151)**	**(275,919,172)**
Interest income	**18,121,703**	**29,320**	**123,621**	**6,322**	**7,533**	**18,288,499**
Other income[a]	**133,059,561**	**1,159,502**	**5,667,640**	**337,289**	**395,773**	**140,619,7**
Benefit from (provision for) income tax	**15,209,513**	**577,047**	**(355,163)**	**(327)**	**–**	**15,431,070**
Net Income	**₱214,647,640**	**₱57,894,878**	**₱345,302,018**	**₱3,485,914**	**₱527,766**	**₱621,935,112**
EBITDA						**₱1,248,675,261**

	As at June 30, 2023					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[b]	**₱8,192,277,712**	**₱717,138,215**	**₱1,382,644,996**	**₱77,062,329**	**₱126,266,793**	**₱10,495,390,045**
Goodwill (see Note 16)	**250,898,081**	**–**	**–**	**–**	**–**	**250,898,081**
Investments in and advances to associates and joint venture (see Note 13)	**493,988,698**	**–**	**–**	**–**	**–**	**493,988,698**
Deferred tax assets - net (see Note 30)	**32,396,464**	**3,065,113**	**4,796,366**	**41,555**	**1,695,394**	**41,994,892**
Total Assets	**₱8,969,484,059**	**₱720,203,328**	**₱1,387,441,362**	**₱77,103,884**	**₱127,962,187**	**₱11,282,271,716**
Segment liabilities[c]	**₱434,942,339**	**₱59,149,312**	**₱115,631,192**	**₱9,274,759**	**₱32,588,682**	**₱651,586,284**
Interest-bearing loans and borrowings (see Note 18)	**931,903,301**	**–**	**–**	**–**	**–**	**931,903,301**
Bonds payable (see Note 19)	**2,988,422,984**	**–**	**–**	**–**	**–**	**2,988,422,984**
Pension liabilities (see Note 28)	**58,791,356**	**5,775,501**	**12,226,482**	**116,334**	**2,519,932**	**79,429,605**
Lease liabilities (see Note 29)	**120,644,554**	**57,706,097**	**103,871,119**	**25,298,373**	**28,215,797**	**335,735,940**
Total Liabilities	**₱4,534,704,534**	**₱122,630,910**	**₱231,728,793**	**₱34,689,466**	**63,324,411**	**₱4,987,078,114**
Other Segment Information						
Capital expenditures for property and equipment						**₱305,656,075**
Depreciation and amortization[d]						**420,842,361**
Noncash expenses other than depreciation and amortization						**77,623,352**

[a] *Other income (expenses) exclude equity in net earnings of associates and joint venture, interest expense and interest income.*
[b] *Segment assets exclude goodwill, investments in and advances to associates and joint venture, 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.*

	For the year ended June 30, 2022					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,111,922,332	₱189,663,625	₱680,470,698	₱33,122,119	₱64,809,994	₱2,079,988,768
Results						
Income (loss) before other income (expenses) and income tax	₱138,811,721	₱31,823,797	₱246,948,516	₱2,210,859	(₱3,002,860)	₱416,792,033
Equity in net losses of associates and joint venture	(12,001,488)	–	–	–	–	(12,001,488)
Interest expense	(275,578,250)	(3,883,675)	(6,249,868)	(800,233)	(2,758,723)	(289,270,749)
Interest income	37,302,516	32,615	163,395	5,900	24,840	37,529,266
Other income[a]	111,585,356	–	693,110	–	–	112,278,466
Benefit from (provision for) income tax	(12,459,165)	1,302,025	(848,610)	(57,548)	–	(12,063,298)
Net Income (Loss)	(₱12,339,310)	₱29,274,762	₱240,706,543	₱1,358,978	(₱5,736,743)	₱253,264,230
EBITDA						₱868,421,984

	As at June 30, 2022					
	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 16)	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 (see Note 30)	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	₱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 18)	1,212,232,481	–	–	–	–	1,212,232,481
Bonds payable (see Note 19)	2,980,515,064	–	–	–	–	2,980,515,064
Pension liabilities (see Note 28)	43,855,047	5,482,854	11,382,893	773,365	1,887,873	63,382,032
Lease liabilities (see Note 29)	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						₱114,733,058
Depreciation and amortization[d]						422,934,908
Noncash expenses other than depreciation and amortization						130,924,804

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

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

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

[h] *Depreciation and amortization exclude those related to ROU assets.*

	For the year ended June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱876,770,215	₱138,515,524	₱523,630,921	₱31,669,548	₱49,997,624	₱1,620,583,832
Results						
Income (Loss) before other income (expenses) and income tax	(₱35,310,021)	(₱2,584,788)	₱179,615,112	₱2,083,205	(₱8,219,803)	₱135,583,705
Equity in net income of associates and joint venture	3,661,134	–	–	–	–	3,661,134
Interest expense	(286,564,573)	(4,989,637)	(7,057,175)	(740,878)	(2,925,570)	(302,277,833)
Interest income	3,411,504	55,958	243,715	16,015	11,195	3,738,387
Other income[(a)]	105,548,847	7,362,793	2,895,222	975,938	2,629,698	119,412,498
Benefit from (provision for) income tax	(20,201,334)	(189,770)	498,048	(200,036)	(80,400)	(20,173,492)
Net Income (Loss)	(₱229,454,443)	(₱345,444)	₱176,194,922	₱2,134,244	(₱8,584,880)	(₱60,055,601)
EBITDA						₱628,477,871

	As at June 30, 2021					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(b)]	₱8,446,986,800	₱813,510,696	₱1,055,085,741	₱63,120,723	₱149,568,632	₱10,528,272,592
Goodwill (see Note 16)	231,680,294	–	–	–	–	231,680,294
Investments in and advances to associates and joint venture (see Note 13)	503,805,031	–	–	–	–	503,805,031
Deferred tax assets - net (see Note 30)	19,864,358	1,273,873	5,653,273	176,792	1,677,763	28,646,059
Total Assets	₱9,202,336,483	₱814,784,569	₱1,060,739,014	₱63,297,515	₱151,246,395	₱11,292,403,976
Segment liabilities[(c)]	₱570,479,649	₱54,233,156	₱107,450,933	₱17,679,297	₱38,137,730	₱787,980,765
Interest-bearing loans and borrowings (see Note 18)	1,333,358,223	–	–	–	–	1,333,358,223
Bonds payable (see Note 19)	2,973,082,875	–	–	–	–	2,973,082,875
Pension liabilities (see Note 28)	41,949,032	5,293,944	10,473,090	740,857	1,886,039	60,342,962
Lease liabilities (see Note 29)	121,999,174	68,171,906	99,537,001	8,105,526	37,353,339	335,166,946
Total Liabilities	₱5,040,868,953	₱127,699,006	₱217,461,024	₱26,525,680	₱77,377,108	₱5,489,931,771
Other Segment Information						
Capital expenditures for property and equipment						₱284,980,136
Depreciation and amortization[(d)]						425,962,749
Noncash expenses other than depreciation and amortization						68,250,011

[(i)] *Other income (expenses) exclude equity in net earnings of associates and joint venture, interest expense and interest income.*
[(j)] *Segment assets exclude goodwill, investments in and advances to associates and joint venture, noncurrent asset held for sale and net deferred tax assets.*
[(k)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, pension liabilities and lease liabilities.*
[(l)] *Depreciation and amortization exclude those related to ROU assets.*

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

In response to the COVID-19 outbreak, which has caused global economic disruption, STI ESG has implemented programs to minimize the risks related to COVID-19 and continue its operations.

Management has considered the potential impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates and there are no changes to the significant judgments and estimates in the June 30, 2023 consolidated financial statements from those applied in previous financial periods, other than for those disclosed under this section.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Group's consolidated financial statements.

Recognition of revenue from tuition and other school fees, educational services and royalty fees over time. The Group concluded that tuition and other school fees, educational services, and royalty fees are to be recognized over time on the basis of time lapsed over the service period as it provides a representation of the Group's performance in transferring control of the services to the students and franchisees, respectively. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the students and franchisees simultaneously receive and consume the benefits of the Group's performance as it performs.

Recognition of revenue from the sale of educational materials and supplies at the point in time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer has a present right to payment for the asset and the Group has transferred physical possession of the asset.

Determination of Control Arising from a Management Contract. The Parent Company has management contract with STI Caloocan. Management has concluded that the Parent Company, in substance, has the power to direct its relevant activities and has the means to obtain the majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control of STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Significant Influence on an Associate. The Parent Company has an equity interest of 5.05% in STI Holdings (see Note 13). However, management has assessed that it has retained significant influence through interlocking members of the BOD and key management personnel. Accordingly, the Parent Company continues to classify these shares of stock held as an investment in an associate.

Noncurrent Asset Held for Sale. Property Acquired through Extrajudicial Foreclosure Sale - As discussed in Note 10, the receivable from STI Tanay is secured by real estate mortgages over certain properties which include STI Tanay's land and building, including improvements thereon, and a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property).

As at June 30, 2022, management considered the Pasig Property to have met the criteria to be classified as held for sale for the following reasons:

- STI Tanay and the mortgagors have a one-year redemption period from the date the certificate of sale was annotated (i.e., August 5, 2021); hence, management expects to complete the sale within one year from the date of classification
- The Pasig Property is available for immediate sale/redemption in its present condition
- The Pasig Property will be redeemed at a reasonable price in relation to its fair value
- STI Tanay is the specified buyer of the property and actions to complete the redemption have been initiated

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell in the consolidated statement of financial position as at June 30, 2022.

Maestro Holdings - On June 27, 2017, STI ESG's BOD approved the disposal of STI ESG's shares in Maestro Holdings to enable STI ESG to focus on its core business of offering educational services. Management considered the investment in the shares of Maestro Holdings to have met the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposal of the shares in Maestro Holdings
- The investment in the shares of Maestro Holdings is available for immediate sale in its present condition
- The shares will be sold at a price approximating its current fair value
- Actions to locate a buyer and complete the sale have been initiated
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, STI ESG ceased the use of the equity method of accounting for the investment in Maestro Holdings effective June 30, 2017 and was carried at the lower of its carrying amount and fair value less costs to sell.

On September 24, 2020, STI ESG's BOD approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, the BOD of STI ESG approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for and on behalf of its segregated portfolio Cam Sea Special Opportunities Fund Segregated Portfolio (Chita SPC Limited), for a purchase price of US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG (see Note 10).

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to the collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 34).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of expected credit losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

  Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of default*
  The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss given default*
  LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at default*
  EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified approach for receivables from students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group will then adjust the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of COVID-19 pandemic on the ECLs of its financial instruments, mainly receivables from students. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information as at report date.

Incorporation of forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL (net of reversal) amounting to ₱60.8 million, ₱114.4 million and ₱48.6 million for the years ended June 30, 2023, 2022 and 2021, respectively. Allowance for ECL on receivables amounted to ₱290.3 million and ₱244.7 million as at June 30, 2023 and 2022, respectively. The carrying amounts of receivables as at June 30, 2023 and 2022 are disclosed in Note 6 to the consolidated financial statements.

Valuation of Noncurrent Assets Held for Sale. PFRS 5 requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount.

As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million (nil as at June 30, 2023) which represents the carrying value of Pasig Property was redeemed by STI Tanay/the mortgagors in July 2022 (see Note 10).

Provision for impairment loss on noncurrent assets held for sale amounted to ₱34.3 million for the year ended June 30, 2022. No impairment was recognized for the years ended June 30, 2023 and 2021.

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties, excluding land, and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on the economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There was no change in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2023 and 2022. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2023	2022
Property and equipment (see Note 11)	**₱4,973,070,115**	₱5,148,047,561
Investment properties (see Note 12)	**470,511,995**	474,215,142
Intangible assets (see Note 16)	**32,667,775**	33,126,676

Impairment of Nonfinancial Assets. PFRS requires nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include property and equipment, investment properties, investment in and advances to associates and joint venture, intangible assets and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While STI ESG believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

The carrying value of property and equipment, investment properties, investments in and advances to subsidiaries, associates and joint venture, intangible assets and other noncurrent assets are disclosed in Notes 10, 11, 12, 13, 14 and 16, respectively.

The Group recognized a provision for impairment of investments in and advances to associates and joint venture amounting to ₱10.3 million for the year ended June 30, 2021. No impairment was recognized for the years ended June 30, 2023 and 2022. As at June 30, 2023 and 2022, the carrying value of the investments in and advances to subsidiaries, associates and joint venture amounted to ₱493.9 million and ₱487.0 million, respectively (see Note 13).

Impairment of Goodwill and Intangible Assets with Indefinite Useful Life. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date.

It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill and intangible assets with indefinite useful life which are subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill and intangible assets with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impacts and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting period was conducted.

The recoverable amounts of CGUs have been determined based on the value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate ranging from 10.18% to 10.84% and from 12.9% to 13.9% were used as at June 30, 2023 and 2022, respectively. The growth rate used in extrapolating the cash flows beyond the period covered by the CGU's recent budgets was 5.00%.

Impairment testing as at June 30, 2023 and 2022 showed that the CGUs' recoverable amounts were greater than their carrying amounts, except for STI Iloilo. The Group recognized a provision for impairment of goodwill amounting to ₱3.8 million for the year ended June 30, 2022. No impairment was recognized for the years ended June 30, 2023 and 2021. Goodwill amounted to ₱250.9 million and ₱227.9 million as at June 30, 2023 and 2022, respectively; while intangible assets with indefinite useful life amounted to ₱32.7 million and ₱33.1 million as at June 30, 2023 and 2022, respectively (see Note 16).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized as at June 30, 2023 and 2022 are disclosed in Note 30 to the consolidated financial statements.

Measurement of Lease Liability. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*
  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*
  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2023 and 2022 are disclosed in Note 29 to the consolidated financial statements.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 28 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying values of pension assets and pension liabilities as at June 30, 2023 and 2022 are disclosed in Note 28 to the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand and in banks	**₱751,428,149**	₱832,691,411
Cash equivalents	**820,309,484**	409,838,054
	₱1,571,737,633	₱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 ₱12.5 million, ₱2.6 million and ₱2.8 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

6. **Receivables**

This account consists of:

	2023	2022
Tuition and other school fees	**₱471,046,281**	₱528,848,458
Educational services and sale of educational materials and supplies	**63,793,857**	87,504,908
Rent, utilities, and other related receivables	**56,455,263**	34,029,520
Advances to officers and employees (see Note 31)	**23,348,967**	15,632,949
Receivable from STI Tanay	**–**	6,758,041
Others	**17,715,312**	17,036,079
	632,359,680	689,809,955
Less allowance for expected credit losses	**290,348,725**	244,683,777
	₱342,010,955	₱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 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively. Receivables from DBP amounted to ₱1.6 million and ₱2.0 million as at June 30, 2023 and 2022, respectively.

   These receivables are non-interest-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 ₱5.8 million, ₱2.0 million and ₱0.9 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

c. Rent, utilities, and other related receivables are normally collected within the next year (see Note 29).

d. Advances to officers and employees represent advances for official business expenses which are necessary and reasonable to carry out the operations of head office and the schools. These advances are normally liquidated within one month from the date the advances are obtained.

e. Receivable from STI Tanay as of June 30, 2022 substantially represents the receivable for educational services rendered by STI ESG to the franchisee. Pursuant to the Memorandum of Agreement (the "Agreement") dated July 29, 2022 between STI ESG and STI Tanay, the receivables of STI Tanay from DepEd arising from SHS vouchers which are unpaid as of the date of the Agreement have been assigned in favor of STI ESG as payment for this outstanding receivable (see Notes 10 and 12). STI ESG recognized a provision for doubtful accounts on receivable from STI Tanay amounting to ₱6.8 million for the year ended June 30, 2022. These receivables from DepEd have been collected in full as at June 30, 2023 resulting in the reversal of the equivalent allowance for ECL for the year ended June 30, 2023.

f. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.6 million, ₱6.5 million and ₱5.2 million, respectively, as at June 2023 and amounting to ₱1.6 million, ₱6.7 million and ₱4.0 million, respectively, as at June 2022. These receivables are expected to be collected within the next fiscal year.

The movements in allowance for expected credit losses are as follows:

	2023		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱228,495,114**	**₱16,188,663**	**₱244,683,777**
Provisions (reversal) (see Note 26)	**65,344,608**	**(4,510,781)**	**60,833,827**
Effect of business combination (see Note 39)	**2,190,557**	**–**	**2,190,557**
Write-off	**(17,359,436)**	**–**	**(17,359,436)**
Balance at end of year	**₱278,670,843**	**₱11,677,882**	**₱290,348,725**

	2022		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱132,433,097	₱6,369,483	₱138,802,580
Provisions (see Note 26)	104,607,244	9,819,180	114,426,424
Write-off	(8,545,227)	–	(8,545,227)
Balance at end of year	₱228,495,114	₱16,188,663	₱244,683,777

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱10.1 million, ₱9.2 million and ₱6.4 million for the years ended June 30, 2023, 2022 and 2021, respectively.

7. **Inventories**

This account consists of:

	2023	2022
At cost:		
Educational materials:		
Uniforms	**₱95,765,980**	₱128,580,366
Textbooks and other education-related materials	**9,574,986**	10,459,842
	105,340,966	139,040,208
Promotional materials:		
Proware materials	**13,621,873**	10,874,120
Marketing materials	**428,244**	387,296
	14,050,117	11,261,416
School materials and supplies	**5,836,165**	3,411,607
	₱125,227,248	₱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 June 30, 2023 and 2022. Allowance for inventory obsolescence amounted to ₱24.1 million and ₱18.5 million as at June 30, 2023 and 2022, respectively. Additional provision for inventory obsolescence resulting from the excess of cost over the net realizable value of these obsolete inventories recognized for the years ended June 30, 2023, 2022 and 2021 amounted to ₱5.6 million, ₱2.0 million and ₱0.8 million, respectively (see Note 26).

Inventories charged to cost of educational materials and supplies sold amounted to ₱83.1 million, ₱23.8 million and ₱19.4 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 25).

8. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2023	2022
Prepaid taxes	**₱55,039,332**	₱40,051,103
Input VAT – net	**24,862,201**	9,872,870
Advances to suppliers	**18,245,027**	–
Prepaid subscriptions and licenses	**12,292,941**	9,854,663
Software maintenance cost	**1,480,531**	1,743,610
Prepaid insurance	**736,637**	563,395
Prepaid internet cost	**87,916**	126,227
Others	**2,107,728**	4,020,305
	₱114,852,313	₱66,232,173

Prepaid taxes represent excess prior year's credits and creditable withholding taxes which will be applied against future income tax due. This account also includes prepayments for business taxes which will be recognized as expenses over the period covered.

Net input VAT represents the remaining balance after application against output VAT and is recoverable in future periods. Input VAT as at June 30, 2023 is primarily from the acquisition of two parcels of land in Meycauayan City, Bulacan (see Note 12). This account also includes input VAT recognized on the purchase of other goods and services.

Advances to suppliers as at June 30, 2023 primarily relate to prepayments for the procurement of students' school uniforms in preparation for the upcoming SY 2023-2024.

Prepaid subscriptions and licenses substantially pertain to Microsoft license, eLMS, Firewall and Adobe Acrobat subscriptions which were paid in advance in preparation for the succeeding school year. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Software maintenance costs include annual support and maintenance charges for the use of accounting and enrollment systems which are recognized as expense over time in accordance with the terms of the respective agreements.

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

Prepaid internet cost represents the remaining funds in the schools' load wallet for data connectivity and is primarily used for the schools' marketing activities.

During SY 2021-2022, STI ESG purchased 4,000 COVID-19 vaccine doses amounting to ₱5.4 million in its continued commitment to the health and safety of its employees and in support of the government's national vaccination program. The unutilized portion amounting to ₱2.9 million was recognized as part of other prepaid expenses as at June 30, 2022. The cost of these vaccines has been fully expensed as at June 30, 2023.

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

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱9.0 million and ₱9.6 million as at June 30, 2023 and 2022, respectively.

In September 2021, STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱0.6 million and ₱0.4 million for the years ended June 30, 2023 and 2022, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.6 million and ₱0.4 million for the years ended June 30, 2023 and 2022, respectively.

10. **Noncurrent Asset Held for Sale**

Property Acquired through Extrajudicial Foreclosure
Pursuant to a deed of assignment executed by STI ESG and DBP in 2019, DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

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

Fees aggregating to ₱8.8 million, representing legal and filing fees, publication, and other costs from the execution of the deed of assignment by and between DBP and STI ESG were incurred up to the dates of the extrajudicial foreclosure sale of the mortgaged real estate properties situated in Pasig City and Tanay, Rizal. STI ESG recognized as interest income the accrued interests and default charges on the assigned loans of STI Tanay aggregating to ₱33.0 million in 2022. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG up to the date of the extrajudicial foreclosure sale of the real estate mortgaged as collateral on the loans.

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

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

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

As at June 30, 2022, noncurrent asset held for sale of ₱19.0 million represents the carrying value of Pasig Property which was redeemed by STI Tanay/the mortgagors in July 2022.

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the "Agreement") for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG; (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG (future collections to be applied to receivable for educational services from STI Tanay); (4) assignment of STI Tanay's rights to the use of the name of STI College Tanay"; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized noncurrent asset held for sale amounting to ₱19.0 million (see Notes 11 and 12).

Maestro Holdings
On June 27, 2017, STI ESG's BOD approved the disposal of STI ESG's 20% stake in Maestro Holdings to enable the Group to focus on its core business of offering educational services. With the classification as noncurrent asset held for sale on June 30, 2017, STI ESG ceased the use of the equity method of accounting for its investment in Maestro Holdings and the investment was carried at the lower of its carrying amount or fair value less costs to sell. No provision for impairment was recognized prior to the sale.

On September 24, 2020, STI ESG's BOD approved the sale to a third-party investor for a consideration higher than its present carrying value, subject to completion of certain closing conditions.

On December 11, 2020, STI ESG's BOD approved the sale of STI ESG's 20% stake in Maestro Holdings to Chita SPC Limited, for a purchase price of US$10.0 million, subject to such terms and conditions as are beneficial to the interest of STI ESG.

On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale wherein the latter offered to purchase all 1,281,484 shares of STI ESG in Maestro Holdings representing 20% ownership, for a total consideration of US$10.0 million, equivalent to ₱480.5 million. The amount of US$10.0 million has been fully paid to STI ESG. This transaction resulted in a gain amounting to ₱15.5 million (net of capital gains tax of ₱45.9 million) which is presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the selling price of ₱480.5 million and the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15% of the ₱306.4 million, which is the difference between the selling price and the acquisition cost of investment amounting to ₱174.1 million. The sale also resulted in the reclassification of other comprehensive income associated with noncurrent asset held for sale to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively (see Note 21).

11. **Property and Equipment**

The rollforward analyses of this account are as follows:

	2023												
	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	–	**40,732,456**	**29,885,200**	**10,421,642**	**7,190,502**	**1,599,200**	**34,547,563**	**2,738,404**	**30,541,347**	–	**75,917,367**	**9,405,873**	**242,979,554**
Disposal	–	–	**(89)**	**(68)**		–	**(54)**	**(46)**	–	–	–	–	**(257)**
Reclassification from investment properties (see Note 12)	**46,593,333**	**69,136,320**	–	–	–	–	–	–	–	–	–	–	**115,729,653**
Reclassification to investment properties (see Note 12)	**(40,497,071)**	**(20)**	–	–	–	–	–	–	–	–	–	–	**(40,497,091)**
Lease termination/modification (see Note 29)	–	–	–	–	–	–	–	–	–	–	**(1,156,865)**	**(1,588,667)**	**(2,745,532)**
Effect of business combination (see Note 39)	–	–	**123,199**	–	**40,505**	**1**	**1,860,144**	**139,042**	–	–	–	–	**2,162,891**
Depreciation and amortization (see Notes 24 and 26)	–	**(273,308,275)**	**(62,336,113)**	**(16,818,343)**	**(16,131,518)**	**(214,056)**	**(19,026,302)**	**(5,953,008)**	–	**(8,105,137)**	**(46,505,522)**	**(7,570,781)**	**(455,969,055)**
Balance at end of year	**₱2,496,599,185**	**₱4,494,444,742**	**₱110,214,053**	**₱27,679,382**	**₱13,734,407**	**₱1,453,695**	**₱42,424,554**	**₱12,076,809**	**₱35,995,589**	**₱114,453,562**	**₱143,839,829**	**₱12,749,082**	**₱7,505,664,889**
At June 30, 2023													
Cost	**₱2,496,599,185**	**₱6,556,588,274**	**₱781,083,400**	**₱325,556,549**	**₱183,762,696**	**₱9,832,517**	**₱428,742,761**	**₱132,656,706**	**₱35,995,589**	**₱148,128,581**	**₱290,789,014**	**₱56,238,544**	**₱11,445,973,816**
Accumulated depreciation and amortization	–	**(2,062,143,532)**	**(670,869,347)**	**(297,877,167)**	**(170,028,289)**	**(8,378,822)**	**(386,318,207)**	**(120,579,897)**	–	**(33,675,019)**	**(146,949,185)**	**(43,489,462)**	**(3,940,308,927)**
Net book value	**₱2,496,599,185**	**₱4,494,444,742**	**₱110,214,053**	**₱27,679,382**	**₱13,734,407**	**₱1,453,695**	**₱42,424,554**	**₱12,076,809**	**₱35,995,589**	**₱114,453,562**	**₱143,839,829**	**₱12,749,082**	**₱7,505,664,889**

	2022												
	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 (see Note 29)	–	–	–	–	–	–	–	–	–	5,842,960	(1,606,851)	(117,605)	4,118,504
Depreciation and amortization (see Notes 24 and 26)	–	(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 ₱1,369.4 million and ₱1,289.0 million as at June 30, 2023 and 2022, respectively. There were no idle property and equipment as at June 30, 2023 and 2022.

Additions

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from “Investment Properties” to “Property and Equipment” in September 2022 upon transfer of STI Quezon Avenue’s operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 12).

Property and Equipment under Construction. As at June 30, 2023, the remaining construction-in-progress primarily pertains to several exterior and interior renovation projects for certain wholly-owned schools of STI ESG. This is in preparation for SY 2023-2024. The related contract costs for these projects aggregated to ₱55.5 million. Majority of these projects were completed as at report date while the rest are expected to be completed within the first semester of SY 2023-2024.

As at June 30, 2022, the remaining construction-in-progress amounting to ₱5.5 million pertains to the construction of a pedestrian overpass which aims to ensure the safety of the students of STI Las Piñas. The related contract cost is ₱7.0 million. This project remains in progress as at June 30, 2023 and is expected to be completed within the next school year.

The renovation works for STI Tanauan and STI Baguio were completed in January 2022, while the renovation works for STI Naga were completed in March 2022. The contract costs of these projects, which were recognized largely as part of the cost of building improvements under “Property and equipment”, aggregated to ₱20.1 million, inclusive of materials, cost of labor and overhead and all other costs necessary for the completion of the projects.

The construction of the new STI Academic Center Legazpi was completed in August 2021 with a total project cost amounting to ₱282.9 million, inclusive of materials, cost of labor and overhead and all other costs to put up the school. Located at Rizal St., Cabangan East in Legazpi City, the four-storey school building was built on a 4,149-square-meter property with an estimated capacity of 2,500 SHS and tertiary students. Similarly, the construction works for STI Training Academy’s assessment and training center were completed in October 2021. The related contract costs amounted to ₱15.3 million. The related construction costs for STI Legazpi and STI Training Academy were presented as part of “Property and equipment” as at June 30, 2022.

As at June 30, 2023, the remaining construction-in-progress account includes the canteen and basketball court roofing project for STI Legazpi. The associated contract cost for this project is ₱25.7 million, inclusive of materials, cost of labor and overhead and all other costs required for the completion of this project. This project is expected to be completed by end of 2023.

Capitalized Borrowing Costs. Total borrowing costs capitalized as part of property and equipment amounted to ₱2.8 million for the year ended June 30 2021 (nil for the years ended June 30, 2023 and 2022). The average interest capitalization rate was 5.62% for the year ended June 30, 2021 which was the effective rate of the borrowings.

Collaterals
Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at June 30, 2023 and 2022 (see Note 29). The net book value of these equipment amounted to ₱12.7 million and ₱12.5 million as at June 30, 2023 and 2022, respectively.

12. Investment Properties

The rollforward analyses of this account are as follows:

	2023			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Cost:				
Balance at beginning of year	**₱68,002,424**	**₱703,141,550**	**₱86,671,554**	**₱857,815,528**
Additions	**142,720,717**	**5,279,044**	**–**	**147,999,761**
Reclassification of completed construction-in-progress		**86,671,554**	**(86,671,554)**	**–**
Reclassification from property and equipment (see Note 11)	**40,497,071**	**55,298,011**	**–**	**95,795,082**
Reclassification to property and equipment (see Note 11)	**(46,593,333)**	**(70,825,763)**	**–**	**(117,419,096)**
Balance at end of year	**204,626,879**	**779,564,396**	**–**	**984,191,275**
Accumulated Depreciation:				
Balance at beginning of year	**–**	**228,926,408**	**–**	**228,926,408**
Depreciation (see Notes 24 and 26)	**–**	**26,517,445**	**–**	**26,517,445**
Reclassification from property and equipment (see Note 11)	**–**	**55,297,991**	**–**	**55,297,991**
Reclassification to property and equipment (see Note 11)	**–**	**(1,689,443)**	**–**	**(1,689,443)**
Balance at end of year	**–**	**309,052,401**	**–**	**309,052,401**
Net book value	**₱204,626,879**	**₱470,511,995**	**₱–**	**₱675,138,874**

	2022			
	Land	Condominium Units and Buildings	Construction- in-Progress	Total
Cost:				
Balance at beginning of year	₱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 year	68,002,424	703,141,550	86,671,554	857,815,528
Accumulated Depreciation:				
Balance at beginning of year	–	202,596,069	–	202,596,069
Depreciation (see Notes 24 and 26)	–	26,978,605	–	26,978,605
Reclassification to noncurrent asset held for sale (see Note 10)	–	(648,266)	–	(648,266)
Balance at end of year	–	228,926,408	–	228,926,408
Net book value	₱68,002,424	₱474,215,142	₱86,671,554	₱628,889,120

As at June 30, 2023 and 2022, investment properties primarily include buildings and condominium units of the Group which are held for office or commercial lease.

Description of valuation techniques used and key inputs to valuation of investment properties
The fair values of investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land
Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sales of similar or substitute properties and related market data and establishes a value estimate by process involving comparison. Listings and offerings may also be considered. Sales prices of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

Using the latest available valuation report as at June 30, 2023 and 2022, the following shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

	2023	2022
Fair value	**₱484,056,385**	₱178,303,600
Valuation Date	**June 2023/May 2022**	May 2022/March 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

The highest and best use of the land is commercial utility.

Condominium Units and Buildings
Level 3 fair values of condominium units and buildings have also been derived using the market approach.

Using the latest available valuation report as at June 30, 2023 and 2022, the following table shows the valuation technique used in measuring the fair value of the buildings, as well as the significant unobservable inputs used:

	2023	2022
Fair value	**₱1,597,923,000**	₱1,529,746,000
Valuation Date	**June 2023/May 2022**	May 2022/March 2020
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher fair value**	The higher the price per square meter, the higher fair value

The highest and best use of the condominium units and building is commercial utility.

Land Acquired through Deed of Absolute Sale. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees, from which STI ESG recognized input VAT amounting to ₱16.2 million (see Note 8).

This property is intended to be the future site of STI Academic Center Meycauayan. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered into by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property agreeing that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms expiring in 2024 up to 2025.

Reclassification from Property and Equipment. In 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of "Investment properties". The carrying value at the time of reclassification is ₱40.5 million (see Note 11). These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

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

Pursuant to the deed of assignment executed by STI ESG and DBP (see Note 10), STI ESG started the foreclosure proceedings for the Tanay property after several demand/collection letters were sent to Tanay. On March 15, 2022, the extrajudicial foreclosure sale for the Tanay Property was completed and STI ESG was declared as the winning bidder. On April 11, 2022, the Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the certificate of sale and the same was annotated on May 5, 2022. Consequently, STI ESG recognized the said property as part of land and building, under "Investment properties" at appraised values amounting to ₱44.1 million and ₱66.9 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱26.1 million was recognized as gain on settlement of receivables, presented as part of "Gain on settlement of receivables, net of provision for impairment of noncurrent held for sale" for the year ended June 30, 2022. On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million.

The Tanay property was subsequently reclassified from "Investment properties" to "Property and equipment" in September 2022 following the transfer of STI Quezon Avenue's operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 11).

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.

<u>Rental</u>
Rental income earned from investment properties amounted to ₱110.4 million, ₱50.1 million and ₱84.7 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties amounted to ₱6.8 million, ₱5.6 million and ₱5.7 million for the years ended June 30, 2023, 2022 and 2021, respectively.

13. **Investments in and Advances to Associates and Joint Venture**

The details and movements of this account are as follows:

	2023	2022
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of year	**(63,658,004)**	(46,652,187)
Equity in net earnings (losses) of associates and joint venture	**15,161,635**	(12,001,488)
Dividends received	**(7,506,493)**	(5,004,329)
Balance at end of year	**(56,002,862)**	(63,658,004)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of year	**750,782**	589,966
Remeasurement gain (loss) on pension liability	**(633,603)**	166,058
Unrealized fair value adjustment on equity instruments designated at FVOCI	**7,129**	(5,242)
Balance at end of year	**124,308**	750,782
	493,988,698	486,960,030
Advances (see Note 31)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱493,988,698	₱486,960,030

The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	2023	2022
Associates (see Note 31):		
STI Holdings	**₱473,239,081**	₱468,469,152
STI Accent*	**48,134,540**	48,134,540
GROW	**16,733,574**	14,289,422
Joint venture - PHEI	**4,016,043**	4,201,456
	542,123,238	535,094,570
Allowance for impairment loss	**48,134,540**	48,134,540
	₱493,988,698	₱486,960,030

**The share in equity of STI Accent for the years ended June 30, 2023 and 2022 is not material to the consolidated financial statements.*

As at June 30, 2023 and 2022, the carrying amount of the investments in STI Marikina and STI Accent amounted to nil.

There were no movements in allowance for impairment in value of investments in and advances to associates and joint venture for the years ended June 30, 2023 and 2022. Provision for impairment for the year ended June 30, 2021 amounted to ₱10.3 million (see Note 26).

Information about associates and indirect associates and their major transactions are discussed below:

STI Holdings. STI Holdings is a holding company whose primary purpose is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock, so owned, but not to act as dealer in securities and to invest in and manage any company or institution. STI Holdings aims to focus on education and education related activities and investments.

Condensed financial information of STI Holdings is as follows:

	2023	2022	2021
Current assets	**₱3,781,514,147**	₱3,421,552,726	₱2,304,377,825
Noncurrent assets	**11,301,667,157**	11,156,370,777	11,436,374,204
Current liabilities	**(3,451,887,036)**	(1,201,849,385)	(1,193,439,529)
Noncurrent liabilities	**(2,421,483,768)**	(4,881,109,476)	(5,386,880,626)
Total equity	**9,209,810,499**	8,494,964,642	7,160,431,874
Less:			
Equity attributable to holders of non-controlling interests	**(81,941,59)**	(81,371,202)	(81,152,838)
STI ESG's cumulative total comprehensive income taken up by STI Holdings	**(4,299,486,544)**	(3,679,664,034)	(2,412,620,838)
Total equity, net of cumulative total comprehensive income taken up by STI Holdings	**4,828,383,446**	4,733,929,406	4,666,658,198
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the Parent Company	**243,833,364**	239,063,435	235,666,239
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of investment	**₱473,239,081**	₱468,469,152	₱465,071,956

	2023	2022	2021
Revenues	**₱3,405,467,953**	₱2,677,631,893	₱2,084,063,943
Expenses	**(2,531,633,670)**	(2,261,388,500)	(1,982,333,471)
Income from operations	**873,834,283**	416,243,393	101,730,472
Other comprehensive income (loss)	**(15,035,026)**	9,597,622	16,810,023
Total comprehensive income	**858,799,257**	425,841,015	118,540,495
Less:			
Comprehensive income (loss) attributable to equity holders of non-controlling interest	**(3,565,879)**	(2,214,959)	1,089,780
STI ESG's total comprehensive income (loss) taken up by STI Holdings	**(599,853,370)**	(260,522,183)	46,900,464
Total comprehensive income attributable to equity holders of the parent company net of STI ESG's total comprehensive income taken up by STI Holdings	**255,380,008**	163,103,873	166,530,739
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total comprehensive income	**₱12,902,896**	₱8,240,709	₱8,413,849

STI Accent. STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2023 and 2022, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱48.1 million. The Group recognized provision for impairment in its advances to STI Accent amounting to ₱10.3 million for the year ended June 30, 2021 (nil for the years ended June 30, 2023 and 2022).

Others. The carrying amount of the Group's investments in STI Alabang (as of June 2022) and GROW represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

	2023	2022	2021
Current assets	**₱51,770,628**	₱192,276,126	₱194,050,957
Noncurrent assets	**62,726,577**	40,302,973	41,929,742
Current liabilities	**(68,142,818)**	(201,489,565)	(154,859,791)
Noncurrent liabilities	**(1,590,507)**	(16,855,871)	(17,953,621)
	₱44,763,880	₱14,233,663	₱63,167,287

	2023	2022	2021
Revenues	**₱313,535,150**	₱286,407,241	₱172,522,598
Expenses	**299,621,317**	(316,911,622)	(186,048,513)
Total comprehensive income (loss)	**13,913,832**	(30,504,381)	(13,525,915)
Share in comprehensive income (loss)	**₱2,258,739**	(₱20,242,197)	(₱4,603,590)

Terms and conditions relating to advances to associates and joint venture are disclosed in Note 31.

14. Interest in Joint Venture

On March 19, 2004, STI ESG, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. The Parent Company and UMak each owns 40.00% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following are certain key terms under the agreement signed in 2003 by the Parent Company and UMak:

a. The Parent Company shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as a campus of BSN while the premises of Information and Communications Technology Academy, Inc. (iACADEMY) will be the campus of the post graduate degree.

c. Parent Company will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

The cost of STI ESG's investment in PHEI amounted to ₱5.0 million while its carrying value amounted to ₱4.0 million and ₱4.2 as at June 30, 2023 and 2022, respectively.

The Group's share in the net losses of its joint venture amounted to ₱0.2 million, ₱47.0 thousand and ₱0.1 million for the years ended June 30, 2023, 2022 and 2021, respectively, which is immaterial to the consolidated financial statements.

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

This account consists of:

	2023	2022
Quoted equity shares	**₱5,639,840**	₱4,401,912
Unquoted equity shares	**65,861,392**	65,367,568
	₱71,501,232	₱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 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 ₱31.0 million and ₱30.5 million as at June 30, 2023 and 2022.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱1.8 million for the year ended June 30, 2023 and ₱0.8 million each year for the years ended June 30, 2022 and 2021.

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	2023	2022
Balance at beginning of year	**₱13,277,006**	₱12,032,214
Unrealized fair value adjustment on equity instruments at FVOCI	**1,731,752**	1,244,792
Balance at end of year	**₱15,008,758**	₱13,277,006

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

This account consists of:

	2023	2022
Goodwill	**₱250,898,081**	₱227,874,121
Intangible assets (see Note 39)	**32,667,775**	33,126,676
Rental and utility deposits (see Note 29)	**25,254,523**	26,697,421
Advances to suppliers	**20,130,653**	14,312,618
Others	**2,213,950**	2,823,112
	₱331,164,982	₱304,833,948

Goodwill
As at June 30, 2023 and 2022, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs.

	2023	2022
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Alabang (see Note 39)	**23,023,960**	–
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches	**21,803,322**	21,803,322
NAMEI	**21,231,234**	21,231,234
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216
STI Naga	**2,305,368**	2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
STI Calbayog (see Note 39)	**1,325,721**	1,325,721
STI Dumaguete (see Note 39)	**604,237**	604,237
	₱250,898,081	₱227,874,121

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-tax discount rate ranging from 10.18% to 10.84% and from 12.9% to 13.9% in June 2023 and 2022, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The management used forecasted revenue increase ranging from 0.02% to 66.10% and 6.83% to 13.32% in June 2023 and 2022, respectively, for the next five years. In 2022, the management forecasted revenue decrease ranging from 0.36% to 2.82% for certain CGUs. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 2023 and 2022. The Group recognized a provision for impairment on goodwill under general and administrative expenses amounting to ₱3.8 million for the year ended June 30, 2022 (see Note 26). No impairment was recognized for the years ended June 30, 2023 and 2021.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors. Revenue forecast of each CGU is primarily dependent on the number of students enrolled and tuition fee rates which vary for each school.

- Long-term growth rate - Rates are based on published industry research.

- Discount rate - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond ten (10) years.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

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 June 30, 2023 and 2022.

This account also includes the Group's accounting and payroll software which are being amortized over their estimated useful lives.

The rollforward analyses of this account follow:

	2023	2022
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱33,126,676**	₱31,003,360
Additions	**78,400**	2,351,060
Amortization (see Notes 24 and 26)	**(537,301)**	(227,743)
Balance at end of year	**₱32,667,775**	₱33,126,676
Cost	**₱72,623,574**	₱72,545,174
Accumulated amortization	**(39,955,799)**	(39,418,498)
Net carrying amount	**₱32,667,775**	₱33,126,676

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.

Advances to Suppliers
Advances to suppliers relate to advance payments made for various transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi (2) renovation project at STI Tanay, (3) acquisition of capital assets, (4) design and set-up of the new enrollment system, and (5) various ongoing projects of the other schools owned and operated by STI ESG. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2023	2022
Accounts payable	**₱323,655,444**	₱348,131,163
Accrued expenses:		
School activities, programs and other related expenses	**48,556,774**	45,401,384
Contracted services	**41,214,857**	34,640,877
Salaries, wages and benefits	**25,188,663**	25,591,550
Interest	**21,499,453**	23,932,919
Utilities	**7,731,670**	8,298,818
Advertising and promotion	**3,268,457**	7,527,460
Rent (see Note 29)	**2,366,145**	4,637,426
Others	**1,728,669**	2,929,080
Statutory payables	**22,924,438**	21,684,910
Student organization fund	**20,793,423**	14,012,993
Network events fund	**18,927,070**	15,135,650
Dividend payable (see Note 21)	**15,161,749**	14,186,826
Current portion of refundable deposits (see Note 20)	**3,925,833**	680,495
Current portion of advance rent (see Note 20)	**74,400**	346,370
Others	**3,913,686**	5,620,213
	₱560,930,731	₱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 next 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. Advance rent pertains to amount received by the Group which will be earned and applied within the next financial year.

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

g. Terms and conditions of payables to related parties are disclosed in Note 31 to the consolidated financial statements.

18. Interest-bearing Loans and Borrowings

This account consists of:

	2023	2022
Term loans[(a)]	**₱715,342,511**	₱954,027,880
Corporate notes[(b)]	**213,518,516**	245,666,028
Landbank ACADEME Program[(c)]	**3,042,274**	12,538,573
	931,903,301	1,212,232,481
Less current portion	**183,042,276**	159,544,753
Noncurrent portion	**₱748,861,025**	₱1,052,687,728

[(a)]Net of unamortized debt issuance costs of ₱4.7 million and ₱6.0 million as at June 30, 2023 and 2022, respectively.
[(b)]Inclusive of unamortized premium on corporate notes of ₱3.5 million and ₱5.7 million as at June 30, 2023 and 2022, respectively.
[c)]Net of unamortized debt issuance costs of ₱7.9 thousand and ₱56.4 thousand as at June 30, 2023 and June 30, 2022, respectively.

Term Loan 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 the rates of 5.7895% per annum and 6.5789% effective September 19, 2021 and 2022, respectively. Starting from September 19, 2023, the interest rate was adjusted to 8.0472% per annum.

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

1. 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 Group's D/E ratios and DSCRs, as defined in the Term Loan Agreement, as at June 30, 2023 and 2022 are as follows:

	2023	2022
Total liabilities [a]	**₱4,943,137,190**	₱5,166,220,433
Total equity	**6,295,193,602**	5,892,251,942
Debt-to-equity ratio	**0.79:1.00**	0.88:1.00

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

	2023	2022
EBITDA (see Note 3) [b]	**₱1,248,675,261**	₱868,421,984
Total interest-bearing liabilities [c]	**2,631,125,982**	483,122,324
Debt service cover ratio	**0.47:1.00**	1.80:1.00

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

On August 15, 2022, China Bank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. The total interest-bearing liabilities of STI ESG due in the next twelve months increased with the reclassification of the 7-year bonds of STI ESG maturing in March 2024 from noncurrent to current liabilities. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023 and 2022.

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

	2023	2022
Balance at beginning of year	**₱960,000,000**	₱1,200,000,000
Repayments	**(240,000,000)**	(240,000,000)
Balance at end of year	**720,000,000**	960,000,000
Deferred finance cost	**(4,657,489)**	(5,972,120)
Balance at end of year	**715,342,511**	954,027,880
Less current portion	**120,000,000**	120,000,000
Balance classified as noncurrent	**₱595,342,511**	₱834,027,880

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

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

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, China Bank reduced the prepayment penalty from 3% 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 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

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

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

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

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI 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 consolidated financial statements:

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

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

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

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

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

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

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

The above modification of terms and conditions resulted in the recognition of premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. The carrying value of the unamortized premium on corporate notes amounted to ₱3.5 million and ₱5.7 million as at June 30, 2023 and 2022, respectively. Amortization of loan premium amounting to ₱2.1 million, ₱2.5 million and ₱0.2 million for the years ended June 30, 2023, 2022 and 2021 respectively, were recognized as a reduction of interest expense in the consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of the Group's Credit Facility Agreement follows:

	2023	2022
Balance at beginning of year	**₱240,000,000**	₱240,000,000
Repayments	**30,000,000**	–
	210,000,000	240,000,000
Add unamortized premium on corporate notes	**3,518,516**	5,666,028
Balance at end of year	**213,518,516**	245,666,028
Less current portion	**60,000,000**	30,000,000
Noncurrent portion	**₱153,518,516**	₱215,666,028

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the January 29, 2021 amendments):

Fiscal Year	Amount
2024	60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱210,000,000

STI ESG is compliant with the required financial ratios under the Corporate Notes Facility as at June 30, 2023 and 2022. As discussed in a related paragraph on the Term Loan Agreement, China Bank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million (nil for the year ended June 30, 2022). On the same day, STI ESG fully paid the remaining principal on the same facility amounting to ₱180.0 million. In view of this loan being fully paid, the unamortized premium amounting to ₱3.5 million associated with the Corporate Notes Facility was derecognized in September 2023.

Waivers of Certain Covenants

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

b. On July 23, 2020, China Bank approved the waiver of the following covenants:
   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

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

d. On August 15, 2022, ChinaBank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended 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. STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made to date is 19.1 million.

The carrying value of the loan amounted to ₱3.0 million and ₱12.5 million as at June 30, 2023 and 2022, respectively. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing in January 2024.

Short-term Loans

On January 22, 2021, STI ESG availed of a loan from Security Bank Corporation amounting to ₱100.0 million, subject to interest rate of 4.75%. The loan was fully settled in March 2021. The credit line is on a clean basis. The proceeds from this loan were used for working capital requirements.

On August 24, 2020, STI ESG made a loan drawdown from its short-term credit line with Bank of the Philippine Islands (BPI) amounting to ₱300.0 million with a term of one year. The interest rate is 4.25% subject to quarterly repricing. The credit line is on a clean basis. This loan was fully settled in February 2021. The proceeds from this loan were used for working capital requirements.

Interest Expense

Except for the LandBank loan, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans (including amortization of debt issuance costs and premium) amounted to ₱68.4 million, ₱75.9 million and ₱86.8 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

19. **Bonds Payable**

This account consists of:

	2023	2022
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**11,577,016**	19,484,936
Balance at end of year	**2,988,422,984**	2,980,515,064
Less current portion	**2,175,083,335**	–
Noncurrent portion	**₱813,339,649**	₱2,980,515,064

On March 23, 2017, 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:

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**Carrying Value**		Features
					2023	2022	
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,175,083,335**	₱2,168,699,028	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**813,339,649**	811,816,036	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,988,422,984**	₱2,980,515,064	

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 bonds' trust 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 consolidated financial statements.

The Group's D/E ratios and DSCRs, as defined on the bond trust agreement, as at June 30, 2023 and 2022 are as follows:

	2023	2022
Total liabilities [a]	**₱4,943,137,190**	₱5,166,220,433
Total equity	**6,295,193,602**	5,892,251,942
Debt-to-equity ratio	**0.79:1.00**	0.88:1.00

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

	2023	2022
EBITDA (see Note 3) [b]	**₱1,248,675,261**	₱868,421,984
Total interest-bearing liabilities [c]	**528,177,322**	510,221,990
Debt service cover ratio	**2.36:1.00**	1.70:1.00

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

In August 2020, STI ESG obtained the required consent of the holders of the Bonds (the "Record Bondholders"), which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement).

As at June 30, 2023 and 2022, STI ESG has complied with the above covenants.

Amendments to the Trust Agreement

On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the Record Bondholders to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program; (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Record Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the 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 ₱11.6 million and ₱19.5 million as at June 30, 2023 and 2022, respectively. Amortization of bond issuance costs amounting to ₱7.9 million, ₱7.4 million and ₱7.0 million for the years ended June 30, 2023, 2022 and 2021, respectively, were recognized as part of "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱186.8 million, ₱186.3 million and ₱185.9 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 23).

20. **Other Noncurrent Liabilities**

	2023	2022
Advance rent - net of current portion (see Notes 17 and 29)	**₱24,770,387**	₱9,352,727
Refundable deposit - net of current portion (see Notes 17 and 29)	**17,157,470**	8,909,546
Deferred lease liability	**4,410,236**	1,295,273
	₱46,338,093	₱19,557,546

Current portion of advance rent and refundable deposits are presented and disclosed in Note 17.

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

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

21. **Equity**

Capital Stock
The details of the issued and outstanding number of common shares and amount as at June 30, 2023 and 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 June 30, 2023 and 2022 amounted to ₱10.8 million.

<u>Other Comprehensive Income and Other Equity Reserves associated with Noncurrent Asset Held for Sale</u>
As at June 30, 2021, the cumulative balance of other comprehensive income associated with noncurrent asset held for sale was reclassified to retained earnings and other equity reserve amounting to ₱91.1 million and ₱0.8 million, respectively, following the disposal of STI ESG's 20% share in the ownership of Maestro Holdings (see Note 10).

As at June 30, 2020, the cumulative balance of other comprehensive income and other equity reserves associated with noncurrent asset held for sale consists of:

Share in associate's:	
Unrealized fair value adjustment on equity instruments designated at FVOCI	₱108,558,621
Remeasurement loss on life insurance reserves	(18,096,674)
Cumulative actuarial gain	685,850
Other equity reserve	728,649
	₱91,876,446

<u>Retained Earnings</u>
On December 16, 2022, the Parent Company's BOD approved the cash dividends amounting to ₱0.07 per share or an aggregate amount of ₱215.7 million in favor of all stockholders of record as at December 31, 2022. The dividends were paid on January 10, 2023.

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.

On November 18, 2020, the Parent Company's BOD approved the cash dividends declaration of ₱0.013 per share for a total amount of ₱40.0 million, in favor of the stockholders of record as at December 4, 2020. The dividends were paid on January 7, 2021.

Consolidated retained earnings include retained earnings of subsidiaries amounting to ₱450.2 million and ₱404.4 million as at June 30, 2023 and 2022, respectively, which are not available for dividend declaration. STI ESG's retained earnings available for dividend declaration computed based on the guidelines provided in the SEC Memorandum Circular No. 11 of 2008 amounted to ₱2,483.6 million and ₱2,146.4 million as at June 30, 2023 and 2022, respectively.

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 consolidated financial statements.

22. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods:

	2023	2022	2021
Tuition and other school fees	**₱2,248,671,271**	₱1,823,948,963	₱1,410,236,021
Educational services	**149,075,493**	125,387,103	107,311,098
Royalty fees	**14,736,299**	12,386,738	10,560,747
Sale of educational materials and supplies	**106,863,072**	29,217,458	24,003,336
Other revenues	**63,805,952**	89,048,506	68,472,630
Total consolidated revenues	**₱2,583,152,087**	₱2,079,988,768	₱1,620,583,832

Timing of revenue recognition

	2023	2022	2021
Services transferred over time	**₱2,412,483,063**	₱1,961,722,804	₱1,528,107,866
Goods and services transferred at a point in time	**170,669,024**	118,265,964	92,475,966
Total consolidated revenue	**₱2,583,152,087**	₱2,079,988,768	₱1,620,583,832

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the consolidated statements of financial position. Significant changes in the contract 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. There is no significant change in the contract liability and the timing of revenue recognition for SY2021-2022 and SY2022-2023.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱30.6 million, ₱48.7 million and ₱73.4 million for the years ended June 30, 2023, 2022 and 2021, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the years ended June 30, 2023, 2022 and 2021.

Performance Obligations
The performance obligations related to 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 June 30, 2023 and 2022, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱44.9 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.

23. **Interest Income and Interest Expense**

Sources of interest income are as follows:

	2023	2022	2021
Cash and cash equivalents (see Note 5)	**₱12,467,675**	₱2,576,453	₱2,791,447
Past due receivables (see Notes 6 and 10)	**5,820,824**	34,952,813	946,940
	₱18,288,499	₱37,529,266	₱3,738,387

Sources of interest expense are as follows:

	2023	2022	2021
Bonds payable (see Note 19)	**₱186,813,143**	₱186,337,411	₱185,890,324
Interest-bearing loans and borrowings (see Note 18)	**68,377,453**	75,929,406	86,761,062
Lease liabilities (see Note 29)	**19,304,634**	21,214,892	24,312,531
Others	**1,423,942**	5,789,040	5,313,916
	₱275,919,172	₱289,270,749	₱302,277,833

24. **Cost of Educational Services**

This account consists of:

	2023	2022	2021
Faculty salaries and benefits	**₱304,243,534**	₱247,052,729	₱192,210,718
Depreciation and amortization (see Note 11, 12 and 16)	**287,279,221**	285,234,668	288,820,144
Student activities, programs and other related expenses	**128,962,928**	83,156,439	54,602,102
Rental (see Note 29)	**24,214,663**	20,852,613	23,451,213
School materials and supplies	**9,807,567**	5,024,170	3,581,520
Software maintenance	**9,679,327**	11,389,142	12,317,815
Courseware development costs	**3,727,475**	997,224	1,818,376
Internet connectivity assistance	**–**	69,967,107	66,389,266
Others	**3,125,502**	1,941,408	1,921,674
	₱771,040,217	₱725,615,500	₱645,112,828

25. **Cost of Educational Materials and Supplies Sold**

This account consists of:

	2023	2022	2021
Educational materials and supplies	**₱75,753,803**	₱20,645,140	₱17,457,239
Promotional materials	**7,306,686**	3,172,469	1,940,107
	₱83,060,489	₱23,817,609	₱19,397,346

26. **General and Administrative Expenses**

This account consists of:

	2023	2022	2021
Salaries, wages and benefits	**₱265,556,442**	₱220,125,311	₱212,840,531
Depreciation and amortization (see Note 11, 12 and 16)	**195,744,580**	195,932,495	197,736,767
Provision for:			
ECL (see Note 6)	**60,833,827**	114,426,424	48,629,897
Inventory obsolescence (see Note 7)	**5,601,458**	2,018,596	790,579
Impairment of goodwill (see Note 16)	**–**	3,806,174	–
Impairment of investments in and advances to associates and joint venture (see Note 13)	**–**	–	10,265,554
Light and water	**128,063,208**	63,440,115	43,107,318
Outside services	**87,852,741**	58,855,722	52,461,596
Professional fees	**81,350,986**	77,405,574	77,776,942
Taxes and licenses	**31,755,619**	28,248,990	29,420,494
Advertising and promotions	**29,071,305**	33,837,251	45,955,999
Repairs and maintenance	**29,258,767**	19,283,304	15,013,188
Transportation	**26,099,799**	23,207,070	20,692,528
Meetings and conferences	**15,701,122**	13,502,444	11,625,653
Insurance	**14,419,572**	14,706,199	15,331,800
Entertainment, amusement and recreation	**11,029,291**	10,409,743	10,309,529
Rental (see Note 29)	**10,392,986**	8,934,108	10,055,101
Office supplies	**7,269,743**	4,823,049	4,125,780
Communication	**5,205,403**	5,273,853	5,415,415
Software maintenance	**3,352,505**	3,292,977	3,614,096
Association dues	**991,488**	806,086	346,630
Others	**11,147,226**	11,428,141	11,414,621
	₱1,020,698,068	₱913,763,626	₱826,930,018

27. **Personnel Cost**

This account consists of:

	2023	2022	2021
Salaries and wages	**₱494,086,044**	₱408,181,039	₱351,742,187
Pension expense (see Note 28)	**11,188,067**	10,673,609	8,563,981
Other employee benefits	**64,525,865**	48,323,391	44,745,081
	₱569,799,976	₱467,178,039	₱405,051,249

28. **Pension Plans**

Defined Benefit Plans

The Group (except De Los Santos-STI College and STI Quezon Avenue) has a separate, funded, noncontributory, defined benefit pension plans covering substantially all of its faculty members and regular employees. The benefits are based on the employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by the trustee banks under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy, as well as various principles and objectives.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income and the pension asset/liability recognized in the consolidated statements of financial position as at June 30, 2023 and 2022 and for the years ended June 30, 2023, 2022 and 2021:

	2023	2022	2021
Pension expense (recognized under "Salaries, wages and benefits" account):			
Current service cost	**₱7,286,076**	₱8,018,277	₱6,848,888
Net interest cost	**3,901,991**	2,655,332	1,715,093
	₱11,188,067	₱10,673,609	₱8,563,981

	2023	2022	2021
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱159,147,499**	₱140,768,553	₱140,963,986
Fair value of plan assets	**(79,717,894)**	(77,386,521)	(80,621,024)
	₱79,429,605	₱63,382,032	₱60,342,962

The Group offsets its pension assets and liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	2023	2022	2021
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱140,768,553**	₱140,963,986	₱157,334,855
Current service cost	**7,286,076**	8,018,277	6,848,888
Actuarial loss (gain) on pension obligation from change in:			
Financial assumptions	**1,802,002**	(10,029,428)	(4,866,850)
Deviations of experience from assumptions	**3,673,497**	2,253,289	(5,490,430)
Demographic assumptions		–	(383,636)
Benefits paid	**(3,310,445)**	(6,600,402)	(17,217,278)
Interest cost	**8,927,816**	6,162,831	5,288,263
Settlement gain	**–**	–	(549,826)
Balance at end of year	**₱159,147,499**	₱140,768,553	₱140,963,986
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱77,386,521**	₱80,621,024	₱90,835,851
Benefits paid	**(3,310,445)**	(6,600,402)	(17,217,278)
Interest income	**5,025,825**	3,507,499	3,573,170
Actuarial gain (loss) on plan assets	**615,993**	(2,456,825)	3,152,218
Net transfer	**–**	2,315,225	–
Contributions	**–**	–	277,063
Balance at end of year	**₱79,717,894**	₱77,386,521	₱80,621,024
Actual return (loss) on plan assets	**₱5,641,816**	(₱2,774,364)	₱368,816

The principal assumptions used in determining pension liabilities are shown below:

	2023	2022	2021
Discount rate	**6.22%**	6.52%	4.36%
Future salary increases	**4.00%**	4.00%	3.00%

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group’s total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2023	2022
Cash and cash equivalents	**0%**	8%
Short-term fixed income	**62%**	55%
Investments in:		
Equity securities	**33%**	31%
Debt securities	**5%**	6%
	100%	100%

The plan assets of the Group are maintained by the respective Trust Departments of Union Bank of the Philippines and Land Bank of the Philippines.

Details of the Group's net assets available for plan benefits and their corresponding market values are as follows:

	2023	2022
Cash and cash equivalents	**₱265,939**	₱6,371,560
Short-term fixed income	**49,090,618**	42,603,314
Investments in:		
Equity securities	**26,679,199**	23,887,726
Debt securities	**3,682,138**	4,523,921
	₱79,717,894	₱77,386,521

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to investment in shares of STI Holdings, the ultimate parent company, which has a fair value of ₱0.38 and ₱0.34 per share as at June 30, 2023 and 2022, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱8.4 million and ₱11.2 million as at June 30, 2023 and 2022, respectively.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from two months to three years from June 30, 2023 and bear interest rates ranging from 3.25% to 6.25% per annum. These securities are fully guaranteed by the Government of the Republic of the Philippines.

The expected contribution of the Group in 2024 is ₱6.7 million.

Management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The average duration of the defined benefit obligation as at June 30, 2023 is 7 years.

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

	2023	2022
Less than one year	**₱47,564,349**	₱362,653
More than one year to five years	**53,350,935**	87,145,758
More than five years to 10 years	**81,302,517**	69,280,640
More than 10 years to 15 years	**78,377,645**	88,539,450
More than 15 years to 20 years	**81,253,730**	94,838,377
More than 20 years	**145,506,049**	128,838,477

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Defined Benefit Obligation		
	2023	2022	2021
Discount rates			
Increase by 1%	**(₱8,719,354)**	(₱8,513,574)	(₱9,800,092)
Decrease by 1%	**10,352,833**	10,047,087	11,609,608
Future salary increases			
Increase by 1%	**10,490,946**	10,187,391	11,674,106
Decrease by 1%	**(9,040,570)**	(8,815,426)	(10,213,284)
Employee turnover			
Increase by 10%	**1,465,937**	1,466,354	(1,335,047)
Decrease by 10%	**(1,465,937)**	(1,466,354)	1,335,047

Defined Contribution Plans

Up to May 2022, De Los Santos-STI College and STI Quezon Avenue had a funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and had been a participating employer in CEAP Retirement Plan. The De Los Santos Plan had a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution was optional.

De Los Santos-STI College and STI Quezon Avenue's contributions consisted of future service cost and past service cost. The future service cost was equal to 4.00% of employee's monthly salary from the date an employee becomes a member of CEAP. Past service cost was equal to 5.00% of the employees' average monthly salary for a 12-month period, immediately preceding the date of De Los Santos-STI College and STI Quezon Avenue's participation in CEAP, multiplied by the number of years of past service amortized over 10 years. Future service referred to the periods of covered employment on or after the date of De Los Santos-STI College and STI Quezon Avenue's participation in CEAP. Past service referred to the continuous service of an employee from the date the employee met the requirements for membership in the retirement plan to the date of acceptance of De Los Santos-STI College and STI Quezon Avenue as a Participating Employer in CEAP Retirement Plan. In addition, De Los Santos-STI College and STI Quezon Avenue had given the employee an option to make a personal contribution to the fund at an amount not to exceed 4.00% of his monthly salary. De Los Santos-STI College and STI Quezon Avenue then provided an additional contribution of 1.00% of the employee's contribution based on the latter's years of tenure. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitored compliance with RA No. 7641. As at June 30, 2021, the Group is in compliance with the requirements of RA No. 7641.

Philippine Interpretations Committee Q&A No. 2013-03 had required De Los Santos-STI College's defined contribution plan to be accounted for as a defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641. Actuarial valuation of De Los Santos-STI College's pension is had been performed every year-end. Based on the last actuarial valuation, the minimum retirement benefit provided under RA No. 7641 exceeded the accumulated contribution and earnings under the Plan, however, the amount was not significant.

In May 2022, after settling the retirement obligations to its employees, the retirement funds from CEAP aggregating to ₱6.1 million have been transferred to one of the trustee banks that administers the retirement funds of the Group.

Total pension expense recognized in profit or loss follows:

	2023	2022	2021
Defined benefit plans	**₱11,188,067**	₱10,673,609	₱8,553,849
Defined contribution plans	**–**	–	10,132
	₱11,188,067	₱10,673,609	₱8,563,981

29. **Leases**

As Lessor
The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods. Certain leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from occasional use of some of the Group's facilities and properties primarily used for school operations such as gymnasiums.

Total rental income amounted to ₱122.3 million, ₱55.0 million and ₱90.7 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Notes 12 and 31).

The current and noncurrent portion of advance rent and deposit liabilities are recorded under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts, respectively, in the consolidated statements of financial position. These pertain to the advances and refundable deposits made by the lessees to STI ESG (see Notes 17 and 20).

Future minimum rental receivable for the remaining lease terms follows:

	2023	2022
Within one year	**₱107,321,885**	₱151,098,312
After one year but not more than five years	**229,547,526**	279,731,570
	₱336,869,411	₱430,829,882

In September 2022, STI ESG has agreed to lease to a third party a segment of its STI Academic Center Pasay EDSA property comprising a total area of 610 square meters. STI ESG has advanced the costs to complete the fit-out requirements which the third party will reimburse with an additional 7.5% to cover the cost of money. The related contract costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date (see Note 6).

As Lessee
The Group leases land and building spaces, where the corporate office and schools are located, under lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate. Certain transportation equipment were acquired under lease agreements with varying terms and periods ranging from 3 to 5 years.

The total rental expense charged to operations amounted to ₱34.7 million, ₱29.8 million and ₱33.5 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Notes 24 and 26). Certain subsidiaries also paid their lessors rental deposits equivalent to several months of rental payments as security for its observance and faithful compliance with the terms and conditions of the agreement (see Notes 24 and 26).

The following are the amounts recognized in consolidated statements of comprehensive income:

	2023	2022	2021
Depreciation expense of ROU assets included in property and equipment (see Note 11)	**₱62,181,440**	₱58,232,255	₱60,594,162
Expenses relating to short-term leases (see Notes 24 and 26)	**32,046,109**	28,413,013	32,324,847
Interest expense on lease liabilities (see Note 23)	**19,304,634**	21,214,892	24,312,531
Variable lease payments (see Notes 24 and 26)	**2,561,540**	1,373,708	1,181,467
	₱116,093,723	₱109,233,868	₱118,413,007

As a consequence of the COVID-19 pandemic, some lessors of the Group provided rent concessions for the years ended June 30, 2022 and 2021 such as discounts ranging from 25% to 50% of rental payments, waiver of rent for a certain month, or deferral of rental over six to twelve months, among others. The Group applied the practical expedient provided by the amendments to PFRS 16 for rent concessions that meet the aforementioned criteria resulting in recognition of income from rent concessions aggregating to ₱6.1 million and ₱17.7 recognized under "Other income (expenses) - net" for the years ended June 30, 2022 and 2021 in the consolidated statements of comprehensive income.

The Group had negotiated several rent concessions with the lessors that affected payments and were accounted as lease modifications, as they were not eligible for the application of practical expedient. Lease modification amounted to ₱1.7 million and ₱4.2 million during the years ended June 30, 2023 and 2022, respectively.

For the year ended June 30, 2021, the Group exercised termination option for some operating leases resulting in the reversal of the ROU assets and lease liabilities amounting to ₱22.8 million and ₱24.0 million, respectively. The net effect of the reversal amounting to ₱1.2 million was recognized as other income under "Other income (expenses)" in the June 30, 2021 consolidated statement of comprehensive income.

The rollforward analyses of lease liabilities are as follows:

	2023	2022
Beginning balance	**₱317,614,362**	₱335,166,946
Additions (see Note 11)	**81,338,235**	36,226,712
Payments	**(80,779,082)**	(73,175,691)
Interest expense (see Note 23)	**19,304,634**	21,214,892
Lease termination/modification	**(1,742,209)**	4,236,109
Income on rent concessions	–	(6,054,606)
Ending balance	**335,735,940**	317,614,362
Less current portion	**53,358,726**	53,289,586
Noncurrent portion	**₱282,377,214**	₱264,324,776

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

	2023	2022
Within one year	**₱75,374,821**	₱69,391,969
After one year but not more than five years	**209,262,987**	169,721,399
More than five years	**169,324,969**	197,565,332
	₱453,962,777	₱436,678,700

30. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporations - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.0%) on its taxable income.

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

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

- Preferential income tax rate for proprietary educational institutions which is reduced from 10.0% to 1.0% effective July 1, 2020 to June 30, 2023.

- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others the merger and consolidation.

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

Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective on July 1, 2020.

On December 10, 2021, President Rodrigo R. Duterte signed into law RA No. 11635 entitled, "An Act Amending Section 27(B) of the National Internal Revenue Code (NIRC) of 1997, as amended, and for other purposes". The law clarifies the entitlement of proprietary educational institutions to the preferential tax rate of 10.0% under the NIRC and the 1.0% income tax rate beginning July 1, 2020 until June 30, 2023, by virtue of the CREATE Act which was published on March 27, 2021 and took effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The enactment of the CREATE Act resulted in lower provision for current income tax of the Group by ₱61.2 million and ₱18.0 million for the years ended June 30, 2023 and 2022, respectively.

The components of recognized net deferred tax assets are as follows:

	2023	2022
Deferred tax assets:		
Lease liabilities	**₱31,413,721**	₱26,804,604
Allowance for ECL	**28,952,686**	10,131,135
Pension liabilities	**7,887,171**	4,911,096
Excess of cost over net realizable value of inventories	**2,412,171**	1,728,277
Advance rent	**2,484,479**	938,736
NOLCO	**2,414,755**	738,639
Unearned tuition and other school fees	**4,394,092**	523,989
Impairment of noncurrent assets held for sale	**1,596,663**	159,666
Unamortized loan premium	**351,851**	182,281
	81,907,589	46,118,423
Deferred tax liabilities:		
Right-of-use assets	**(28,756,321)**	(21,001,015)
Unrealized forex gain	**(4,618,645)**	(445,618)
Intangible assets	**(2,762,187)**	(2,762,187)
Excess of fair value over derecognized STI Tanay receivables	**(2,036,577)**	(2,565,139)
Unamortized debt issue costs	**(767,908)**	(573,694)
Excess of rental under operating lease computed on a straight-line basis	**(971,059)**	(341,267)
	(39,912,697)	(27,688,920)
Net deferred tax assets	**₱41,994,892**	₱18,429,503

Certain deferred tax assets of the Group were not recognized as at June 30, 2023 and 2022 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO for which no deferred tax assets were recognized:

	2023	2022
NOLCO	**₱283,323,710**	₱218,027,113
Allowance for impairment of advances to associate	**48,134,540**	48,134,540
	₱331,458,250	₱266,161,653

As at June 30, 2023 and 2022, the Group did not recognize any deferred tax asset on the provision for impairment on investment in an associate because management does not expect to generate enough capital gains against which these capital losses can be offset. The Group, likewise, did not recognize any deferred tax asset on the provision for impairment losses on advances to associates and joint venture since no deduction is expected to be claimed upon actual write-off of these advances in the future.

The Group has incurred NOLCO before the taxable year 2020 and taxable year 2023 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years as follows:

Period	Availment Period	Amount	Addition	Applied	Expired	Amount
2023	2024-2026	₱–	₱53,811,516	₱–	₱–	₱53,811,516
2020	2021-2023	30,462,386	–	4,360,823	26,101,563	–
		₱30,462,386	₱53,811,516	₱4,360,823	₱26,101,563	₱53,811,516

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group has incurred NOLCO for the years ended June 30, 2022 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Period	Availment Period	Amount	Addition	Applied	Expired	Amount
2022	2023-2027	₱87,488,931	₱–	₱–	₱–	₱87,488,931
2021	2022-2026	173,814,092	–	7,643,279	–	166,170,813
		₱261,303,023	₱–	₱7,643,279	₱–	₱253,659,744

The reconciliation of the provision for (benefit from) income tax on income (loss) before income tax computed at the effect of the applicable statutory income tax rate to the provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2023	2022	2021
Provision for (benefit from) income tax at statutory income tax rate	**₱6,065,040**	₱2,653,275	(₱398,821)
Difference in income tax rate	**(21,856,656)**	8,800,751	20,546,863
Unrecognized deferred tax assets	**817,493**	812,411	249,852
Royalty fees subjected to final tax	**(147,363)**	(123,867)	(105,607)
Equity in net (earnings) loss of associates and joint venture	**(151,616)**	(120,015)	(36,611)
Interest income already subjected to final tax	**(124,677)**	(25,765)	(37,384)
Nondeductible expenses	**37,072**	25,375	5,535
Dividend income	**(24,884)**	(11,993)	(7,919)
Nondeductible expense pertaining to provision for impairment of goodwill and equity instruments	**–**	39,062	–
Gain on sale of noncurrent asset held for sale	**–**	–	(154,608)
Others	**(45,479)**	14,064	112,192
Provision for (benefit from) income tax	**(₱15,431,070)**	₱12,063,298	₱20,173,492

31. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the 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	**2023**	2022	2021	**2023**	2022	**Terms**	**Conditions**
Associates							
STI Accent							
Reimbursement for various expenses and other charges	**₱–**	₱–	₱10,265,554	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW							
Rental income and other charges	**1,084,704**	984,918	1,099,024	**10,657,720**	10,023,871	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**–**	–	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Holdings							
Advisory fees	14,400,000	14,400,000	14,400,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**95,731**	27,879	16,938	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**212,843,613**	152,031,152	39,464,558	–	–	Due and demandable; noninterest-bearing	Unsecured
Dividend income	**7,506,493**	5,004,329	1,851,602	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang**							
Educational services and sale of educational materials and supplies	**7,668,672**	9,757,814	8,815,844	**–**	21,729,896	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina							
Educational services and sale of educational materials and supplies	**10,461,238**	7,733,087	7,883,912	**248,242**	280,544	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
PhilCare							
Rental income and other charges	**13,583,859**	12,534,962	10,754,273	**429,817**	1,350,614	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**9,502,580**	795,451	5,298,790	**(4,911)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	129,496	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.							
Utilities and other charges	–	14,247	–	–	10,741	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**15,160,480**	13,868,078	16,133,210	**(1,250)**	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues, utilities and other charges	**13,380,147**	9,787,911	8,693,463	**(18,940)**	(268,641)	30 days upon receipt of billings; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions During the Period 2023	2022	2021	Outstanding Receivable (Payable) 2023	2022	Terms	Conditions
PhilLife							
Insurance	**₱370,925**	₱558,035	₱395,232	**₱–**	(₱2,627)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	**12,347,323**	12,054,234	12,381,476	**273,257**	2,179,803	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	–	129,496	-	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
GROW VITE							
Rental income and other charges	**1,597,514**	1,619,958	–	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**932,996**	145,938	–	**182,738**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and Staffing Services	**23,704,233**	13,808,961	–	**(1,934,655)**	(12,886)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU							
Educational services and sale of educational materials and supplies	**15,175,485**	17,663,297	12,766,209	**4,410,938**	9,515,641	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**6,257,059**	5,332,698	4,843,315	**3,848,149**	2,513,039	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY							
Reimbursement for various expenses and other charges	**1,043,878**	1,846,352	–	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees							
Advances for various expenses	**43,224,285**	10,617,025	5,812,068	**23,348,967**	15,632,949	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental and other charges	**343,050**	13,181	–	**965,550**	1,350,565	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				₱86,540,985	₱108,437,623		

**Affiliates are entities under common control of a majority Shareholder*
*** Became a wholly-owned subsidiary effective March 16, 2023*

Related party receivables and payables are generally settled in cash.

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

	2023	2022
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Educational services and sale of educational materials and supplies (Note 6)	**8,507,329**	34,039,121
Advances to officers and employees (see Note 6)	**23,348,967**	15,632,949
Rent, utilities, and other related receivables (see Note 6)	**12,509,082**	14,915,594
Accounts payable (Note 17)	**(5,958,933)**	(4,284,581)
	₱86,540,985	₱108,437,623

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	**2023**	2022	2021	**2023**	2022	**Terms**	**Conditions**
Subsidiaries							
STI Caloocan							
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱76,737,448**	₱65,302,504	₱60,447,249	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**70,458,393**	2,895,877	7,730,831	**(248,802,294)**	(214,489,200)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**50,289,600**	50,289,600	50,289,600	**–**	–	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	**35,862,734**	25,485,280	21,299,584	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**2,001,813**	1,474,714	3,591,087	**(12,977,576)**	(67,486,050)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**30,720,000**	30,720,000	30,720,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao							
Educational services, sale of educational materials and supplies, management fees, and other charges	**–**	–	118,896	**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	**32,441**	–	1,306,168	**3,917,851**	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	**–**	4,135,364	43,337,347	**(47,472,711)**	(47,472,711)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Quezon Avenue							
Educational services, sale of educational materials and supplies, management fees, and other charges	**7,086,708**	–	1,172,928	**4,604,720**	749,455	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**7,172,919**	–	8,051	**9,386,119**	12,254,767	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Rental income and other related charges	**10,284,758**	–	–	**11,518,929**		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	**29,978,492**	25,564,609	24,621,524	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**2,001,359**	5,638,884	974,081	–	6,795,765	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**14,968,800**	14,968,800	14,968,800	**28,117,876**	28,740,046	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo							
Educational services, sale of educational materials and supplies,	–	–	522,476	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**64**	8,566,437	2,868,214	**19,772,122**	19,772,058	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period 2023	2022	2021	Outstanding Receivable (Payable) 2023	2022	Terms	Conditions
STI Pagadian							
Educational services, sale of educational materials and supplies,	**₱–**	₱–	₱90,067	**₱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	–	6,423	1,447,781	**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,	**10,592,748**	9,330,096	7,422,159	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**794,954**	4,715,381	406,356	**1,532,003**	(17,823,639)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa							
Educational services, sale of educational materials and supplies,	**35,772,375**	27,059,089	21,574,006	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**23,507,067**	1,451,341	985,990	**–**	1,928,771	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**46,270,980**	44,067,600	44,067,600	**130,879,753**	91,897,051	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria							
Educational services, sale of educational materials and supplies,	**20,252,579**	15,113,686	11,794,423	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,350,731**	603,490	628,652	**35,470,078**	49,795,032	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang*							
Educational services and sale of educational materials and supplies	**3,958,285**	–	–	**32,660,929**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,323,946**	–	–	**3,244,656**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy							
Reimbursement for various expenses	**5,999,525**	19,204,300	8,388,535	**41,848,424**	35,956,679	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**6,066,360**	4,549,770	–	–	5,095,742	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NPIM							
Reimbursement for various expenses	**917,378**	2,563,848	2,853,359	**546,586**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**758,950**	17,485,275	5,940,754	**28,541,216**	27,782,266	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI							
Educational services, sale of educational materials and supplies,	**18,934,658**	–	–	**9,911,953**	–		
Reimbursement for various expenses	**14,896,916**	9,526,578	42,724,472	**44,487,892**	62,689,628	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**20,808,000**	24,647,829	8,523,128	**55,507,046**	33,620,791	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

** Became a wholly owned subsidiary effective March 16, 2023*

STI Holdings issued a Surety Agreement in relation to the Parent Company's loan facility with LandBank (see Note 18).

Compensation and Benefits of Key Management Personnel
Compensation and benefits of key management personnel of the Group are as follows:

	2023	2022	2021
Short-term employee benefits	**₱46,414,554**	₱41,319,996	₱39,061,731
Post-employment benefits	**2,644,280**	2,457,474	1,777,626
	₱49,058,834	₱43,777,470	₱40,839,357

32. Basic and Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributed to Equity Holders of the Parent Company

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

	2023	2022	2021
Net income (loss) attributable to equity holders of the Parent Company (a)	**₱623,308,931**	₱254,674,709	(₱56,914,526)
Common shares outstanding at beginning and end of period (b) (see Note 21)	**3,081,877,170**	3,081,877,170	3,081,877,170
Basic and diluted earnings (loss) per share on net income (loss) attributable to equity holders of the Parent Company (a)/(b)	**₱0.20**	₱0.08	(₱0.02)

The basic and diluted earnings (loss) per share are the same for the years ended June 30, 2023, 2022 and 2021 as there are no dilutive potential common shares.

33. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of the Parent Company approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI Group to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six years from date of issue of the STI GOKs. The graduation dates range from four to ten years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

The Parent Company is planning to amend the terms of the GOKs to conform with future business strategies. As at October 13, 2023, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

34. Contingencies and Commitments

Contingencies

a. *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 the 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. The complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the backwages and separation pay. The complainant manifested that she will file her reply to STI ESG's opposition.

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

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

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

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

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

As at October 13, 2023, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

On April 18, 2023, STI ESG received a copy of the Decision of the Court of Appeals dismissing the petition for certiorari filed by complainant for lack of evidence. On May 31, 2023, STI ESG received a copy of the motion for reconsideration filed by complainant.

As at October 13, 2023, STI ESG has yet to receive any order from the Court of Appeals directing it to file any responsive pleading to the motion for reconsideration filed by complainant.

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.

After the parties filed their respective brief(s), STI ESG received the Decision dated February 27, 2023 on March 20, 2023. Based on the Decision, the Court of Appeals affirmed *in toto* the Trial Court's Order(s).

On May 3, 2023, STI ESG received the Motion for Reconsideration filed by the Plaintiffs.

Upon order of the Court of Appeals, STI ESG filed its Opposition dated July 14, 2023.

On August 29, 2023, STI ESG received the Plaintiff's Motion for Leave to file a Reply to the Opposition.

On September 28, 2023, STI ESG, thru counsel, received the Resolution of the Court of Appeals, which submitted the Motion for Reconsideration filed by the Plaintiffs for resolution. Insofar as the Reply filed by the Plaintiffs, the same was merely noted by the Court of Appeals.

As at report date, STI ESG is awaiting the resolution from the Court of Appeals.

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 A₱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 A₱3.0 thousand per court appearance.

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022. The Court of Appeals affirmed its decision when it denied the Motion for Reconsideration filed by the Plaintiff.

On January 11, 2023, STI ESG, through counsel, received the Petition for Certiorari on Review (Petition) filed by the Plaintiff before the Supreme Court.

On September 14, 2023, STI ESG, through counsel, received the Resolution issued by the Supreme Court. In the Resolution, the Supreme Court denied the Petition filed by the Plaintiff.

Under the Rules of Court, the Plaintiff may file a Motion for Reconsideration. Otherwise, the dismissal of Plaintiff's claim against STI ESG and award of damages in favor of STI ESG will become final and executory.

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 the Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite STI ESG providing additional addresses of the former supervisor/accountant where the summons could be served.

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

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

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

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

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

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

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 ₱0.7 million.

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

The total receivables of STI ESG from MOBEELITY amounted to ₱4.0 million. As at June 30, 2023, STI ESG has recognized an allowance corresponding to its estimated credit losses.

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.

This case is deemed terminated.

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 in the foreclosure proceedings, the Plaintiffs attempted to use the alleged illegal take-over of the operations of STI Tanay to support the instant case.

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

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

On November 12, 2021, STI ESG and a director defendant (Defendants) filed a Joint Answer Ad Cautelam. In the Joint Answer, the Defendants asserted the dismissal of the Complaint because 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 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 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 STI Holdings in favor of LandBank executed on September 16, 2020. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing on January 2024.

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2023, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at June 30, 2023 and 2022, there is no outstanding availment from these lines.

b. Capital Commitments

As at June 30, 2023 and 2022, STI ESG has contractual commitments for (1) the renovation of its office condominium units. (2) construction of the STI Training Academy Center (3) renovation works for STI Naga and STI Baguio (4) construction of STI Academic Center Legazpi (5) canteen and basketball roofing project for STI Legazpi, and (6) various renovation projects in select STI schools owned and operated by STI ESG.

The total contract costs for the renovation of STI ESG's office condominium aggregated to ₱88.0 million of which ₱80.2 million and ₱78.7 million have been paid as at June 30, 2023 and 2022, respectively.

The construction works for the STI Training Academy Center has a total project cost of ₱15.3 million of which ₱14.8 million and ₱14.4 million have been paid as at June 30, 2023 and 2022, respectively.

The renovation works for STI Naga and STI Baguio have total project costs of ₱8.6 million and ₱7.4 million, respectively. STI ESG has paid an aggregate of ₱8.4 million for the renovation works in STI Naga as at June 30, 2023 and 2022, while an aggregate of ₱6.4 million and ₱6.1 million has been settled for the renovation works in STI Baguio as at June 30, 2023 and 2022, respectively.

The construction of STI Academic Center Legazpi has an aggregate project cost of ₱251.8 million of which ₱239.4 million and ₱238.3 million have been paid as at June 30, 2023 and 2022, respectively. The canteen and basketball roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million of which ₱7.7 million, representing 30% down payment, has been paid as at June 30, 2023.

As at June 30, 2023, the Group likewise has various renovation projects in select STI schools owned and operated by STI ESG with aggregate project cost of ₱55.5 million, of which ₱34.1 million has been settled as at June 30, 2023.

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 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.

STI ESG and RAFT have agreed to terminate this agreement effective January 31, 2023. In lieu of this agreement, STI ESG/NAMEI will draft an onboarding agreement where RAFT will get cadets from STI ESG/NAMEI as long as they meet the selection criteria, and the school passes an annual audit.

35. **Financial Risk Management Objectives and Policies**

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

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Parent Company's BOD and management reviews and agrees on the policies for managing each of these risks as summarized as follows.

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

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

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with collection period of thirty (30) to one hundred eighty (180) days.

As at June 30, 2023 and 2022, the Group's current assets amounted to ₱2,162.8 million and ₱1,936.2 million respectively, while current liabilities amounted to ₱3,016.7 million and ₱816.4 million, respectively.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at October 13, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interests due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. DSCR, as defined in the loan agreement, as at June 30, 2023 and 2022 is 0.47:1.00 and 1.80:1.00, respectively. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR as discussed in Note 18. STI ESG has been compliant with the DSCR imposed under the bond trust agreement governing its bonds issue.

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

	2023				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	₱1,571,737,633	₱–	₱–	₱–	₱1,571,737,633
Receivables*	154,653,147	32,501,084	64,209,162	67,298,595	318,661,988
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	25,254,523	25,254,523
Equity instruments at FVPL	8,990,000	–	–	–	8,990,000
Equity instruments at FVOCI	–	–	–	71,501,232	71,501,232
	₱1,735,380,780	₱32,501,084	₱64,209,162	₱164,054,350	₱1,996,145,376
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱2,180,000,000	₱ 820,000,000	₱3,000,000,000
Interest	–	–	147,253,896	188,491,085	335,744,980
Interest-bearing loans and borrowings					
Principal	–	–	183,042,276	750,000,000	933,042,276
Interest	–	31,300,593	36,001,956	91,217,068	158,519,617
Accounts payable and other current liabilities**	501,185,139	5,922,210	1,154,963	29,743,982	538,006,294
Lease liabilities	–	29,814,186	45,560,635	378,587,956	453,962,777
Other noncurrent liabilities***	–	–	–	17,157,470	17,157,470
	₱501,185,139	₱67,036,989	₱2,593,013,726	₱2,275,197,561	₱5,436,433,414

	2022				
	On demand	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables at amortized cost:					
Cash and cash equivalents	₱ 1,242,529,465	₱–	₱–	₱–	₱1,242,529,465
Receivables*	221,338,327	12,971,616	81,088,643	114,094,643	429,493,229
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	–	–	–	26,697,421	26,697,421
Equity instruments at FVPL	9,610,000	–	–	–	9,610,000
Equity instruments at FVOCI	–	–	–	69,769,480	69,769,480
	₱1,473,477,792	₱12,971,616	₱81,088,643	₱210,561,544	₱1,778,099,595
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	₱–	₱–	₱–	₱3,000,000,000	₱3,000,000,000
Interest	–	–	178,905,220	335,744,980	514,650,200
Interest-bearing loans and borrowings					
Principal	–	–	159,544,753	1,053,050,204	1,212,594,957
Interest	–	35,563,043	36,116,113	126,973,071	198,652,227
Accounts payable and other current liabilities**	510,148,628	6,052,855	32,737,583	2,134,158	551,073,224
Lease liabilities	–	30,109,423	39,282,545	367,286,732	436,678,700
Other noncurrent liabilities***	–	–	–	8,909,546	8,909,546
	₱510,148,628	₱71,725,321	₱446,586,214	₱4,894,098,691	₱5,922,558,854

**Excluding advances to officers and employees amounting to ₱23.3 million and ₱15.6 million as at June 30, 2023 and 2022, respectively.*
***Excluding government and other statutory liabilities amounting to ₱22.9 million and ₱21.7 million as at June 30, 2023 and 2022, respectively.*
****Excluding advance rent and deferred lease liability amounting to ₱29.2 million and ₱10.6 million as at June 30, 2023 and 2022, respectively.*

The Group's current ratios are as follows:

	2023	2022
Current assets	**₱2,162,818,149**	₱1,936,211,047
Current liabilities	**3,016,732,528**	816,378,766
Current ratios	**0.72:1.00**	2.37:1.00

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2023 and 2022, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2023		2022	
	Gross Maximum Exposure(1)	**Net Maximum Exposure(2)**	Gross Maximum Exposure(1)	Net Maximum Exposure(2)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱1,570,916,041**	**₱1,549,916,041**	₱1,241,719,823	₱1,220,719,823
Receivables*	**609,010,712**	**609,010,712**	674,177,006	674,177,006
Rental deposits**	**25,254,523**	**25,254,523**	26,697,421	26,697,421
	₱2,205,181,276	**₱2,184,181,276**	₱1,942,594,250	₱1,921,594,250

**Excluding advances to officers and employees amounting to ₱23.3 million and ₱15.6 million as at June 30, 2023 and 2022, respectively.*
***Included as part of "Goodwill, intangible and other noncurrent assets" account.*
(1) Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.
(2) Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on STI ESG's credit rating system as at June 30, 2023 and 2022:

	2023			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,584,331,679**	**₱231,400,016**	**₱–**	**₱1,815,731,695**
Class B	–	**249,930,326**	–	**249,930,326**
Class C	–	**209,154,198**	**11,677,882**	**220,832,080**
Gross carrying amount	**1,584,331,679**	**690,484,540**	**11,677,882**	**2,286,494,101**
ECL	–	**278,670,843**	**11,677,882**	**290,348,725**
Carrying amount	**₱1,584,331,679**	**₱411,813,697**	**₱–**	**₱1,996,145,376**

	2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱1,266,337,328	₱287,695,822	₱–	₱1,554,033,150
Class B	–	144,621,144	–	144,621,144
Class C		228,560,935	16,188,663	244,749,598
Gross carrying amount	1,266,337,328	660,877,901	16,188,663	1,943,403,892
ECL	–	228,495,114	16,188,663	244,683,777
Carrying amount	₱1,266,337,328	₱432,382,787	₱–	₱1,698,720,115

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A - *Cash and cash equivalent* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with a high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.
- Class B - these are *Receivables* from customers who settle their obligations within tolerable delays.
- Class C - these pertain to *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit losses:

	Current	**Within the Semester**	**After the Semester but within the School Year**	**After the School Year**	**ECL**	**Total**
2023	**₱170,945,421**	**₱39,482,547**	**₱735,963**	**₱208,418,235**	**(₱278,670,843)**	**₱140,911,322**
2022	₱196,475,535	₱49,404,829	₱838,730	₱227,722,205	(₱228,495,114)	₱245,946,185

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

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and consolidated statements of changes in equity for the years ended June 30, 2023, 2022 and 2021:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2023**	2022	2021
+100 bps	**(₱39,433,927)**	(₱42,259,660)	(₱44,782,060)
-100 bps	**39,433,927**	42,259,660	44,782,060

Capital Risk Management Policy

The Group's objectives when managing capital are 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 makes adjustments to it in light of changes in economic conditions. The Group is not subject to externally imposed capital requirements.

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

The Group considers its equity contributed by stockholders as capital.

	2023	2022
Capital stock	**₱ 3,087,829,443**	₱3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Retained earnings (see Note 21)	**2,865,327,141**	2,452,343,935
	₱6,340,073,063	₱5,927,089,857

The Group's debt-to-equity ratios are as follows:

	2023	2022
Total liabilities*	**₱4,943,137,190**	₱5,166,220,433
Total equity	**6,295,193,602**	5,892,251,942
Debt-to-equity ratio	**0.79:1.00**	0.88:1.00

**Excluding unearned tuition and other school fees*

The Group's asset-to-equity ratios are as follows:

	2023	2022
Total assets	**₱11,282,271,716**	₱11,089,097,854
Total equity	**6,295,193,602**	5,892,251,942
Asset-to-equity ratio	**1.79:1.00**	1.88:1.00

No changes were made in the objectives, policies or processes during the years ended June 30, 2023, 2022 and 2021.

36. **Fair Value Information of Financial Instruments**

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at June 30, 2023 and 2022. There are no material unrecognized financial assets and liabilities as at June 30, 2023 and 2022.

	2023				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost:					
Rental and utility deposits	**₱ 25,254,523**	**₱25,254,523**	**₱–**	**₱–**	**₱25,254,523**
Equity instruments at FVOCI	**71,501,232**	**71,501,232**	**5,639,840**	**55,155,229**	**10,706,163**
	₱96,755,755	**₱96,755,755**	**₱5,639,840**	**₱55,155,229**	**₱35,960,686**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Refundable deposits	**₱21,083,303**	**₱16,529,496**	**₱–**	**₱–**	**₱16,529,496**
	₱21,083,303	**₱16,529,496**	**₱–**	**₱–**	**₱16,529,496**

	2022				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost:					
Rental and utility deposits	₱26,697,421	₱26,697,421	₱–	₱–	₱26,697,421
Equity instruments at FVOCI	69,769,480	69,769,480	4,501,912	54,661,405	10,706,163
	₱96,466,901	₱96,466,901	₱4,501,912	₱54,661,405	₱37,403,584
Financial Liabilities					
Other financial liabilities at amortized cost:					
Refundable deposits	₱9,590,041	₱8,851,830	₱–	₱–	₱8,851,830
	₱9,590,041	₱8,851,830	₱–	₱–	₱8,851,830

Fair Value of Financial Instruments

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 ranging from 1.43% to 6.68% and 1.61% to 4.97% as at June 30, 2023 and 2022, respectively, that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Equity instruments at FVPL and FVOCI. The fair values of publicly traded equity instruments 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. Interest rates used in discounting cash flows were 6.58% and 5.79% as at June 30, 2023 and 2022, respectively.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 5.73% to 6.32% and 1.90% to 5.11%as at June 30, 2023 and 2022, respectively adjusted for 2% credit spread rate that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

On June 30, 2023 and 2022, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37. Changes in Liabilities Arising from Financing Activities

	June 30, 2022	**Cash Flows**	**Unamortized Loan Premium**	**Income on Rent Concessions**	**Interest Expense** (see Note 23)	**Capitalized Borrowing Costs** (see Note 11)	**Dividends Declared** (see Note 21)	**Reclassified as Current**	**Reclassified as Noncurrent**	**Effect of Lease Termination/ Modification** (see Notes 11 and 29)	**New/Renewed Leases** (see Note 29)	**June 30, 2023**
Current portion of interest-bearing loans and borrowings	**₱159,544,753**	**(₱279,544,753)**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱303,042,276**	**₱–**	**₱–**	**₱–**	**₱183,042,276**
Bonds payable	**2,980,515,064**	**–**	**–**	**–**	**7,907,920**	**–**	**–**	**–**	**–**	**–**	**–**	**2,988,422,984**
Interest-bearing loans and borrowings – net of current portion	**1,052,687,728**	**–**	**–**	**–**	**(784,427)**	**–**	**–**	**(303,042,276)**	**–**	**–**	**–**	**748,861,025**
Lease liabilities	**317,614,362**	**(80,779,082)**	**–**	**–**	**19,304,634**	**–**	**–**	**–**	**–**	**(1,742,209)**	**81,338,235**	**335,735,940**
Dividends payable	**14,186,826**	**(214,756,479)**	**–**	**–**	**–**	**–**	**215,731,402**	**–**	**–**	**–**	**–**	**15,161,749**
Interest payable[a]	**23,932,919**	**(250,500,565)**	**–**	**–**	**248,067,099**	**–**	**–**	**–**	**–**	**–**	**–**	**21,499,453**
	₱4,548,481,652	**(₱825,580,879)**	**₱–**	**₱–**	**₱274,495,226**	**₱–**	**₱215,731,402**	**₱–**	**₱–**	**(₱1,742,209)**	**₱81,338,235**	**₱4,292,882,427**

	June 30, 2021	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Interest Expense (see Note 23)	Capitalized Borrowing Costs (see Note 11)	Dividends Declared (see Note 21)	Reclassified as Current	Reclassified as Noncurrent	Effect of Lease Termination/ Modification (see Notes 11 and 29)	New/Renewed Leases (see Note 29)	June 30, 2022
Current portion of interest-bearing loans and borrowings	₱129,544,753	(₱249,544,753)	₱–	₱–	₱–	₱–	₱–	₱279,544,753	₱–	₱–	₱–	₱159,544,753
Bonds payable	2,973,082,875	–	–	–	7,432,189	–	–	–	–	–	–	2,980,515,064
Interest-bearing loans and borrowings – net of current portion	1,333,358,223	–	–	–	(1,125,742)	–	–	(279,544,753)	–	–	–	1,052,687,728
Lease liabilities	335,166,946	(73,175,691)	–	(6,054,606)	21,214,892	–	–	–	–	4,236,109	36,226,712	317,614,362
Dividends payable	13,760,123	(153,667,156)	–	–	–	–	154,093,859	–	–	–	–	14,186,826
Interest payable[a]	28,974,871	(266,445,938)	–	–	261,403,986	–	–	–	–	–	–	23,932,919
	₱4,813,887,791	(₱742,833,538)	₱–	(₱6,054,606)	₱288,925,325	₱–	₱154,093,859	₱–	₱–	₱4,236,109	₱36,226,712	₱4,548,481,652

			Noncash Movements									
	June 30, 2020	Cash Flows	Unamortized Loan Premium	Income on Rent Concessions	Interest Expense (see Note 23)	Capitalized Borrowing Costs (see Note 11)	Dividends Declared (see Note 21)	Reclassified as Current	Reclassified as Noncurrent	Effect of Lease Termination/ Modification (see Notes 11 and 29)	New & Renewed Leases (see Note 29)	June 30, 2021
Current portion of interest-bearing loans and borrowings	₱240,000,000	(₱110,455,247)	₱–	₱–	₱–	₱–	₱–	₱240,000,000	(₱240,000,000)	₱–	₱–	₱129,544,753
Bonds payable	2,966,097,772	–	–	–	6,985,103	–	–	–	–	–	–	2,973,082,875
Interest-bearing loans and borrowings – net of current portion	914,693,192	409,426,874	8,298,501	–	(1,836,569)	2,776,225	–	(240,000,000)	240,000,000	–	–	1,333,358,223
Lease liabilities	383,793,647	(65,611,278)	–	(17,677,038)	23,635,793	–	–	–	–	(23,969,028)	34,994,850	335,166,946
Dividends payable	13,758,185	(39,998,062)	–	–	–	–	40,000,000	–	–	–	–	13,760,123
Interest payable[(a)]	26,063,296	(270,128,758)	–	–	273,040,333	–	–	–	–	–	–	28,974,871
	₱4,544,406,092	(₱76,766,471)	₱8,298,501	(₱17,677,038)	₱301,824,660	₱2,776,225	₱40,000,000	₱–	₱–	(₱23,969,028)	₱34,994,850	₱4,813,887,791

38. Note to the Consolidated Statements 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 ₱85.3 million, ₱36.8 million, ₱34.0 million for the years ended June 30, 2023, 2022 and 2021, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱3.6 million and ₱16.9 million as at June 30, 2023 and 2021, respectively (nil as at June 30, 2022). Unpaid progress billing for construction-in-progress presented under "Investment properties" amounted to ₱52.4 million as at June 30, 2022 (nil as at June 30, 2023 and 2021) (see Notes 11 and 12).

c. Additions to land and buildings under "Investment properties" upon foreclosure of mortgaged properties for STI Tanay receivables amounted to ₱164.9 million for the year ended June 30, 2022 (nil for the years ended June 30, 2023 and 2021) (see Note 12).

d. Reclassification from investment properties to noncurrent asset held for sale in 2022 amounted to ₱53.3 million in view of the expected redemption upon actual receipt of the redemption price (see Notes 10 and 12).

e. Reclassifications from property and equipment to investment properties and from investment properties to property and equipment amounting to ₱40.5 million and ₱115.7 million, respectively, in 2023.

f. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounted to ₱4.2 million, ₱28.4 million and ₱183.1 million for the years ended June 30, 2023, 2022 and 2021, respectively.

39. Business Combinations

<u>STI Alabang</u>
On March 16, 2023, STI ESG and the majority owners of STI Alabang entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owns 40% of STI Alabang's issued and outstanding capital stock. As a result, STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.

The following are the identifiable assets and liabilities as at the date of acquisition:

Assets	
Cash	₱9,232,050
Receivables	5,194,246
Inventories	960,491
Prepaid expenses	892,547
Property and equipment (see Note 11)	2,162,891
Deferred tax assets	843,309
Other noncurrent assets	1,271,855
	20,557,389
Liabilities	

Accounts payable and other current liabilities	₱43,581,348
Total identifiable net liabilities at fair values	(23,023,959)
Purchase consideration transferred	1
Goodwill (see Note 16)	₱23,023,960

Analysis of cash flow on acquisition is as follows:

Cash acquired from the subsidiary	₱9,232,050
Cash paid	(1)
Net cash inflow on acquisition	₱9,232,049

The transaction was accounted for as a business combination. The identifiable assets and liabilities recognized in the consolidated financial statements as at June 30, 2023 were based on assessment of the fair value of these assets and liabilities at the time of acquisition. The transaction resulted in goodwill amounting to ₱23.0 million which is presented as part of "Goodwill, intangible and other noncurrent assets" in the statement of financial position as at June 30, 2023 (see Notes 1, 13 and 16). Goodwill comprises the expected synergies in operating the school under STI ESG management.

From the date of acquisition to June 30, 2023, the revenues included in the consolidated statement of comprehensive income contributed by STI Alabang was ₱10.4 million. STI Alabang also contributed net loss of ₱1.8 million over the same period. If the acquisition had taken place at the beginning of the fiscal year, the consolidated revenue and consolidated net income would have been ₱2,612.9 million and ₱661.8 million, respectively.

STI Calbayog and STI Dumaguete
On December 3, 2020, STI ESG acquired the net assets of STI Calbayog and STI Dumaguete, which were owned and operated by the former franchisees, for ₱2.7 million and ₱2.3 million, respectively. The transactions were accounted for as business combinations. The purchase price consideration was allocated based on the fair values of these net assets at the date of acquisition resulting in excess of consideration aggregating to ₱1.9 million.

The following are the identifiable assets and liabilities as at the date of acquisition:

STI Calbayog

Assets	
Receivables	₱589,782
Inventories	21,508
Property and equipment	798,020
Other noncurrent asset	190,000
	1,599,310
Liabilities	
Accounts payable and other current liabilities	225,031
Total identifiable net assets at fair values	1,374,279
Purchase consideration transferred	2,700,000
Goodwill (see Note 16)	₱1,325,721

STI Dumaguete

Assets	
Receivables	₱1,482,130
Prepaid expenses	12,835
Inventories	38,891
Property and equipment	264,872
	1,798,728
Liabilities	
Accounts payable and other current liabilities	102,965
Total identifiable net assets at fair values	1,695,763
Purchase consideration transferred	2,300,000
Goodwill (see Note 16)	₱604,237

40. **Other Matters**

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed ECQ throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of cities and municipalities in different levels of community quarantine since March 13, 2020. On July 21, 2023, the Office of the President, through Proclamation No. 297, has lifted, effective immediately, the state of public health emergency throughout the country due to COVID-19.

The schools within the Group have gradually started to implement limited face-to-face classes in 2022 while the Group implemented a flexible learning modality in the first semester of SY 2022-2023. The Group resumed with full face to face classes for tertiary enrollees during the second semester of SY 2022-2023 while classes for all SHS and JHS have been conducted face to face since the opening of SY 2022-2023.

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STI Education Services Group, Inc.
STI Academic Center Ortigas-Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited the accompanying parent company financial statements of STI Education Services Group, Inc. (the Company) as at June 30, 2023 and for the year then ended, on which we have rendered the attached report dated October 13, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has 48 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 115161-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-145-2021, August 11, 2021, valid until August 10, 2024
PTR No. 9564665, January 3, 2023, Makati City

October 13, 2023

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
Ortigas Avenue Extension
Cainta, Rizal

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023 and no material exceptions were noted.

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
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We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Services Group, Inc.
STI Academic Center Ortigas - Cainta
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We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Services Group, Inc. and its subsidiaries as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023, included in this Form 17-A, and have issued our report thereon dated October 13, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at June 30, 2023 and 2022 and for each of the three years in the period ended June 30, 2023 and no material exceptions were noted.

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October 13, 2023

SCHEDULE A - FINANCIAL ASSETS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period period	Income received and accrued

The Group's financial asset at FVPL is less than 5% of total consolidated current assets, thus, schedule of financial assets is not applicable.

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts Written-off	Current	Not Current	Balance at end of period

The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above P1,000,000 or 1% of total assets, whichever is less, as at June 30, 2023

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of debtor and description	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at end of period	Description
STI Batangas	₱35,535,811	₱46,948,651	(₱54,366,586)	₱0	₱28,117,876	₱28,117,876	Educational services, school materials sold, other charges
STI Iloilo	19,772,058	64	0	-	19,772,122	19,772,122	Educational services, school materials sold, other charges
STI Lipa	93,825,822	105,550,422	(68,496,491)	-	130,879,753	130,879,753	Educational services, school materials sold, other charges
STI Pagadian	14,449,326	-	0	5,426,444	9,022,882	14,449,326	Educational services, school materials sold, other charges
STI Quezon Avenue	13,004,222	24,544,385	(12,038,839)	4,604,720	20,905,048	25,509,768	Educational services, school materials sold, other charges
STI Sta Maria	49,795,032	21,603,310	(35,928,264)	-	35,470,078	35,470,078	Educational services, school materials sold, other charges
STI Tuguegarao	17,022,023	32,441	0	13,136,613	3,917,851	17,054,464	Educational services, school materials sold, other charges
NPIM	27,782,266	1,685,328	(379,792)	-	29,087,802	29,087,802	Educational services, school materials sold, other charges
NAMEI	96,310,418	57,136,534	(43,540,061)	9,911,953	99,994,938	109,906,891	Educational services, school materials sold, other charges
STI Training Academy	41,052,422	12,065,885	(11,269,883)	32,660,929	9,187,495	41,848,424	Educational services, school materials sold, other charges
STI Tanauan	-	11,387,702	(9,855,699)	-	1,532,003	1,532,003	Educational services, school materials sold, other charges
STI Alabang	28,724,681	7,282,231	(101,327)	-	35,905,585	35,905,585	Educational services, school materials sold, other charges

SCHEDULE D – LONG-TERM DEBT
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
China Banking Corporation - Corporate notes facility Maturity Date / Interest Rate September 19, 2026 / 5.7895% to 6.5789%*	3,000,000,000	60,000,000	153,518,516
Fixed rate bonds series 7-year bond due 2024 and series 10-year bond due 2027/Interest rates are 5.8085% and 6.3756%, respectively**	5,000,000,000	2,175,083,335	813,339,649
China Banking Corporation - Term loan: Maturity Date / Interest Rate September 19, 2026 / 5.7895% to 6.5789% ***	1,200,000,000	120,000,000	595,342,511
LandBank ACADEME Program: Maturity Date / Interest Rate January 2024 / 3% ****	22,139,710	3,034,346	0

**presented inclusive of unamortized premium on corporate notes of ₱3.5 million in the Statemetns of Financial Position*
***presented net of bond issue costs with carrying value of ₱11.6 million in the Statements of Financial Position*
****presented net of issuance costs with carrying value of ₱4.7 million in the Statements of Financial Position*
*****presented net of issuance costs with carrying value of ₱7.9 thousand in the Statements of Financial Position*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of related party	Balance at beginning of period	Balance at end of period

The Group has no long-term loans from related parties as at June 30, 2023

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

The Group does not have guarantees of securities of other issuing entities as at June 30, 2023

SCHEDULE G – CAPITAL STOCK
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	5,000,000,000	3,081,877,170	-	3,081,877,155	15	-

Related Parties		
STI EDUCATION SYSTEMS HOLDINGS, INC.	3,040,623,037	98.66%
PRUDENT RESOURCES, INC.	13,465,465	0.44%
GONZALES, FRANSCISCO B. JR. (DECEASED)	8,873,692	0.29%
ROSSI, PURIFICACION G.	7,841,118	0.25%
PRUDENCIO, TOMAS J.	3,732,400	0.12%
SANTOS, MARIA LOURDES	1,725,000	0.06%
YOUNG, CAROLINA	1,651,828	0.05%
RAMOS, DULCE	1,155,447	0.04%
BUSTOS, FELIXBERTO	792,283	0.03%
DOMINGO, EMERITA R.	303,466	0.01%
VALERIO, MIKEL M.S.	241,279	0.01%
ZARASPE, ANACLETA C.	214,038	0.01%
MONES, REYNALDO A.	201,901	0.01%
HEIRS OF EDGAR SARTE	148,622	0.00%
RELLEVE, ALVIN K.	137,338	0.00%
PUBLICO, EDGARDO	122,080	0.00%
DUJUA, JOCELYN	115,532	0.00%
MADRIGAL, VICTORIA P.	63,384	0.00%
LAO, ERIENE C.	63,384	0.00%
PAULINO, MA. LUZ LOURDES M.	55,061	0.00%
ANSALDO, LYDIA V.	53,876	0.00%
CANTOS, LOLITA	53,185	0.00%
LIMJOCO, ALEX	47,603	0.00%
ZAPANTA, PRISCILLA D.	37,500	0.00%
HERBOSA, ARTURO ALFONSO J.	36,219	0.00%
NANO, ANA BELEN N.	35,288	0.00%
YU, ANNIE	30,434	0.00%
BRAVO, MELINDA C.	16,517	0.00%
DE LEON, AURORA F.	7,923	0.00%
GOPALAN, MA. LOURDES	6,155	0.00%
CAPAROS, VILMA	6,155	0.00%
PASCUA, ARNOLD F.	3,648	0.00%
BALAN, ARIEL KELLY D.	3,169	0.00%
PANTALEON, SERAFIN M.	2,117	0.00%
BASA, VIRGILIO T.	1,857	0.00%
GAMBOA, HERMAN T.	1,429	0.00%
DE LEON, MA. LOIDA	1,367	0.00%
DE LEON, ROSANO	1,367	0.00%
VILLASEÑOR, CELSO A.	1,330	0.00%
TOLENTINO, RUFINO (DECEASED)	738	0.00%
MONSOD, CHRISTIAN S.	714	0.00%
ZETA, BENJAMIN D.	688	0.00%
BALAGOT, WILFRED P.	466	0.00%
BARTOLOME, ARSENIO M., III	410	0.00%
MACHICA, RAMON G.	399	0.00%
ANGELES, BERNARD DAN F.	106	0.00%
SUAREZ, ROLANDO A.	106	0.00%
DAYCO, ROLANDO P.	30	0.00%
ABAYA, RAMON C. (Trustee of E.H. Tanco)	1	0.00%
MA. LEONORA VASQUEZ-DE JESUS	1	0.00%
QUINTOS JOAQUIN E. (Trustee of E.H. Tanco)	1	0.00%
VILLA, JESUS S. (Trustee for AADC)	1	0.00%
TOTAL	**3,081,877,155**	

Directors, officers and employees	
BORJA, RAINERIO M. (Trustee of E.H. Tanco)	2
JACOB, MONICO V. (Trustee of E.H. Tanco)	2
TANCO, JOSEPH AUGUSTIN L.	2
DE MESA, RAUL B.	2
TANCO, MARTIN K.	1
LAPUS, JESLI A.	1
TANCO, MA. VANESSA ROSE L.	1
TANCO, EUSEBIO H.	1
BAUTISTA, PAOLO MARTIN O.	1
FERNANDEZ, PETER K.	1
VERGARA, ROBERT G.	1
	15

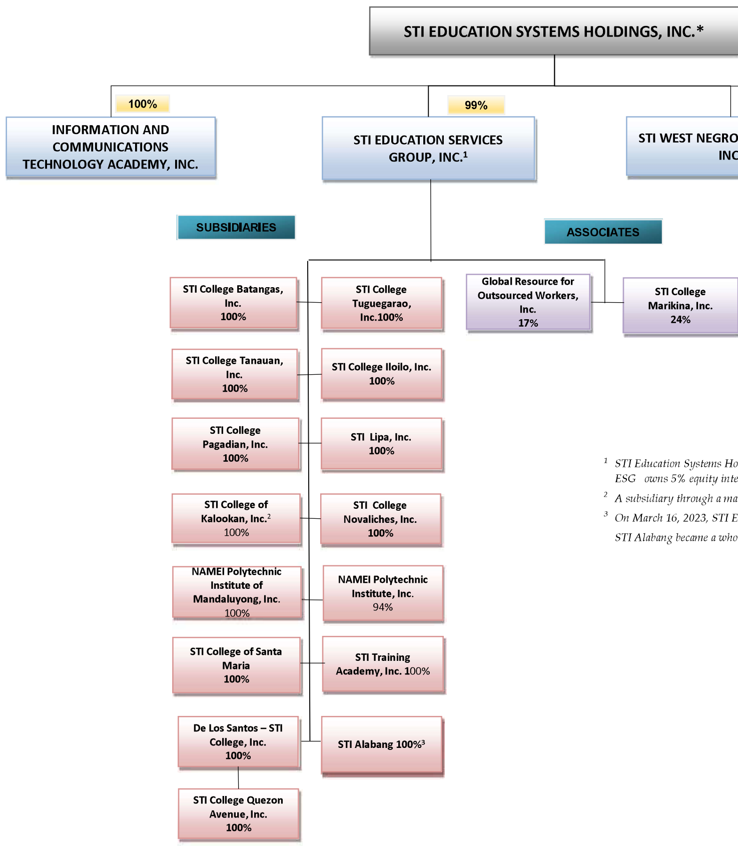
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
June 30, 2023
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

Unappropriated Retained Earnings, beginning	₱2,201,019,814
Adjustments:	
Deferred tax assets, beginning	(43,803,154)
Treasury shares	(10,833,137)
Unappropriated Retained Earnings, as adjusted, beginning	2,146,383,523
Net income during the period closed to Retained Earnings	583,003,616
Less: Non-actual/unrealized income, net of tax	
Movement of recognized deferred tax assets for the year	(30,034,418)
Net income actually realized during the year	552,969,197
Add (Less):	
Dividend declarations during the period	(₱215,731,402)
Retained earnings available for dividend declaration, end	2,483,621,318
	-
Total RE, end available for dividend - Parent	**₱2,483,621,318**

SCHEDULE I – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
June 30, 2022

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal



[1] *STI Education Systems Holdings, Inc. is an associate of STI Education Services Group, Inc. (STI ESG). STI ESG owns 5% equity interest in STI Holdings as at June 30, 2021.*

[2] *A subsidiary through a management contract.*

[3] *On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. STI Alabang became a wholly-owned subsidiary of STI ESG as at March 31, 2023.*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2023

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

	June 2023 (Audited)	June 2022 (Audited)
Liquidity Ratios		
Current ratio [1]	0.72	2.37
Quick ratio [2]	0.64	2.08
Cash ratio [3]	0.52	1.52
Solvency ratios		
Debt to equity ratio [4]	0.79	0.88
Asset to equity ratio [5]	1.79	1.88
Debt service cover ratio [14]	0.47	1.80
Interest coverage ratio [7]	3.20	1.92
Profitability ratios		
EBITDA margin [8]	48%	42%
Gross profit margin [9]	67%	64%
Operating profit margin [10]	27%	20%
Net income margin [11]	24%	12%
Return on equity (annualized)[12]	10%	4%
Return on assets[13]	6%	2%

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

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

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

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

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

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

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

(8) *EBITDA margin is measured as EBITDA divided by total revenues. 'EBITDA is net income excluding provision for (benefit from) income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, provision for impairment of noncurrent asset held for sale , income from rent concessions, and nonrecurring gains/losses such as as gain on foreign exchange differences, gain on settlement of receivables (net of loss on redemption), income on rent concessions, loss from investment through FVPL, gain on sale of noncurrent asset held for sale (net of capital gains tax) and loss on loan modification.*

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

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

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

(12) *Return on equity is measured as net income attributable to equity holders of the parent Company [annualized] divided by average equity attributable to equity holders of the parent company.*

(13) *Return on assets is measured as net income [annualized] divided by average total assets.*

(14) *DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement as at June 30, 2023 and 2022 at 2.36 and 1.70, respectively.*

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.	**(632) 8813 7111**
Contact Person	Company Telephone Number

06 30	**SEC FORM 17-Q For the Three-month Period Ended 30 September 2023**	**1st Thursday of November**
Month *Day* Fiscal Year	FORM TYPE	*Month* *Day* Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD	**N/A**
Dept. Requiring this Doc.	Amended Article Number/Section

Total Amount of Borrowings

63	₱3 Billion bonds	**N/A**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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 nine-month period ended	September 30, 2023
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 20, 2023
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	November 20, 2023
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	November 20, 2023

ANNEX "A"

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023 AND JUNE 30, 2023

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,917,814,806**	₱1,571,737,633
Receivables (Note 6)	**1,396,308,527**	342,010,955
Inventories (Note 7)	**120,148,826**	125,227,248
Prepaid expenses and other current assets (Note 8)	**89,899,750**	114,852,313
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**7,595,000**	8,990,000
Total Current Assets	**3,531,766,909**	2,162,818,149
Noncurrent Assets		
Property and equipment (Note 10)	**7,483,392,057**	7,505,664,889
Investment properties (Note 11)	**668,506,110**	675,138,874
Investments in and advances to associates and joint venture (Notes 12)	**497,041,696**	493,988,698
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**72,407,272**	71,501,232
Deferred tax assets - net	**68,257,999**	41,994,892
Goodwill, intangible and other noncurrent assets (Note 14)	**333,933,313**	331,164,982
Total Noncurrent Assets	**9,123,538,447**	9,119,453,567
TOTAL ASSETS	**₱12,655,305,356**	₱11,282,271,716
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱443,700,186**	₱560,930,731
Current portion of bonds payable (Note 17)	**2,176,741,292**	2,175,083,335
Current portion of interest-bearing loans and borrowings (Note 16)	**240,951,799**	183,042,276
Unearned tuition and other school fees	**1,776,337,243**	43,940,924
Current portion of lease liabilities	**58,367,257**	53,358,726
Income tax payable	**1,068**	376,536
Total Current Liabilities	**4,696,098,845**	3,016,732,528
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**475,683,514**	748,861,025
Bonds payable - net of current portion (Note 17)	**813,736,535**	813,339,649
Lease liabilities - net of current portion	**266,454,795**	282,377,214
Pension liabilities - net	**80,478,797**	79,429,605
Other noncurrent liabilities (Note 18)	**46,264,372**	46,338,093
Total Noncurrent Liabilities	**1,682,618,013**	1,970,345,586
Total Liabilities *(Carried Forward)*	**6,378,716,858**	4,987,078,114

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total Liabilities *(Brought Forward)*	**₱6,378,716,858**	₱4,987,078,114
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
Capital stock	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**1,889,510**	2,589
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**16,267,718**	15,008,758
Other equity reserve	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain	**163,082**	163,082
Unrealized fair value loss on equity instruments at FVOCI (Note 12)	**(35,629)**	(38,774)
Retained earnings	**2,843,822,543**	2,865,327,141
Total Equity Attributable to Equity Holders of the Parent Company	**6,279,915,453**	6,298,271,025
Equity Attributable to Non-controlling Interests	**(3,326,955)**	(3,077,423)
Total Equity	**6,276,588,498**	6,295,193,602
TOTAL LIABILITIES AND EQUITY	**₱12,655,305,356**	₱11,282,271,716

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, 2023 AND 2022

	Three months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱334,797,240**	₱227,651,035
Educational services	**45,561,977**	37,474,826
Royalty fees	**4,796,349**	3,945,007
Others	**28,092,808**	23,707,435
Sale of goods -		
Sale of educational materials and supplies	**66,914,740**	67,278,569
	480,163,114	360,056,872
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**156,828,668**	127,710,441
Cost of educational materials and supplies sold (Note 22)	**47,846,352**	50,255,334
General and administrative expenses (Note 23)	**288,827,862**	255,442,589
	493,502,882	433,408,364
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(13,339,768)**	(73,351,492)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 16 and 17)	**(67,711,519)**	(72,596,805)
Rental income	**28,133,107**	27,827,747
Foreign exchange gain - net	**13,731,097**	26,776,600
Interest income (Notes 5 and 6)	**5,031,107**	2,731,300
Gain on:		
Early extinguishment of loan (Note 16)	**3,076,465**	–
Sale of property and equipment	**14,391**	49,943
Recovery of accounts written off (Note 6)	**1,847,192**	2,561,307
Fair value loss on equity instruments at FVPL (Note 9)	**(1,395,000)**	(1,379,500)
Equity in net earnings of associates and joint venture (Note 12)	**3,049,853**	2,519,384
Dividend income (Notes 9 and 13)	**151,590**	1,077,616
Other income (expenses) - net	**(226,795)**	4,547,432
	(14,298,512)	(5,884,976)
LOSS BEFORE INCOME TAX *(Carried Forward)*	**(27,638,280)**	(79,236,468)

`

	Three months ended September 30	
	2023 (Unaudited)	**2023 (Unaudited)**
LOSS BEFORE INCOME TAX *(Brought Forward)*	**(₱27,638,280)**	(₱79,236,468)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**20,588,615**	1,675,134
Deferred	**(26,472,765)**	(5,115,814)
	(5,884,150)	(3,440,680)
NET LOSS	**(21,754,130)**	(75,795,788)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain (loss) on pension liabilities	**2,096,579**	(1,048,289)
Tax effect on remeasurement loss (gain) on pension liabilities	**(209,658)**	104,828
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**1,258,960**	625,416
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 12)	**3,145**	–
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,149,026**	(318,045)
TOTAL COMPREHENSIVE LOSS	**(18,605,104)**	(76,113,833)
Net Loss Attributable To		
Equity holders of the Parent Company	**(21,504,598)**	(74,993,684)
Non-controlling interests	**(249,532)**	(802,104)
	(21,754,130))	(75,795,788)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(18,355,572)**	(75,311,729)
Non-controlling interests	**(249,532)**	(802,104)
	(₱18,605,104)	(₱76,113,833)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.01)**	(₱0.02)

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, 2023 AND 2022

	Capital Stock (Note 19)	Additional Paid-in Capital	Treasury Stock (Note 19)	Cumulative Actuarial Gain (Loss)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 13)	Other Equity Reserve (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 12)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2023	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱2,589**	**₱15,008,758**	**(₱46,104,556)**	**₱163,082**	**(₱38,774)**	**₱2,865,327,141**	**₱6,298,271,025**	**(₱3,077,423)**	**₱6,295,193,602**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,504,598)**	**(21,504,598)**	**(249,532)**	**(21,754,130)**
Other comprehensive income	**–**	**–**	**–**	**1,886,921**	**1,258,960**	**–**	**–**	**3,145**	**–**	**3,149,026**	**–**	**3,149,026**
Total comprehensive loss	**–**	**–**	**–**	**1,886,921**	**1,258,960**	**–**	**–**	**3,145**	**(21,504,598)**	**(18,355,572)**	**(249,532)**	**(18,605,104)**
Balance at September 30, 2023	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱1,889,510**	**₱16,267,718**	**(₱46,104,556)**	**₱163,082**	**(₱35,629)**	**₱2,843,822,543**	**₱6,279,915,453**	**(₱3,326,955)**	**₱6,276,588,498**
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)	(74,993,684)	(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

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, 2023 AND 2022

	Three months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱27,638,280)**	(₱79,236,468)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 21 and 23)	**121,211,314**	119,762,499
Interest expense (Notes 16 and 17)	**67,711,519**	72,596,805
Unrealized foreign exchange gain - net	**(13,730,837)**	(26,776,433)
Interest income (Notes 5 and 6)	**(5,031,107)**	(2,731,300)
Equity in net earnings of associates and joint venture (Note 12)	**(3,049,853)**	(2,519,384)
Dividend income (Notes 9 and 13)	**(151,590)**	(1,077,616)
Fair value loss on equity instruments at FVPL (Note 9)	**1,395,000**	1,379,500
Gain on:		
Early extinguishment of loan (Note 16)	**(3,076,465)**	–
Sale of property and equipment (Note 10)	**(14,391)**	(49,943)
Movements in pension	**3,145,770**	2,331,486
Operating income before working capital changes	**140,771,080**	83,679,146
Decrease in:		
Receivables	**420,400,053**	299,373,004
Inventories	**5,078,422**	33,570,367
Prepaid expenses and other current assets	**4,365,016**	4,064,315
Increase (decrease) in:		
Accounts payable and other current liabilities	**(107,292,698)**	(86,094,941)
Unearned tuition and other school fees	**257,191,866**	225,007,429
Other noncurrent liabilities	**(73,720)**	(3,918)
Net cash generated from operations	**720,440,019**	559,595,402
Interest received	**5,031,107**	2,731,300
Income tax paid	**(376,536)**	–
Net cash provided by operating activities	**725,094,590**	562,326,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(60,974,840)**	(18,267,266)
Investment properties (Note 11)	**–**	(7,780,093)
Proceeds from:		
Redemption of equity instruments at FVOCI (Note 13)	**352,920**	–
Sale of property and equipment (Note 10)	**14,412**	50,000
Sale of noncurrent asset held for sale	**–**	19,000,000
Dividend received (Notes 9 and 13)	**151,590**	1,077,616
Payments for other noncurrent assets (Note 14)	**(13,729,192)**	(26,620,139)
Net cash used in investing activities	**(74,185,110)**	(32,539,882)

(Forward)

	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interests	**(₱76,026,559)**	(₱85,005,533)
Long-term loans (Note 16)	**(212,095,670)**	(244,012,094)
Lease liabilities	**(30,440,915)**	(29,358,996)
Net cash used in financing activities	**(318,563,144)**	(358,376,623)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**13,730,837**	26,776,433
NET INCREASE IN CASH AND CASH EQUIVALENTS	**346,077,173**	198,186,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,571,737,633**	1,242,529,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,917,814,806**	₱1,440,716,095

See accompanying Notes to the Unaudited 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, including Senior High School (SHS), and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

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

As at September 30, 2023 and June 30, 2023, 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 Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**
STI College of Kalookan, Inc. (STI Caloocan)[(a)]	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 College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**
STI College Iloilo, Inc. (STI Iloilo) [(b)]	Educational Institution	**100**	**–**
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**
STI College Pagadian, Inc. (STI Pagadian) [(b)]	Educational Institution	**100**	**–**
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**100**	**–**
STI College Tuguegarao, Inc. (STI Tuguegarao) [(b)]	Educational Institution	**100**	**–**
NAMEI Polytechnic Institute, Inc. (NAMEI)	Educational Institution	**94**	**–**
NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) [(b)]	Educational Institution	**100**	**–**
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**100**	**–**
STI-College Alabang, Inc. (STI Alabang) [(d)]	Educational Institution	**100**	**–**
STI College Quezon Avenue, Inc. (STI Quezon Avenue) [(e)]	Educational Institution	**–**	**100**

[(a)] A subsidiary through a management contract
[(b)] STI Iloilo, STI Pagadian and STI Tuguegarao ceased operations effective SY 2020-2021; NPIM ceased operations effective June 30, 2022.
[(c)] In June 2016, De Los Santos-STI College advised the 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. De Los Santos-STI College has not resumed its school operations as at November 20, 2023.
[(d)] On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. STI Alabang became a wholly-owned subsidiary of STI ESG effective March 31, 2023.
[(e)] A wholly-owned subsidiary of De Los Santos-STI College.

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 Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by 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 Phases 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 November 20, 2023, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phases 1 and 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, the Parent Company applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As at November 20, 2023, the Parent Company has not received the CARs from the BIR.

For SY 2021-2022, NPIM exclusively enrolled students for Junior High School (JHS) and SHS only. Its former grade school students were advised earlier to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of NPIM did not have a material financial impact on the Group.

On August 5, 2022, CHED approved the transfer of school operations of STI Quezon Avenue to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

On March 16, 2023, STI ESG and the majority owners of STI Alabang entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owned 40% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG.

As at September 30, 2023, STI ESG's network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

The establishment, operation, administration and management of schools are subject to the existing laws, rules and regulations, policies, and standards of the Department of Education (DepEd), Technical Education and Skills Development Authority (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 have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2023. 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 PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

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

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

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

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

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

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

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

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

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

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

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on

its unaudited interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective for Fiscal Year 2025

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

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

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to September 30, 2023 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.

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3. **Seasonality of Operations**

The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and September for JHS and SHS, and the tertiary level, respectively, and ends in June of the following year. In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes while classes for SY 2023-2024 are all conducted face-to-face.

Classes of SHS and JHS students for SY 2022-2023 started on August 30, 2022 while classes of tertiary students started on September 5, 2022. Face-to-face classes across all levels for SY 2023-2024 started on August 29, 2023. STI ESG implemented a flexible learning delivery modality in the first semester of SY 2022-2023. For tertiary courses, all professional and identified general education courses were delivered onsite while other general education courses were delivered using blended modality, with a distribution of 50% onsite/face-to-face to 50% asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to higher education institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes for tertiary enrollees starting on second semester of SY 2022-2023. As for SHS and JHS, classes were 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 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 revenues of the Group are 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 an unaudited interim condensed consolidated basis, the Group's performance is evaluated based on net income (loss) and EBITDA. EBITDA is defined as earnings (losses) before interest expense, interest income, benefit from income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint venture, and nonrecurring gains (losses) such as gain on foreign exchange differences, gain on early extinguishment of loan, fair value loss on equity instruments at FVPL and donation income. 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, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Consolidated net loss	**(₱21,754,130)**	(₱75,795,788)
Depreciation and amortization[1]	**104,780,303**	105,289,318
Interest expense[1]	**62,239,666**	67,445,280
Foreign exchange gain – net	**(13,731,097)**	(26,776,600)
Benefit from income tax	**(5,884,150)**	(3,440,680)
Interest income	**(5,031,107)**	(2,731,300)
Gain on early extinguishment of loan	**(3,076,465)**	–
Equity in net earnings of associates and joint venture	**(3,049,853)**	(2,519,384)
Fair value loss on equity instruments at FVPL	**1,395,000**	1,379,500
Donation income[2]	**–**	(4,744,529)
Consolidated EBITDA	**₱115,888,167**	₱58,105,817

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

<u>Inter-Segment Transactions</u>
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, 2023 and 2022:

	For the three-month period ended September 30, 2023 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱302,883,843**	**₱34,606,891**	**₱126,415,357**	**₱4,350,428**	**₱11,906,595**	**₱480,163,114**
Results						
Income (loss) before other income (expenses) and income tax	**(52,148,572)**	**(4,472,051)**	**48,425,499**	**(1,814,532)**	**(3,330,112)**	**(13,339,768)**
Equity in net earnings of associates and joint venture	**3,049,853**	**–**	**–**	**–**	**–**	**3,049,853**
Interest expense	**(64,169,706)**	**(945,671)**	**(1,603,983)**	**(361,708)**	**(630,451)**	**(67,711,519)**
Interest income	**5,025,436**	**179**	**5,483**	**–**	**9**	**5,031,107**
Other income[(a)]	**44,211,087**	**119,320**	**866,295**	**35,045**	**100,300**	**45,332,047**
Benefit from income tax	**3,268,025**	**889,798**	**1,726,327**	**–**	**–**	**5,884,150**
Net Income (Loss)	**(₱60,763,877)**	**(₱4,408,425)**	**₱49,419,621**	**(₱2,141,195)**	**(₱3,860,254)**	**(₱21,754,130)**
EBITDA						**₱115,888,167**

	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 (loss) 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

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

The following tables present certain assets and liabilities information regarding geographical segments as at September 30, 2023 and June 30, 2023.

	As at September 30, 2023 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[a]	**₱8,900,956,244**	**₱829,139,179**	**₱1,837,753,093**	**₱89,166,386**	**₱182,092,678**	**₱11,839,107,580**
Goodwill (see Note 14)	**250,898,081**	**–**	**–**	**–**	**–**	**250,898,081**
Investments in and advances to associates and joint venture (see Note 12)	**497,041,696**	**–**	**–**	**–**	**–**	**497,041,696**
Deferred tax assets – net	**56,043,446**	**3,954,911**	**6,522,693**	**41,555**	**1,695,394**	**68,257,999**
Total Assets	**₱9,704,939,467**	**₱833,094,090**	**₱1,844,275,786**	**₱89,207,941**	**₱183,788,072**	**₱12,655,305,356**
Segment liabilities[b]	**₱1,137,789,490**	**₱223,967,574**	**₱793,214,497**	**₱28,252,140**	**₱83,079,168**	**₱2,266,302,869**
Interest-bearing loans and borrowings (see Note 16)	**716,635,313**	**–**	**–**	**–**	**–**	**716,635,313**
Bonds payable (see Note 17)	**2,990,477,827**	**–**	**–**	**–**	**–**	**2,990,477,827**
Pension liabilities	**59,126,866**	**5,965,125**	**12,665,197**	**128,691**	**2,592,918**	**80,478,797**
Lease liabilities	**111,179,869**	**54,165,912**	**97,859,277**	**23,702,765**	**37,914,229**	**324,822,052**
Total Liabilities	**₱5,015,209,365**	**₱284,098,611**	**₱903,738,971**	**₱52,083,596**	**₱123,586,315**	**₱6,378,716,858**
Other Segment Information						
Capital expenditures for property and equipment						**₱77,662,246**
Depreciation and amortization[c]						**104,780,303**
Noncash expenses other than depreciation and amortization						**45,983,552**

	As at June 30, 2023 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[a]	₱8,192,277,712	₱717,138,215	₱1,382,644,996	₱77,062,329	₱126,266,793	₱10,495,390,045
Goodwill (see Note 14)	250,898,081	–	–	–	–	250,898,081
Investments in and advances to associates and joint venture (see Note 12)	493,988,698	–	–	–	–	493,988,698
Deferred tax assets - net	32,396,464	3,065,113	4,796,366	41,555	1,695,394	41,994,892
Total Assets	₱8,969,484,059	₱720,203,328	₱1,387,441,362	₱77,103,884	₱127,962,187	₱11,282,271,716
Segment liabilities[b]	₱434,942,339	₱59,149,312	₱115,631,192	₱9,274,759	₱32,588,682	₱651,586,284
Interest-bearing loans and borrowings (see Note 16)	931,903,301	–	–	–	–	931,903,301
Bonds payable (see Note 17)	2,988,422,984	–	–	–	–	2,988,422,984
Pension liabilities	58,791,356	5,775,501	12,226,482	116,334	2,519,932	79,429,605
Lease liabilities	120,644,554	57,706,097	103,871,119	25,298,373	28,215,797	335,735,940
Total Liabilities	₱4,534,704,534	₱122,630,910	₱231,728,793	₱34,689,466	63,324,411	₱4,987,078,114
Other Segment Information						
Capital expenditures for property and equipment						₱305,656,075
Depreciation and amortization[c]						420,842,361
Noncash expenses other than depreciation and amortization						77,623,352

[a] *Segment assets exclude goodwill, investments in and advances to associates and joint venture and net deferred tax assets.*

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

[c] *Depreciation and amortization exclude those related to ROU assets.*

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Cash on hand and in banks	**₱956,693,455**	₱751,428,149
Cash equivalents	**961,121,351**	820,309,484
	₱1,917,814,806	₱1,571,737,633

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 ₱3.5 million and ₱1.2 million for the three-month periods ended September 30, 2023 and 2022, respectively.

6. Receivables

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Tuition and other school fees	**₱1,544,051,104**	₱471,046,281
Educational services and sale of educational materials and supplies (see Note 24)	**93,796,039**	63,793,857
Rent, utilities, and other related receivables	**45,937,181**	56,455,263
Advances to officers and employees (see Note 24)	**25,999,239**	23,348,967
Others	**19,711,471**	17,715,312
	1,729,495,034	632,359,680
Less allowance for expected credit losses	**333,186,507**	290,348,725
	₱1,396,308,527	₱342,010,955

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 fee structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning

SY 2021-2022 and SY 2022-2023, respectively. Receivables from DBP amounted to ₱2.3 million and ₱1.6 million as at September 30, 2023 and June 30, 2023, respectively.

These receivables are non-interest-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 school 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 from invoice date. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱1.6 million and ₱1.5 million for the three-month periods ended September 30, 2023 and 2022, respectively.

c. Rent, utilities, and other related receivables are normally collected within the next year (see Note 24).

d. Advances to officers and employees represent advances for official business expenses which are necessary and reasonable to carry out the operations of head office and the schools. These advances are normally liquidated within one month from the date the advances were obtained.

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.6 million, ₱6.5 million, and ₱5.8 million, respectively, as at September 30, 2023 and amounting to ₱1.6 million, ₱6.5 million, and ₱5.2 million, respectively, as at June 30, 2023. These receivables are expected to be collected within the next fiscal year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱1.8 million and ₱2.6 million for the three-month periods ended September 30, 2023 and 2022, respectively.

7. Inventories

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱92,489,737**	₱95,765,980
Textbooks and other education-related materials	**9,622,338**	9,574,986
	102,112,075	105,340,966
Promotional materials:		
Proware materials	**13,957,768**	13,621,873
Marketing materials	**428,105**	428,244
	14,385,873	14,050,117
School materials and supplies	**3,650,878**	5,836,165
	₱120,148,826	₱125,227,248

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, 2023 and June 30, 2023. Allowance for inventory obsolescence amounted to ₱24.1 million as at September 30, 2023 and June 30, 2023. No provision was recognized for the three-month periods ended September 30, 2023 and 2022.

Inventories charged to cost of educational materials and supplies sold amounted to ₱47.8 million and ₱50.3 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Prepaid taxes	**₱36,256,320**	₱55,039,332
Input VAT – net	**20,111,965**	24,862,201
Prepaid insurance	**14,359,900**	736,637
Advances to suppliers	**10,964,615**	18,245,027
Prepaid subscriptions and licenses	**5,633,754**	12,292,941
Software maintenance cost	**1,018,166**	1,480,531
Prepaid internet cost	**87,816**	87,916
Others	**1,467,214**	2,107,728
	₱89,899,750	₱114,852,313

Prepaid taxes represent excess prior year's tax credits and creditable withholding taxes which will be applied against future income tax due. This account also includes prepayments for business taxes and real property taxes which will be recognized as expenses over the period covered.

Net input VAT represents the remaining balance after application against output VAT and is recoverable in future periods. The balance of this account is primarily attributed to input VAT recognized from the acquisition of two parcels of land in Meycauayan City, Bulacan in October 2022 (see Note 11). This account also includes input VAT recognized on the purchase of other goods and services.

Prepaid insurance as at September 30, 2023 primarily represents fire insurance coverage on buildings, including equipment and furniture, money security payroll, fidelity insurance, and health insurance coverage for employees. The balance as at June 30, 2023 primarily represents fire insurance on buildings and vehicle insurance coverage. These insurance premiums were paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Advances to suppliers as at September 30, 2023 and June 30, 2023 primarily relate to advance payments for ongoing repair works in certain wholly-owned schools of STI ESG and initial payments made for the procurement of students' school uniforms for SY 2023-2024.

Prepaid subscriptions and licenses as at September 30, 2023 substantially pertains to Microsoft license and Firewall subscriptions while the balance as at June 30, 2023 includes e-Learning Management System (eLMS) subscriptions which were paid in advance in preparation for the succeeding school year. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Software maintenance costs include annual support and maintenance charges for the use of accounting and enrollment systems which are recognized as expense over time in accordance with the terms of the respective agreements.

Prepaid internet cost represents the remaining funds in the schools' load wallet for data connectivity and is now primarily used for the schools' marketing activities.

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 ₱7.6 million and ₱9.0 million as at September 30, 2023 and June 30, 2023, respectively.

STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.4 million for the three-month periods ended September 30, 2023 and 2022.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million for the three-month periods ended September 30, 2023 and 2022.

10. **Property and Equipment**

The rollforward analyses of this account are as follows:

	September 30, 2023												
	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 period	**₱2,496,599,185**	**₱4,494,444,742**	**₱110,214,053**	**₱27,679,382**	**₱13,734,407**	**₱1,453,695**	**₱42,424,554**	**₱12,076,809**	**₱35,995,589**	**₱114,453,562**	**₱143,839,829**	**₱12,749,082**	**₱7,505,664,889**
Additions	**–**	**10,358,348**	**6,254,659**	**4,684,150**	**1,861,256**	**–**	**22,482,020**	**381,668**	**31,640,144**	**–**	**12,672,676**	**1,889,327**	**92,224,248**
Reclassification	**–**	**21,273,493**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,273,493)**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**(8)**	**(10)**		**–**	**(3)**	**–**	**–**	**–**	**–**	**–**	**(21)**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(66,933,950)**	**(14,373,104)**	**(4,119,251)**	**(5,297,066)**	**(111,817)**	**(6,536,804)**	**(694,056)**	**–**	**(2,257,275)**	**(11,836,221)**	**(2,337,515)**	**(114,497,059)**
Balance at end of period	**₱2,496,599,185**	**₱4,459,142,633**	**₱102,095,600**	**₱28,244,271**	**₱10,298,597**	**₱1,341,878**	**₱58,369,767**	**₱11,764,421**	**₱46,362,240**	**₱112,196,287**	**₱144,676,284**	**₱12,300,894**	**₱7,483,392,057**
At September 30, 2023													
Cost	**₱2,496,599,185**	**₱6,591,003,877**	**₱786,887,032**	**₱329,410,518**	**₱182,141,820**	**₱ 9,832,517**	**₱451,024,224**	**₱133,736,742**	**₱46,362,240**	**₱147,669,256**	**₱278,511,317**	**₱58,127,570**	**₱11,511,306,298**
Accumulated depreciation and amortization	**–**	**(2,131,861,244)**	**(684,791,432)**	**(301,166,247)**	**(171,843,223)**	**(8,490,639)**	**(392,654,457)**	**(121,972,321)**	**–**	**(35,472,969)**	**(133,835,033)**	**(45,826,676)**	**(4,027,914,241)**
Net book value	**₱2,496,599,185**	**₱4,459,142,633**	**₱102,095,600**	**₱28,244,271**	**₱10,298,597**	**₱1,341,878**	**₱58,369,767**	**₱11,764,421**	**₱46,362,240**	**₱112,196,287**	**₱144,676,284**	**₱12,300,894**	**₱7,483,392,057**

	June 30, 2023												
	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 period	₱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	–	40,732,456	29,885,200	10,421,642	7,190,502	1,599,200	34,547,563	2,738,404	30,541,347	–	75,917,367	9,405,873	242,979,554
Disposal	–	–	(89)	(68)		–	(54)	(46)	–	–	–	–	(257)
Reclassification from investment properties (see Note 11)	46,593,333	69,136,320	–	–	–	–	–	–	–	–	–	–	115,729,653
Reclassification to investment properties (see Note 11)	(40,497,071)	(20)	–	–	–	–	–	–	–	–	–	–	(40,497,091)
Lease termination/modification											(1,156,865)	(1,588,667)	(2,745,532)
Effect of business combination	–	–	123,199	–	40,505	1	1,860,144	139,042	–	–	–	–	2,162,891
Depreciation and amortization (see Notes 21 and 23)	–	(273,308,275)	(62,336,113)	(16,818,343)	(16,131,518)	(214,056)	(19,026,302)	(5,953,008)	–	(8,105,137)	(46,505,522)	(7,570,781)	(455,969,055)
Balance at end of period	₱2,496,599,185	₱4,494,444,742	₱110,214,053	₱27,679,382	₱13,734,407	₱1,453,695	₱42,424,554	₱12,076,809	₱35,995,589	₱114,453,562	₱143,839,829	₱12,749,082	₱7,505,664,889
At June 30, 2023													
Cost	₱2,496,599,185	₱6,556,588,274	₱781,083,400	₱325,556,549	₱183,762,696	₱9,832,517	₱428,742,761	₱132,656,706	₱35,995,589	₱148,128,581	₱290,789,014	₱56,238,544	₱11,445,973,816
Accumulated depreciation and amortization	–	(2,062,143,532)	(670,869,347)	(297,877,167)	(170,028,289)	(8,378,822)	(386,318,207)	(120,579,897)	–	(33,675,019)	(146,949,185)	(43,489,462)	(3,940,308,927)
Net book value	₱2,496,599,185	₱4,494,444,742	₱110,214,053	₱27,679,382	₱13,734,407	₱1,453,695	₱42,424,554	₱12,076,809	₱35,995,589	₱114,453,562	₱143,839,829	₱12,749,082	₱7,505,664,889

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,480.1 million and ₱1,369.4 million as at September 30, 2023 and June 30, 2023, respectively. There were no idle properties and equipment as at September 30, 2023 and June 30, 2023.

Additions

Property and Equipment under Construction. As at June 30, 2023, the remaining construction-in-progress primarily pertains to several exterior and interior renovation projects for certain wholly-owned schools of STI ESG. This is in preparation for SY 2023-2024. The related contract costs for these projects aggregated to ₱55.5 million. Of the ₱55.5 million, several projects aggregating to ₱28.3 million have been completed as at September 30, 2023. As at September 30, 2023, the remaining construction-in-progress aggregating to ₱32.1 million relates substantially to renovation and rehabilitation projects in certain wholly-owned schools of STI ESG. These projects include the ongoing works that the Group initiated during the three-month period ended September 30, 2023 which are all set to be completed by end of 2023.

STI ESG is concurrently engaged in roof deck waterproofing activities at STI Ortigas-Cainta, a branch of STI ESG, in preparation for the installation of solar panels. These projects have an aggregate cost of ₱10.6 million and are expected to be completed by end of 2023.

The construction-in-progress account likewise includes the canteen and basketball court roofing project for STI Legazpi. The associated contract cost for this project is ₱25.7 million, inclusive of materials, cost of labor and overhead and all other costs required for the completion of this project. This project is expected to be completed by end of 2023.

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from "Investment Properties" to "Property and Equipment" in September 2022 upon transfer of STI Quezon Avenue's operations to Tanay, Rizal starting SY 2022-2023 (see Note 1).

Collaterals
Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at September 30, 2023 and June 30, 2023. The net book value of these equipment amounted to ₱12.3 million and ₱12.7 million as at September 30, 2023 and June 30, 2023, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	September 30, 2023			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Cost:				
Balance at beginning and end of period	**204,626,879**	**779,564,396**	**–**	**984,191,275**

	September 30, 2023			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Accumulated Depreciation:				
Balance at beginning of year	**–**	**309,052,401**	**–**	**309,052,401**
Depreciation (see Note 23)	**–**	**6,632,764**	**–**	**6,632,764**
Balance at end of period	**–**	**315,685,165**	**–**	**315,685,165**
Net book value	**₱204,626,879**	**₱463,879,231**	**₱–**	**₱668,506,110**

	June 30, 2023			
	Land	Condominium Units and Buildings	Construction- in-Progress	Total
Cost:				
Balance at beginning of year	₱68,002,424	₱703,141,550	₱86,671,554	₱857,815,528
Additions	142,720,717	5,279,044	–	147,999,761
Reclassification of completed construction-in-progress		86,671,554	(86,671,554)	–
Reclassification from property and equipment (see Note 10)	40,497,071	55,298,011	–	95,795,082
Reclassification to property and equipment (see Note 10)	(46,593,333)	(70,825,763)	–	(117,419,096)
Balance at end of year	204,626,879	779,564,396	–	984,191,275
Accumulated Depreciation:				
Balance at beginning of year	–	228,926,408	–	228,926,408
Depreciation (see Note 23)	–	26,517,445	–	26,517,445
Reclassification from property and equipment (see Note 10)	–	55,297,991	–	55,297,991
Reclassification to property and equipment (see Note 10)	–	(1,689,443)	–	(1,689,443)
Balance at end of year	–	309,052,401	–	309,052,401
Net book value	₱204,626,879	₱470,511,995	₱–	₱675,138,874

As at September 30, 2023 and June 30, 2023, investment properties primarily include condominium units and buildings of the Group which are held for office or commercial lease.

Land Acquired through Deed of Absolute Sale. STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters in Meycauayan City, Bulacan, in October 2022, for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees. This property is intended to be the future site of STI Academic Center Meycauayan. The aforementioned property is covered by existing lease agreements with varying terms expiring in 2024 up to 2025.

Reclassification from Property and Equipment. In June 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of "Investment properties". The carrying value at the time of reclassification is ₱40.5 million. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

12. **Investments in and Advances to Associates and Joint Venture**

The details and movements of this account are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of period	**(56,002,862)**	(63,658,004)
Equity in net earnings of associates and joint venture	**3,049,853**	15,161,635
Dividends received	**–**	(7,506,493)
Balance at end of year	**(52,953,009)**	(56,002,862)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**124,308**	750,782
Remeasurement loss on pension liability	**–**	(633,603)
Unrealized fair value adjustment on equity instruments designated at FVOCI	**3,145**	7,129
Balance at end of period	**127,453**	124,308
	497,041,696	493,988,698
Advances (see Note 24)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱497,041,696	₱493,988,698

There is no movement in the allowance for impairment in value of investments in and advances to associates and joint ventures for the period ended September 30, 2023 and June 30, 2023. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Associates (see Note 24):		
STI Holdings	**₱475,451,024**	₱473,239,081
STI Accent*	**48,134,540**	48,134,540
GROW	**17,614,727**	16,733,574
Joint venture - PHEI	**3,975,945**	4,016,043
	545,176,236	542,123,238
Allowance for impairment loss	**48,134,540**	48,134,540
	₱497,041,696	₱493,988,698

**The share in equity of STI Accent for the period ended September 30, 2023 and year ended June 30, 2023 is not material to the unaudited interim condensed consolidated financial statements.*

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

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Quoted equity shares	**₱6,898,800**	₱5,639,840
Unquoted equity shares	**65,508,472**	65,861,392
	₱72,407,272	₱71,501,232

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 ₱31.0 million as at September 30, 2023 and June 30, 2023.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱1.8 million and ₱0.9 million for the three-month periods ended September 30, 2023 and 2022, respectively.

14. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Goodwill	**₱250,898,081**	₱250,898,081
Intangible assets	**32,586,284**	32,667,775
Rental and utility deposits (see Note 18)	**25,385,646**	25,254,523
Advances to suppliers	**23,144,642**	20,130,653
Others	**1,918,660**	2,213,950
	₱333,933,313	₱331,164,982

Goodwill

As at September 30, 2023 and June 30, 2023, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs. Management performs its impairment test at the end of each annual reporting period for all the CGUs. No impairment was recognized for the three-month periods ended September 30, 2023 and 2022.

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, 2023 and June 30, 2023.

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.

Advances to Suppliers
Advances to suppliers relate to advance payments made for various transactions, including the (1) canteen and basketball court roofing projects at STI Legazpi (2) rehabilitation of sewage treatment plants and various renovation projects for certain wholly-owned schools, (3) installation of solar power panels at STI Ortigas-Cainta, and (4) acquisition of equipment and furniture. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered.

Advances to suppliers likewise include advance payments for the design and set-up of the new enrollment system. The related cost for this project will be recognized as "Intangibles" when the services are completely rendered.

15. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Accounts payable	**₱226,424,814**	₱323,655,444
Accrued expenses:		
Contracted services	**40,786,596**	41,214,857
Salaries, wages and benefits	**28,737,524**	25,188,663
School activities, programs and other related expenses	**22,937,953**	48,556,774
Utilities	**9,855,496**	7,731,670
Interest	**5,753,577**	21,499,453
Rent	**4,390,594**	2,366,145
Advertising and promotion	**3,365,971**	3,268,457
Others	**1,494,461**	1,728,669
Network events fund	**26,016,938**	18,927,070
Student organization fund	**25,624,290**	20,793,423
Statutory payables	**25,417,247**	22,924,438
Dividend payable	**15,161,749**	15,161,749
Current portion of refundable deposits (see Note 18)	**3,999,553**	3,925,833
Current portion of advance rent (see Note 18)	**74,400**	74,400
Others	**3,659,023**	3,913,686
	₱443,701,186	₱560,930,731

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

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

g. Terms and conditions of payables to related parties are disclosed in Note 31 to the unaudited interim condensed consolidated financial statements.

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

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Term loans[(a)]	**₱715,683,514**	₱715,342,511
Corporate notes[(b)]	**–**	213,518,516
Landbank ACADEME Program[(c)]	**951,799**	3,042,274
	716,635,313	931,903,301
Less current portion	**240,951,799**	183,042,276
Noncurrent portion	**₱475,683,514**	₱748,861,025

[(a)]*Net of unamortized debt issuance costs of ₱4.3 million and ₱4.7 million as at September 30, 2023 and June 30, 2023, respectively.*
[(b)]*Balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5million*
[c)]*Net of unamortized debt issuance costs of ₱2.7 thousand and ₱7.9 thousand as at September 30, 2023 and June 30, 2023, 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 the rates of 5.7895% per annum and 6.5789% effective September 19, 2021 and 2022, respectively. Starting from September 19, 2023, the interest rate was adjusted to 8.0472% per annum.

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

1. 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 Group's D/E ratios and DSCRs, as defined in the Term Loan Agreement, as at September 30, 2023 and June 30, 2023 are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [(a)]	**₱4,602,379,615**	₱4,943,137,190
Total equity	**6,276,588,498**	6,295,193,602
Debt-to-equity ratio	**0.73:1.00**	0.79:1.00

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4)[(b)]	**₱1,306,457,611**	₱1,248,675,261
Total interest-bearing liabilities[(c)]	**2,661,471,988**	2,631,125,982
Debt service cover ratio	**0.49:1.00**	0.47:1.00

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

On August 15, 2022, China Bank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. The total interest-bearing liabilities of STI ESG due in the next twelve months increased with the reclassification of the 7-year bonds of STI ESG maturing in March 2024 from noncurrent to current liabilities. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at September 30, 2023 and June 30, 2023.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	**₱720,000,000**	₱960,000,000
Repayments	**–**	(240,000,000)
Balance at end of year	**720,000,000**	720,000,000
Deferred finance cost	**(4,316,486)**	(4,657,489)
Balance at end of year	**715,683,514**	715,342,511
Less current portion	**240,000,000**	120,000,000
Balance classified as noncurrent	**₱475,683,514**	₱595,342,511

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.

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 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023.

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

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

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

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI 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% per annum. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

The Credit Facility Agreement, together with the Accession Agreement, contains, among others, covenants regarding incurring additional debt and declaration of dividends to the extent that such will result in a breach of the required debt-to-equity and 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.

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 balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5million. Amortization of loan premium amounting to ₱0.4 million and ₱0.6 million for the three-month periods ended September 30, 2023 and 2022, respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of the Group’s Credit Facility Agreement follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	**₱210,000,000**	₱240,000,000
Repayments	**(210,000,000)**	30,000,000
	–	210,000,000
Add unamortized premium on corporate notes	**–**	3,518,516
Balance at end of year	**–**	213,518,516
Less current portion	**–**	60,000,000
Noncurrent portion	**₱–**	₱153,518,516

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the January 29, 2021 amendments):

Fiscal Year	Amount
2024	60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱210,000,000

STI ESG is compliant with the required financial ratios under the Corporate Notes Facility as at June 30, 2023. As discussed in a related paragraph on the Term Loan Agreement, China Bank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million. On the same day, STI ESG fully paid the remaining principal amount on the same facility aggregating to ₱180.0 million. In view of this loan being fully paid, the unamortized premium, associated with the Corporate Notes Facility, amounting to ₱3.1 million as at September 19, 2023 was derecognized and taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income of the Group for the three-month period ended September 30, 2023. The unamortized premium associated with the Corporate Notes Facility amounted to ₱3.5 million and nil as at June 30, 2023 and September 30, 2023, respectively.

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 the waiver of the DSCR requirement for the periods ended 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. STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made to date is ₱19.1 million.

The carrying value of the loan amounted to ₱0.9 million and ₱3.0 million as at September 30, 2023 and June 30, 2023, respectively. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan is maturing in January 2024.

Interest Expense

Except for the LandBank loan, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans (including amortization of debt issuance costs and premium) amounted to ₱15.5 million and ₱21.4 million for the three-month periods ended September 30, 2023 and 2022, respectively.

17. Bonds Payable

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (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	**9,522,173**	11,577,016
Balance at end of year	**2,990,477,827**	2,988,422,984
Less current portion	**2,176,741,292**	2,175,083,335
Noncurrent portion	**₱813,736,535**	₱813,339,649

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, 2023 (Unaudited)	June 30, 2023 (Audited)	
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,176,741,292**	₱2,175,083,335	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**813,736,535**	813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,990,477,827**	₱2,988,422,984	

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 bonds' trust 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 defined on the bond trust agreement, as at September 30, 2023 and June 30, 2023 are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [a]	**₱4,602,379,615**	₱4,943,137,190
Total equity	**6,276,588,498**	6,295,193,602
Debt-to-equity ratio	**0.73:1.00**	0.79:1.00

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) [b]	**₱1,306,457,611**	₱1,248,675,261
Total interest-bearing liabilities [c]	**311,001,753**	528,177,322
Debt service cover ratio	**4.20:1.00**	2.36:1.00

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

In August 2020, 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, 2023 and June 30, 2023, 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.

Bond Issuance Cost

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 ₱9.5 million and ₱11.6 million as at September 30, 2023 and June 30, 2023, respectively. Amortization of bond issuance costs amounting to ₱2.1 million and ₱1.3 million for the three-month periods ended September 30, 2023 and 2022, respectively, were recognized as part of "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱46.8 million and ₱46.1 million for the three-month periods ended September 30, 2023 and 2022, respectively.

18. Other Noncurrent Liabilities

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Advance rent - net of current portion (see Note 14)	**₱24,770,387**	₱24,770,387
Refundable deposit - net of current portion (see Note 14)	**17,448,477**	17,157,470
Deferred lease liability	**4,045,508**	4,410,236
	₱46,264,372	₱46,338,093

Advance rent pertains to the 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.

19. Equity

Capital Stock
The details of the issued and outstanding number of common shares and amount as at September 30, 2023 and June 30, 2023 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 period	3,087,829,443	₱3,087,829,443
Less treasury stocks	(5,952,273)	(5,952,273)
Issued and outstanding at end of period	3,081,877,170	₱3,081,877,170

Treasury Stock
Treasury stock acquired as at September 30, 2023 and June 30, 2023 amounted to ₱10.8 million.

Retained Earnings
On December 16, 2022, the Parent Company's BOD approved the cash dividends amounting to ₱0.07 per share or an aggregate amount of ₱215.7 million in favor of all stockholders of record as at December 31, 2022. The dividends were paid on January 10, 2023.

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.

20. **Revenues**

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Tuition and other school fees	**₱334,797,240**	₱227,651,035
Educational services	**45,561,977**	37,474,826
Royalty fees	**4,796,349**	3,945,007
Sale of educational materials and supplies	**66,914,740**	67,278,569
Other revenues	**28,092,808**	23,707,435
Total consolidated revenues	**₱480,163,114**	₱360,056,872

Timing of revenue recognition

	Three-months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Services transferred over time	**₱385,155,566**	₱269,070,868
Goods and services transferred at a point in time	**95,007,548**	90,986,004
Total consolidated revenue	**₱480,163,114**	₱360,056,872

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. There is no significant change in the contract liability and the timing of revenue recognition for SY2023-2024 and SY2022-2023.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱43.9 million and ₱30.6 million for the three-month periods ended September 30, 2023 and 2022, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2023 and 2022.

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, 2023 and June 30, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱1,776.3 million and ₱43.9 million, respectively. The contract liabilities as at September 30, 2023 refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations as at June 30, 2023 include 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.

21. Cost of Educational Services

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Faculty salaries and benefits	**₱62,287,150**	₱42,613,104
Depreciation and amortization (see Note 10)	**62,986,385**	61,546,968
Student activities, programs and other related expenses	**14,590,686**	12,818,082
School materials and supplies	**6,608,931**	1,935,556
Rental	**7,144,531**	5,346,455
Software maintenance	**2,516,679**	2,445,095
Courseware development costs	**337,822**	83,083
Others	**356,484**	922,098
	₱156,828,668	₱127,710,441

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Educational materials and supplies	**₱44,635,368**	₱48,996,698
Promotional materials	**3,210,984**	1,258,636
	₱47,846,352	₱50,255,334

23. General and Administrative Expenses

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, wages and benefits	**₱69,590,997**	₱60,503,680
Depreciation and amortization (see Notes 10 and 11)	**58,924,164**	58,215,531
Provision for estimated credit losses (ECL) (see Note 6)	**42,837,782**	32,320,200
Light and water	**26,840,592**	24,979,604
Outside services	**24,415,875**	19,090,528
Professional fees	**18,828,858**	18,699,891
Advertising and promotions	**10,198,615**	8,532,823
Taxes and licenses	**8,494,080**	7,311,222
Repairs and maintenance	**5,674,073**	4,581,295
Transportation	**4,293,758**	4,266,567
Insurance	**4,132,655**	3,746,192
Meetings and conferences	**2,871,876**	2,833,624

(Forward)

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Rental	**3,082,989**	2,291,337
Entertainment, amusement and recreation	**1,580,487**	1,564,248
Office supplies	**1,281,822**	1,279,520
Software maintenance	**925,469**	748,883
Communication	**851,498**	810,913
Association dues	**704,615**	196,442
Others	**3,297,657**	3,470,080
	₱288,827,862	₱255,442,580

24. 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, 2023 (Unaudited)**	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	June 30, 2023 (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	**178,669**	170,161	**10,657,265**	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**68,496**	129,884	–	–	30 days upon receipt of billings	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
Reimbursement for various expenses and other charges	**–**	**–**	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**–**	**–**	–	–	Due and demandable; noninterest-bearing	Unsecured
Dividend income	**–**	**–**	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang**						
Educational services and sale of educational materials and supplies	-	2,821,843	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**3,840,790**	2,854,174	**663,535**	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	Outstanding Receivable (Payable) September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Terms	Conditions
Affiliates*						
PhilCare						
Rental income and other charges	**₱2,990,790**	₱2,493,520	**₱179,483**	₱429,817	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,785,790**	8,826,325	**–**	(4,911)	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	**–**	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairmen t
Insurance	**13,254,707**	250,395	**(75,419)**	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**2,534,574**	2,086,889	**(3,454)**	(18,940)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Insurance	**–**	₱63,871	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	**113,389**	2,918,098	**–**	273,257	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
GROW VITE						
Rental income and other charges	**421,744**	383,403	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**198,867**	110,962	**88,384**	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and Staffing Services	**5,777,586**	4,368,837	**(1,917,813)**	(1,934,655)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**7,578,929**	9,233,510	**11,979,153**	4,410,938	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,999,694**	1,510,537	**5,846,364**	3,848,149	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY						
Reimbursement for various expenses and other charges	**–**	1,109	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**10,684,167**	8,577,058	**25,999,238**	23,348,967	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental and other charges	**-**	-	**872,080**	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱98,424,179	₱86,540,985		

**Affiliates are entities under common control of a majority Shareholder*
*** Became a wholly-owned subsidiary effective March 16, 2023*

Related party receivables and payables are generally settled in cash.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Advances to associates and joint venture (see Note 12)	**₱48,134,540**	₱48,134,540
Educational services and sale of educational materials and supplies (Note 6)	**18,489,052**	8,507,329
Advances to officers and employees (see Note 6)	**25,999,238**	23,348,967
Rent, utilities, and other related receivables (see Note 6)	**11,797,212**	12,509,082
Accounts payable (Note 15)	**(5,995,863)**	(5,958,933)
	₱98,424,179	₱86,540,985

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, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Terms	Conditions
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱26,073,574**	₱23,880,836	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,578,915**	25,922,223	**(243,132,720)**	(248,802,294)	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	**13,252,974**	13,030,331	**9,284,336**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,405,540**	708,933	**–**	(12,977,576)	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
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	**–**	–	**3,888,288**	3,917,851	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 Quezon Avenue						
Educational services, sale of educational materials and supplies, management fees, and other charges	**2,299,902**	2,252,321	**6,490,531**	4,604,720	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,060,658**	2,184,869	**10,104,311**	9,386,119	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Rental income and other related charges	**2,571,190**	–	**14,398,661**	11,518,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period: September 30, 2023 (Unaudited)	Amount of Transactions During the Period: September 30, 2022 (Unaudited)	Outstanding Receivable (Payable): September 30, 2023 (Unaudited)	Outstanding Receivable (Payable): June 30, 2023 (Audited)	Terms	Conditions
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	**₱9,320,156**	₱8,046,168	**₱5,399,605**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**450,550**	680,859	–	**–**	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	**7,966,428**	**28,117,876**	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Educational services, sale of educational materials and supplies,	–	5,806	–	**–**	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**–**	–	**19,772,122**	**19,772,122**	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,	**4,472,733**	3,660,667	**4,484,868**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**260,067**	11,485,835	**1,369,811**	1,532,003	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa						
Educational services, sale of educational materials and supplies,	**13,699,003**	11,200,694	**88,889,438**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**534,802**	466,238	**197,358**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,567,745**	11,567,745	**48,509,887**	130,879,753	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	**6,162,447**	8,443,282	**1,560,297**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**444,893**	451,957	**28,121,861**	35,470,078	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang*						
Educational services and sale of educational materials and supplies	**3,137,400**	**–**	**35,733,587**	32,660,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**70,577**	**–**	**3,284,761**	3,244,656	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**3,187,010**	134,109	**44,928,008**	41,740,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,516,590**	1,514,482	**107,426**	107,426	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period **September 30, 2023 (Unaudited)**	 September 30, 2022 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2023 (Unaudited)**	 June 30, 2023 (Audited)	Terms	Conditions
NPIM						
Reimbursement for various expenses	**₱419**	₱969,628	**₱–**	₱546,586	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**–**	–	**28,355,691**	28,541,216	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI						
Educational services, sale of educational materials and supplies,	**7,223,261**	–	**-**	9,911,953	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**434,704**	1,815,663	**34,240,940**	44,487,892	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**6,218,506**	6,104,187	**65,750,669**	**55,507,046**	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

** Became a wholly-owned subsidiary effective March 16, 2023*

25. Basic and Diluted Loss Per Share on Net Loss Attributed 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 **2023 (Unaudited)**	 2022 (Unaudited)
Net loss attributable to equity holders of the Parent Company (a)	**(₱21,504,598)**	(₱74,993,684)
Common shares outstanding at beginning and end of period (b) (see Note 19)	**3,081,877,170**	3,081,877,170
Basic and diluted loss per share on net income loss attributable to equity holders of the Parent Company (a)/(b)	**(₱0.01)**	(₱0.02)

The basic and diluted loss per share are the same for the three-month period ended September 30, 2023 and 2022 as there are no dilutive potential common shares.

26. Contingencies and Commitments

<u>Contingencies</u>

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 the 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. The complainant countered that she is not interested in reinstatement but would rather be paid her backwages and separation pay. STI ESG manifested that it already filed its opposition thereto and that there is still a need for the official computation of the backwages and separation pay. The complainant manifested that she will file her reply to STI ESG's opposition.

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

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

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

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

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

As at November 20, 2023, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

On April 18, 2023, STI ESG received a copy of the Decision of the Court of Appeals dismissing the petition for certiorari filed by complainant for lack of evidence. On May 31, 2023, STI ESG received a copy of the motion for reconsideration filed by complainant.

As at November 20, 2023, STI ESG has yet to receive any order from the Court of Appeals directing it to file any responsive pleading to the motion for reconsideration filed by complainant.

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.

After the parties filed their respective brief(s), STI ESG received the Decision dated February 27, 2023 on March 20, 2023. Based on the Decision, the Court of Appeals affirmed *in toto* the Trial Court's Order(s).

On May 3, 2023, STI ESG received the Motion for Reconsideration filed by the Plaintiffs.

Upon order of the Court of Appeals, STI ESG filed its Opposition dated July 14, 2023.

On August 29, 2023, STI ESG received the Plaintiff's Motion for Leave to file a Reply to the Opposition. Said Motion was noted by the Court of Appeals.

On November 15, 2023, STI ESG received the Resolution dated November 6, 2023. The Court of Appeals denied the Motion for Reconsideration filed by the Plaintiffs-Appellants.

The Petitioner may appeal the aforementioned decision of the Court of Appeals by filing a Petition for Review with the Supreme Court within fifteen (15) days from the Plaintiffs-Appellants' receipt of the Resolution dated November 6, 2023.

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 A₱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 A₱3.0 thousand per court appearance.

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022. The Court of Appeals affirmed its decision when it denied the Motion for Reconsideration filed by the Plaintiff.

On January 11, 2023, STI ESG, through counsel, received the Petition for Certiorari on Review (Petition) filed by the Plaintiff before the Supreme Court.

On September 14, 2023, STI ESG, through counsel, received the Resolution issued by the Supreme Court. In the Resolution, the Supreme Court denied the Petition filed by the Plaintiff.

Under the Rules of Court, the Plaintiff may file a Motion for Reconsideration. Otherwise, the dismissal of Plaintiff's claim against STI ESG and award of damages in favor of STI ESG will become final and executory.

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 the Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant was returned undelivered despite STI ESG providing additional addresses of the former supervisor/accountant where the summons could be served.

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

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

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

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

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

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

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

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

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

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

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

   After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.7 million.

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

   The total receivables of STI ESG from MOBEELITY amounted to ₱4.0 million. As at September 30, 2023 and June 30, 2023, STI ESG has recognized an allowance corresponding to its estimated credit losses.

f. 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 consolidated financial statements.

g. 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 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 STI Holdings in favor of LandBank executed on September 16, 2020. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing on January 2024.

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2023, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at June 30, 2023 and 2022, there is no outstanding availment from these lines.

b. Capital Commitments

As at September 30, 2023 and June 30, 2023, STI ESG has contractual commitments for (1) the renovation of its office condominium units (2) construction of the STI Training Academy Center (3) renovation works for STI Naga and STI Baguio (4) construction of STI Academic Center Legazpi (5) canteen and basketball court roofing project for STI Legazpi, (6) solar project at STI Ortigas-Cainta, and (7) various renovation projects in select STI schools owned and operated by STI ESG.

The total contract costs for the renovation of STI ESG's office condominium aggregated to ₱88.0 million of which ₱80.4 million and ₱80.2 million have been paid as at September 30, 2023 and June 30, 2023, respectively.

The construction works for the STI Training Academy Center has a total project cost of ₱15.3 million of which ₱14.8 million has been paid as at September 30, 2023 and June 30, 2023, respectively.

The renovation works for STI Naga and STI Baguio have total project costs of ₱8.6 million and ₱7.4 million, respectively. STI ESG has paid an aggregate of ₱8.4 million for the renovation works in STI Naga as at September 30, 2023 and June 30, 2023, respectively, while an aggregate of ₱6.4 million have been settled for the renovation works in STI Baguio as at September 30, 2023 and June 30, 2023, respectively.

The construction of STI Academic Center Legazpi has an aggregate project cost of ₱251.8 million of which ₱239.4 million have been paid as at September 30, 2023 and June 30, 2023, respectively. The canteen and basketball court roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million of which ₱14.1 million and ₱7.7 million have been paid as at September 30, 2023 and June 30, 2023, respectively.

STI ESG's solar project at STI Ortigas Cainta has an aggregate cost of ₱10.6 million, of which ₱7.6 million has been settled as at September 30, 2023.

The Group reported various ongoing renovation projects with aggregate cost of ₱32.1 million as at September 30, 2023, of which ₱21.4 million and ₱15.7 million have been settled as at September 30, 2023 and June 30, 2023, 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.

27. Changes in Liabilities Arising from Financing Activities

	June 30, 2023	**Cash Flows**	**Gain on early extinguishment of loan**	**Interest Expense***	**Reclassified as Current**	**Effect of Lease Termination/ Modification**	**New/Renewed Leases**	**September 30, 2023**
Current portion of interest-bearing loans and borrowings	**₱183,042,276**	**(₱212,095,670)**	**₱–**	**₱–**	**₱270,005,193**	**₱–**	**₱–**	**₱240,951,799**
Bonds payable	**2,988,422,984**	**–**	**–**	**2,054,843**	**–**	**–**	**–**	**2,990,477,827**
Interest-bearing loans and borrowings – net of current portion	**748,861,025**	**–**	**(3,076,457)**	**(95,861)**	**(270,005,193)**	**–**	**–**	**475,683,514**
Lease liabilities	**335,735,940**	**(30,440,915)**	**–**	**5,471,854**	**–**	**–**	**14,055,173**	**324,822,052**
Dividends payable	**15,161,749**	**–**	**–**	**–**	**–**	**–**	**–**	**15,161,749**
Interest payable[(a)]	**21,499,453**	**(76,026,559)**	**–**	**60,280,683**	**–**	**–**	**–**	**5,753,577**
	₱4,292,882,427	**(₱318,563,144)**	**(₱3,076,457)**	**₱67,711,519**	**₱–**	**₱–**	**₱14,055,173**	**₱4,052,850,518**

	June 30, 2022	Cash Flows	Gain on early extinguishment of loan	Interest Expense*	Reclassified as Current	Effect of Lease Termination/ Modification (see Note 10)	New/Renewed 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

**Interest expense is inclusive of amortization of deferred finance charges and net of premium on interest-bearing loans and borrowings*

28. **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, 2023 do not significantly differ from the fair values of these financial instruments as at June 30, 2023.

29. Notes to the Consolidated Statements of Cash Flows

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

- Additions to ROU assets presented under "Property and equipment" amounted to ₱14.6 million and ₱18.5 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 10).

- Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱5.8 million as at September 30, 2023 (see Note 10).

- Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounted to ₱10.9 million and ₱2.2 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 10).

b. In July 2022, STI ESG received the proceeds from the redemption of the Pasig property, recognized as noncurrent held for sale as at June 30, 2023, amounting to ₱19.0 million.

30. Events after Reporting Period and Other Matters

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for 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 since March 13, 2020. On July 21, 2023, the Office of the President, through Proclamation No. 297, has lifted, effective immediately, the state of public health emergency throughout the country due to COVID-19.

The schools within the Group have gradually started to implement limited face-to-face classes in 2022 while the Group implemented a flexible learning modality in the first semester of SY 2022-2023. The Group resumed with full face-to-face classes for tertiary enrollees during the second semester of SY 2022-2023 while classes for all SHS and JHS have been conducted face-to-face since the opening of SY 2022-2023.

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

STI EDUCATION SERVICES GROUP, INC.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Sept 2023 vs June 2023 Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	12,655.3	11,282.3	1,373.0	12%
Current assets	3,531.8	2,162.8	1,369.0	63%
Cash and cash equivalents	1,917.8	1,571.7	346.1	22%
Total liabilities	6,378.7	4,987.1	1,391.6	28%
Current liabilities	4,696.1	3,016.7	1,679.4	56%
Total equity	6,276.6	6,295.2	(18.6)	0%
Equity attributable to equity holders of the parent	6,279.9	6,298.3	(18.4)	0%
Financial ratios				
Debt-to-equity ratio(1)	0.73	0.79	(0.06)	(8%)
Current ratio(2)	0.75	0.72	0.03	4%
Debt service cover ratio(10)	0.49	0.47	0.02	4%
Asset to equity ratio(3)	2.02	1.79	0.17	9.0%

	Three months ended September 30			
	2023 (Unaudited)	2022 (Unaudited)	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	480.2	360.1	120.1	33%
Direct costs (4)	204.7	178.0	26.7	15%
Gross profit	275.5	182.1	93.4	51%
Operating expenses	288.8	255.4	33.4	13%
Operating loss	(13.3)	(73.3)	60.0	(82%)
Other expenses - net	(14.3)	(5.9)	(8.4)	142%
Loss before income tax	(27.6)	(79.2)	51.6	(65%)
Net loss	(21.8)	(75.8)	54.0	(71%)
EBITDA (5)	115.9	58.1	57.8	99%
Core income (loss) (6)	(40.2)	(108.5)	68.3	(63%)
Net loss attributable to equity holders of the Parent Company	(21.5)	(75.0)	53.5	(71%)
Loss per share (7)	(0.010)	(0.024)	0.014	(1%)
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	725.1	562.3	162.8	29%
Net cash used in investing activities	(74.2)	(32.5)	(41.7)	128%
Net cash used in financing activities	(318.6)	(358.4)	39.8	(11%)
Effect of exchange rate changes on cash and cash equivalents	13.7	26.8	(13.1)	(49%)

	As at and for three months ended September 30			
	2023	2022	Increase (Decrease)	
	(Unaudited)	(Unaudited)	Amount	%
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio (2)	0.75	1.50	(0.75)	50%
Quick ratio (8)	0.71	1.41	(0.70)	50%
Cash ratio (9)	0.41	0.77	(0.36)	(47%)
Solvency ratios				
Debt to equity ratio (1)	0.73	0.83	(0.10)	(12%)
Asset to equity ratio (3)	2.02	1.79	0.23	13%
Debt service cover ratio (DSCR) (10)	0.49	2.33	(1.84)	(79)
Interest coverage ratio (11)	0.59	(0.09)	0.68	(756%)
Profitability ratios				
EBITDA margin (12)	24%	16%	0.08%	50%
Gross profit margin (13)	57%	51%	0.06%	12%
Operating profit margin (14)	(3%)	(20%)	0.17%	(85%)
Net income (loss) margin (15)	(5%)	(21%)	0.16%	(76%)
Return on equity (16)	(0%)	(1%)	0.01%	(77%)
Return on assets (17)	(0%)	(-1%)	0.01%	(143%)

(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 benefits from income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures and nonrecurring gains/losses such as gain on foreign exchange differences, gain on early extinguishment of loan, fair value loss on equity instruments at FVPL, and donation income .*

(6) *Core income 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) *DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

(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 [annualized] 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, 2023

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱1,396,308,527	₱1,159,145,438	₱30,921,018	₱31,018,884	₱175,223,187

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. STI ESG is also offering Senior High School (SHS) while select schools offer Junior High School (JHS). In School Year (SY) 2022-2023, STI ESG began offering Bachelor of Arts in Psychology and Bachelor of Science in Criminology in certain schools in the network.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of report date.

On March 16, 2023, STI ESG and the majority owners of STI-College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. Prior to this, STI ESG owned 40% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG effective March 2023.

As at September 30, 2023, 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 37 schools while franchisees operate 26 schools.

STI ESG's total student capacity aggregates to 147,212 students, with 105,812 pertaining to owned schools and 41,400 for franchised schools.

STUDENT POPULATION

The enrollment figures of the Group for SY 2023-2024 indicate a robust increase of 27.0% as the Group enrollment for SY 2023-2024 close to 104,000 compared to over 81,000 enrollees in SY 2022-2023. In SY 2023-2024, the total count of new students reached over 49,000, marking a 37.0% growth from close to 36,000 new students in SY 2022-2023. Furthermore, enrollment in programs regulated by CHED registered an impressive 25.3% increase to more than 71,000 students compared to enrollees in SY 2022-2023 of close to 57, 000 students.

The enrollment figures are as follows:

	SY 2023-2024	SY 2022-2023	Increase	
			Enrollees	Percentage
Owned schools	71,782	54,158	17,624	33%
Franchised schools	32,200	27,539	4,661	17%
Total Enrollees	**103,982**	**81,697**	**22,285**	**27%**

The grouping of students according to the government regulatory agencies overseeing the programs is outlined 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 JHS and SHS.

	SY 2023-2024	%	SY 2022-2023	%
CHED	71,159	68%	56,876	70%
TESDA	1,682	2%	1,447	2%
DEPED*	31,141	30%	23,374	28%
TOTAL	**103,982**	100%	**81,697**	100%

**For SY2023-2024, DepEd count includes 30,674 SHS students and 467 JHS students while for SY2022-2023, count includes 23,077 SHS students and 297 JHS students.*

In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes while classes for SY 2023-2024 are all conducted face-to-face. For SY 2023-2024, classes across all levels started on August 29, 2023. For SY 2022-2023, classes for SHS and JHS students started on August 30, 2022 and on September 5, 2022 for tertiary students. STI implemented a flexible learning delivery modality for tertiary programs in the first semester of SY 2022-2023. All CHED professional and identified general education courses were delivered onsite, while other general education courses followed a blended modality, with a 50% onsite/face-to-face and 50% asynchronous ratio. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes starting in the second semester of SY 2022-2023. As for JHS and SHS, classes have all been 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, 2023 and 2022 and financial condition as at September 30, 2023 and June 30, 2023 of STI Education Services Group, Inc. and its subsidiaries. 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, 2023. All necessary adjustments have been made to present fairly the financial position of the Group as at September 30, 2023 and June 30, 2023 and results of operations and cash flows for the three-month periods ended September 30, 2023 and 2022.

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in August 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 compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of operations of the Group.

I. RESULTS OF OPERATIONS

Three-month period ended September 30, 2023 vs. three-month period ended September 30, 2022

For the three-month period ended September 30, 2023, the Group generated gross revenues amounting to ₱480.2 million, higher by 33% or ₱120.1 million from the same period last year of
₱360.1 million. The increase was primarily driven by the remarkable increase in the total number of students of the Group for SY 2023-2024. Gross profit likewise increased by ₱93.4 million or 51% year-on-year from ₱182.1 million to ₱275.5 million. Gross profit margin likewise increased from 51% for the three-month period ended September 20, 2022 to 57% for the three-month period ended September 20, 2023.

The Group recorded an operating loss for the three-month period ended September 30, 2023 amounting to ₱13.3 million, compared to the operating loss of ₱73.4 million for the same period last year. The Group recognized a net loss amounting to ₱21.8 million this quarter as against a ₱75.8 million net loss for the three-month period ended September 30, 2022.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱115.9 million for the three-month period ended September 30, 2023 compared to ₱58.1 million for the same period last year. EBITDA for the three-month periods ended September 30, 2023 and 2022 is computed as net loss excluding benefit from income tax, depreciation and amortization, equity in net earnings of associates and joint venture, interest expense and interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, donation income, fair value loss on equity instruments at fair value through profit or loss (FVPL), and gain on early extinguishment of loan. 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, 2023 is 24%, compared to 16% for the same period last year due to reasons cited above.

II. FINANCIAL CONDITION

The Group posted consolidated total assets amounting to ₱12,655.3 million as at September 30, 2023, compared to the balance as at June 30, 2023 amounting to ₱11,282.3 million. The increase was driven by the ₱346.1 million increase in cash and cash equivalents and increase in receivables aggregating to ₱1,054.3 million largely from students and DepEd.

Cash and cash equivalents increased by ₱346.1 million or 22% from ₱1,571.7 million to ₱1,917.8 million as at June 30, 2023 and September 30, 2023, respectively, attributed largely to the tuition and other school fees for SY 2023-2024 collected during the quarter. This amount is net of the full payment of STI ESG's Corporate Notes Facility with China Banking Corporation (China Bank) totaling to ₱210.0 million.

Total receivables is up by ₱1,054.3 million from ₱342.0 million as at June 30, 2023 to ₱1,396.3 million as at September 30, 2023. 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 ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Prepaid expenses decreased by ₱25.0 million or 22%, from ₱114.9 million to ₱89.9 million as at September 30, 2023 substantially due to decreases in prepaid taxes, prepaid subscriptions and licenses, software maintenance cost, and advances to suppliers.

The carrying value of the equity instruments designated at FVPL amounted to ₱4.90 per share or an aggregate of ₱7.6 million as at September 30, 2023 compared to ₱5.80 or an aggregate value of ₱9.0 million as at June 30, 2023. 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 on the Philippine Stock Exchange. Dividends collected from this investment amounted to ₱0.2 million for both the three-month periods ended September 30, 2023 and 2022.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million as at June 30, 2023 to ₱68.3 million as at September 30, 2023, largely 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.

Total current liabilities increased by ₱1,679.4 million, from ₱3,016.7 million to ₱4,696.1 million as at June 30, 2023 and September 30, 2023, respectively, mainly due to the increase in unearned tuition and other school fees by ₱1,732.4 million from ₱43.9 million to ₱1,776.3 million as at September 30, 2023. Unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱287.7 million to ₱1,682.6 million as at September 30, 2023 from ₱1,970.3 million as at June 30, 2023 attributed to the reclassification to the current portion of interest bearing loans and borrowings of the principal amount under STI

ESG's Term Loan Facility with China bank which is due in the next twelve months and the full payment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank.

Total equity decreased by ₱18.6 million from ₱6,295.2 million as at June 30, 2023 to ₱6,276.6 million as at September 30, 2023 substantially due to the net loss, net of actuarial gains on pension liabilities, recognized by the Group for the three-month period ended September 30, 2023.

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		
		2023	**2022**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	24%	16%	EBITDA margin improved in 2023 as compared to the same period in 2022 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	57%	51%	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	0%	(1%)	The return on equity is expected to be lower during the first quarter of both fiscal years following the revenue recognition model of the Group. The revenues of the Group, primarily derived from tuition and other school fees, are recognized only at the start of the term or beginning August 2023 for SY 2023-2024 and beginning August 2022 for SHS and JHS, and September 2022 for

		As at/Three-month periods ended September 30		
		2023	2022	Remarks
				Tertiary programs, for SY 2022-2023. The remaining fees will be recognized as income over the remaining months of the related school term(s). The Group expects the ROE to improve by end of fiscal year 2023-2024.
Debt service cover ratio (DSCR)*	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	0.49	2.33	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	0.73	0.83	D/E ratio improved due to the prepayment made by STI ESG on its Corporate Notes Facility.

**DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Bank granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱346.1 million from ₱1,571.7 million to ₱1,917.8 million as at June 30, 2023 and September 30, 2023, respectively. The Group generated cash from operating activities aggregating to ₱725.1 million during the three-month period ended September 30, 2023. The collection of tuition and other school fees during the three-month period ended September 30, 2023 was the key contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the contractors and suppliers of the recent renovation projects of the Group. On the other hand, the Group registered ₱318.6 million net cash used in financing activities substantially representing scheduled principal payment and prepayment of the loan under the Corporate Notes Facility of STI ESG with China Bank amounting to ₱30.0 million and ₱180.0 million, respectively, as well as interest payments of bonds and loans aggregating to ₱76.0 million during the three-month period ended September 30, 2023.

Receivables increased to ₱1,396.3 million as at September 30, 2023 or by ₱1,054.3 million, more than three-folds of the receivable balance as at June 30, 2023 amounting to ₱342.0 million. Receivables from students increased by ₱694.4 million from ₱419.6 million to ₱1,114.0 million, reflecting tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s).

Receivables from DepEd likewise increased to ₱390.9 million as at September 30, 2023 from ₱10.0 million as at June 30, 2023. 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 related to DBP RISE amounted to ₱2.3 million and ₱1.6 million as at September 30, 2023 and June 30, 2023, respectively. STI ESG and DBP executed a Memorandum of Agreements to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) in 2021. This program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. A similar MOA with DBP was executed in May 2023, covering the implementation of DBP RISE for deserving students enrolled beginning SY 2022-2023.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱0.8 million as at September 30, 2023 from ₱1.0 million as at June 30, 2023. A memorandum of agreement by and among CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG was executed in 2018 in order that the students within the STI ESG network may avail of the TES and Student Loan Program (SLP) under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). 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 expenses. 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.

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 school year.

Receivables related to educational services and sale of educational materials and supplies amounted to ₱93.8 million as at September 30, 2023, higher by ₱30.0 million from ₱63.8 million as at June 30, 2023. This balance comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools and an affiliate. The increase in receivables largely represents receivables for the sale of uniforms and prowares during the three-month period ended September 30, 2023. These receivables from franchised schools and affiliates are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱10.5 million to ₱45.9 million as at September 30, 2023 from ₱56.5 million as at June 30, 2023 representing collection of rentals and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2023.

STI ESG's allowance for estimated credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱290.3 million as at June 30, 2023 to ₱333.2 million as at September 30, 2023. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2023.

Inventories decreased by ₱5.1 million or 4%, from ₱125.2 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, 2023.

Prepaid expenses and other current assets decreased by ₱25.0 million or 22% from ₱114.9 million as at June 30, 2023 to ₱89.9 million as at September 30, 2023 which is substantially attributed to the decrease in prepaid taxes, prepaid subscriptions and licenses, software maintenance cost, and advances to suppliers. The decrease in the prepayments related to business taxes, subscriptions and licenses, and software maintenance represents the portion of these prepayments made as at June 30, 2023 which were charged to expense during the three-month period ended September 30, 2023. Prepaid taxes likewise decreased from ₱55.0 million to ₱36.3 million representing the income tax obligation of STI ESG which was applied against its available tax credits. Advances to suppliers decreased from ₱18.2 million to ₱11.0 million representing certain purchase orders for uniforms for SY 2023-2024 which have been completely delivered and paid in full during the three-month period ended September 30, 2023. On the other hand, prepaid insurance increased by ₱13.6 million from ₱0.7 million to ₱14.4 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money security payroll and fidelity insurance, and health insurance coverage for employees. The premiums related to these insurance coverages were settled in advance and are recognized as expense over the respective periods of the insurance coverages, which are normally within one year from the beginning of the current fiscal year.

STI ESG subscription to quoted equity shares of RCR, recognized as equity instruments designated at FVPL, has carrying values of ₱4.90 and ₱5.80 per share or an aggregate value of ₱7.6 million and ₱9.0 million as at September 30, 2023 and June 30, 2023, respectively.

Property and equipment decreased by ₱22.3 million, net of additions, to ₱7,483.4 million as at September 30, 2023 from ₱7,505.7 million June 30, 2023 representing depreciation expense recognized during the three-month period ended September 30, 2023. The Group invested in new computers, school equipment and furniture in preparation for SY 2023-2024. The recognition of the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, *Leases* also contributed to the increase in property and equipment. These additions to the "Property and equipment" account were offset by the depreciation expense recognized by the Group for the three-month period ended September 30, 2023, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties decreased by ₱6.6 million from ₱675.1 million as at June 30, 2023 to ₱668.5 million as at September 30, 2023, representing the depreciation expense recognized during the three-month period ended September 30, 2023.

Equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱0.9 million from ₱71.5 million to ₱72.4 million as at September 30, 2023, attributed to the net increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million to ₱68.3 million as at September 30, 2023, 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.

Accounts payable and other current liabilities decreased by ₱117.2 million from ₱560.9 million as at June 30, 2023 to ₱443.7 million as at September 30, 2023 representing payments made to various suppliers and contractors of recently completed renovation projects and decrease in accrued expenses related to school activities and programs and interest on loans and borrowings. Accrued expenses related to school activities and programs, primarily for commencement expenses, decreased reflecting payments made to suppliers during the three-month period ended September 30, 2023. Interest payable as at September 2023 decreased from ₱21.5 million to ₱5.8 million representing interest payments on STI ESG's Corporate Notes and Term Loan Facility Agreements with China Bank in September 2023.

Unearned tuition and other school fees increased by ₱1,732.4 million from ₱43.9 million as at June 30, 2023 to ₱1,776.3 million as at September 30, 2023. This unearned tuition and other school fees will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations amounted to ₱58.4 million and ₱53.4 million as at September 30, 2023 and June 30, 2023, respectively. Noncurrent lease liabilities declined by ₱15.9 million from ₱282.4 million to ₱266.5 million representing the lease obligations which are due within the next twelve months. 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 increased by ₱57.9 million from ₱183.0 million as at June 30, 2023 to ₱240.9 million as at September 30, 2023. The balance as at September 30, 2023 represents the current portion of the Term Loan Facility of STI ESG with China Bank amounting to ₱240.0 million and the Land Bank of the Philippines (LandBank) loan amounting to ₱0.9 million which is due in January 2024. 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 interest 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. Similarly, STI ESG paid in full the outstanding loan balance under its Corporate Notes Facility with China Bank aggregating to ₱210.0 million on September 19, 2023.

Income tax payable amounted to ₱1.0 thousand and ₱0.4 million as at September 30, 2023 and June 30, 2023, respectively, reflecting the income tax obligation of STI ESG's subsidiaries for their respective taxable income during the three-month period ended September 30, 2023 and year ended June 30, 2023, respectively. The income tax obligations of STI ESG and certain subsidiaries for the three-month ended September 30, 2023 were entirely offset by their respective tax credits.

Non-current portion of interest-bearing loans and borrowings, decreased by ₱270.0 million from ₱745.3 million to ₱475.7 million, net of deferred finance cost, as at June 30, 2023 and September 30, 2023, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings amounting to ₱120.0 million representing principal amount under the Term Loan Facility of STI ESG with China bank that is due in September 2024 and the prepayment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank in September 2023 aggregating to ₱180.0 million, of which ₱30.0 million was recognized as current portion of interest bearing loans and borrowings.

Cumulative actuarial gain amounted to ₱1.9 million as at September 30, 2023 from ₱2.6 thousand as at June 30, 2023. The increase reflects changes in the market value of the equity investments held within the pension plan assets of the Group for the three-month period ended September 30, 2023.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.3 million from P15.0 million to ₱16.3 million as at September 30, 2023. This increase was driven by the fair value adjustments attributed to net appreciation in the market value of quoted investment shares held by STI ESG.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱38.8 thousand and ₱35.6 thousand, as at June 30, 2023 and September 30, 2023, respectively, representing unrealized fair value adjustment resulting from the increase in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings decreased by ₱21.5 million from ₱2,865.3 million to ₱2,843.8 million representing net loss recognized for the three-month period ended September 30, 2023.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱480.2 million during the three-month period ended September 30, 2023, an increase of ₱120.1 million from ₱360.1 million of the same period last year.

Tuition and other school fees amounted to ₱334.8 million for the three-month period ended September 30, 2023, up by ₱107.1 million or 47% from ₱227.7 million of the same period last year attributed to the increase in the student population for SY 2023-2024. The Group registered a robust growth in enrollment of 27% for SY 2023-2024 reaching close to 104,000 students compared to over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED programs increased by 33% from close to 22,000 in SY 2022-2023 to over 29,000 in SY 2023-2024. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared to enrollment in SY 2022-2023 of over 56,000 students. CHED programs bring in higher revenues per student.

Revenues from educational services and royalty fees increased by 22%, primarily attributed to the increase in the student population of franchised schools for SY 2023-2024. 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 ₱4.4 million or 18% from ₱23.7 million for the three-month period ended September 30, 2022 to ₱28.1 million for the three-month period ended September 30, 2023, concomitant with the higher number of students this year.

The revenues generated from the sale of educational materials and supplies amounted to ₱66.9 million for the three-month period ended September 30, 2023 from ₱67.3 million for the same period last year. Sale of educational materials and supplies recognized during the three months ended September 30, 2023 and 2022 are generally attributed to the sale of uniforms. However, certain orders of franchised schools for student uniforms were fulfilled only after September 30, 2023 resulting in lower sales of educational materials and supplies for the three-month period ended September 30, 2023 attributed to timing differences. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is higher by ₱29.1 million, from ₱127.7 million to ₱156.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Instructors' salaries and benefits are up by ₱20.3 million from ₱42.6 million to ₱62.3 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. School materials and supplies increased by ₱4.7 million from ₱1.9 million to ₱6.6 million for three-month periods ended September 30, 2022 and 2023, respectively, attributed to acquisition of school learning materials. Rent expense recognized under the cost of educational services likewise increased by ₱1.8 million from ₱5.3 million to ₱7.1 million for three-month periods ended September 30, 2022 and 2023, respectively, representing rent expense for building occupied by STI Alabang. On the other hand, costs incurred related to student activities and programs increased by ₱1.8 million from ₱12.8 million for three-month period ended September 30, 2022 to ₱14.6 million during the three-month period ended September 30, 2023 driven by the increase in enrollment for FY 2023-2024.

General and administrative expenses increased by 13% or ₱33.4 million from ₱255.4 million to ₱288.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Salaries and benefits are higher by ₱9.1 million to ₱69.6 million for the three-month period ended September 30, 2023 compared to same period last year of ₱60.5 million reflecting merit increases for deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2023. Tertiary classes during the first term of SY 2022-2023 were on a flexible learning modality while classes in all levels for SY 2023-2024 are delivered onsite. As such, light and water expenses are higher by ₱1.8 million from ₱25.0 million to ₱26.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Similarly, outside services such as security and janitorial services are higher by ₱5.3 million from ₱19.1 million to ₱24.4 million for the three-month periods ended September 30, 2022 and 2023, respectively. Repairs and maintenance expenses are higher by ₱1.1 million from ₱4.6 million to ₱5.7 million for the three-month periods ended September 30, 2022 and 2023, respectively, due to refurbishment of school facilities and cleaning of air-conditioning units in preparation for the start of classes for SY 2023-2024. Taxes and licenses expense is higher by ₱1.2 million from ₱7.3 million to ₱8.5 million for the three-month periods ended September 30, 2022 and 2023, respectively, reflecting the increase in business taxes concomitant with the increase in revenues. Advertising and promotions expense is higher by ₱1.7 million from ₱8.5 million to ₱10.2 million for the three-month periods ended September 30, 2022 and 2023, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2023-2024. Also, the Group recognized a provision for ECL amounting to ₱42.8 million from the three-month period ended September 30, 2023 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2023. This provision for ECL is higher by ₱10.5 million compared to ₱32.3 million for the three-month period ended September 30, 2022 reflecting increase in receivables from students from same period last year. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students pertaining to prior years.

The Group posted an operating loss of ₱13.3 million for the three-month period ended September 30, 2023 compared to the same period last year's operating loss of ₱73.4 million. The improvement is due to higher revenues attributed to the increase in the student population.

Interest expenses decreased by ₱4.9 million, from ₱72.6 million to ₱67.7 million for the three-month period ended September 30, 2023 attributed to the principal payments made by STI ESG on its Term Loan Facility amounting to ₱240.0 million in September 2022 and full payment made by STI ESG of its Corporate Notes Facility aggregating to ₱210.0 million in September 2023.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million and ₱26.8 million for the three-month periods ended September 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.3 thousand and ₱0.1 thousand for the three-month periods ended September 30, 2023 and 2022, respectively.

Interest income increased from ₱2.7 million for the three-month period ended September 30, 2022 to ₱5.0 million for the three-month period ended September 30, 2023 attributed to the investment of STI ESG in short-term investments and money market placements.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with China Bank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended September 30, 2023.

Gain on disposal of property and equipment amounted to ₱14.4 thousand for the three-month period ended September 30, 2023 compared to ₱49.9 thousand for the three-month period ended September 30, 2022. This represents gain on the disposal of fully depreciated property and equipment of certain schools which are no longer in use.

The Group recognized recovery of accounts written-off amounting to ₱1.8 million for the three-month period ended September 30, 2023 compared to ₱2.6 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱3.0 million for the three-month period ended September 30, 2023, compared to ₱2.5 million for the three-month period ended September 2022.

Dividend income amounted to ₱1.1 million for the three-month period ended September 30, 2022 compared to ₱0.2 million for the three-month period ended September 30, 2023. This represents dividend income from DLS Medical Center (DLSMC) and RCR amounting to ₱0.9 million and ₱0.2 million, respectively, for the three-month period ended September 30, 2022 and ₱0.2 million from RCR for the three-month period ended September 30, 2023.

The Group also recognized other income aggregating to ₱4.5 million for the three-month period ended September 30, 2022, substantially 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. STI ESG on the other hand, recognized other expenses amounting to ₱0.2 million for the three-month period ended September 30, 2023 representing amortization of bond issue costs and deferred finance charges on its Term Loan Facility with China Bank.

The Group reported "Benefit from income tax" amounting to ₱5.9 million and ₱3.4 million for the three-month periods ended September 30, 2023 and 2022, respectively, mainly representing taxes due on tuition and other school fees collected in advance.

STI ESG reported a net loss of ₱21.8 million for the three-month period ended September 30, 2023 compared to ₱75.8 million net loss for the same period last year attributed to the increase in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement losses, net of taxes, amounting to ₱1.9 million and ₱0.9 million, for the three-month periods ended September 30, 2023 and 2022, respectively, due to the adjustments in the market value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱1.3 million for the three-month period ended September 30, 2023, compared to ₱0.6 million for the three-month period ended September 30, 2022. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive loss for the three-month period ended September 30, 2023 amounted to ₱18.6 million compared to ₱76.1 million total comprehensive loss for the three-month period ended September 30, 2022.

EBITDA is up from ₱58.1 million for the three-month period ended September 30, 2022 to ₱115.9 million for the three-month period ended September 30, 2023. EBITDA margin is 24% for the three-month period ended September 30, 2023 compared to 16% for the same period last year due to the 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 ₱40.2 million for the three-month period ended September 30, 2023 compared to core income for the same period last year of negative ₱108.5 million.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with credit terms of thirty (30) to one hundred eighty (180) days.

As at September 30, 2023 and June 30, 2023, the Group's current assets amounted to ₱3,531.8 million and ₱2,162.8 million, respectively, while current liabilities amounted to ₱4,696.1 million and ₱3,016.7 million, respectively. The current liabilities as at September 30, 2023 and June 30, 2023 include the 7-year bonds aggregating to ₱2,176.7 million and ₱2,175.1 million, respectively, net of unamortized issue costs, maturing in March 2024.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at November 20, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interest due in the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank, and the STI bondholders. The Group's policy is to keep the DSCR not lower than 1.05:1.00. DSCR, as defined in the loan agreement, is 0.49:1.00 and 2.33:1.00, as at September 30, 2023 and 2022, respectively. As at June 30, 2023 the Group's DSCR is 0.47:1.00. In anticipation of the reclassification to current liabilities of the STI bonds maturing in March 2024, STI ESG requested for a waiver of the DSCR from the local bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by the local bank on August 15, 2022. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at September 30, 2023 and June 30, 2023. STI ESG is compliant with the DSCR imposed under the bond trust agreement governing its bond issue.

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

It is the Group's policy to require 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.

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

Capital risk – The Group'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, 2023 and 2022, the Group's D/E ratios, as defined in the loan agreement, are 0.73:1.00 and 0.83:1.00, respectively. As at June 30, 2023 the Group's D/E ratio is 0.79:1.00.

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 26 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 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.

e. 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 16 and 17 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.

f. 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 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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

h. The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August 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, the revenues of the Group are expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business 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 17 of the Notes to Unaudited Interim Condensed Financial Statements).

j. 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.
- 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.

Arsenio C. Cabrera

From: ICTD Submission <ictdsubmission+canned.response@sec.gov.ph>
Sent: Monday, 20 November 2023 5:44 PM
To: Arsenio C. Cabrera
Subject: Re: STI Education Services Group, Inc._SEC Form 17-Q For the Three-month Period Ended 30 September 2023_20November2023

Thank you for reaching out to ictdsubmission@sec.gov.ph!

Your submission is subject for Verification and Review of the Quality of the Attached Document only for Secondary Reports. The Official Copy of the submitted document/report with Barcode Page (Confirmation
Receipt) will be made available after 7 working days via order through the SEC Express at https://secexpress.ph/. For further clarifications, please call (02) 8737-8888.

-- NOTICE TO COMPANIES --

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors
(Appointment)

6. MRPT

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.