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 **Wednesday, 18 December 2024, 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 21 December 2023 Annual Stockholders' 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 2024
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 21 December 2023 up to 18 December 2024
7. Election of Directors
8. Amendment of Article II of Articles of Incorporation to Offer Maritime Courses
9. Appointment of External Auditors
10. Adjournment

The record date for stockholders entitled to notice and vote at the Annual Stockholders' Meeting is set on 25 November 2024 ("Stockholders of Record").

The 2024 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/asm2024 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 2024. 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 13 December 2024 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/asm2024.

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 13 December 2024.

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 13 December 2024.

The Annual Stockholders' Meeting scheduled on the first Thursday of November of each calendar year as provided in the Company's By-Laws, was postponed due to: (a) finalization of the Audited Financial Statements of the Company for the period ending 30 June 2024; and (b) lack of material time to complete reports and updates on the Company's operations and prepare the documents required to be filed with the regulatory agencies for the holding of stockholders' meeting.

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/asm2024.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

AGENDA OF 2024 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 21 December 2023 Annual Stockholders' 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 2024
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 21 December 2023 up to 18 December 2024
7. Election of Directors
8. Amendment of Article II of Articles of Incorporation to Offer Maritime Courses
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 Article II of the 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 21 December 2023

   The minutes are available at the Company website, https://www.sti.edu/asm2024

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

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 21 December 2023 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 2023-2024 and the outlook of the Company for FY 2024-2025 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 2023-2024. The report will also include significant events affecting the Company's performance for FY 2023-2024.

The Annual Report is also posted on the Company's website, https://www.sti.edu/asm2024. 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 2023-2024 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 2024

   The approval of Parent and Consolidated Audited Financial Statements (FS) of the Company as at and for the fiscal year ending 30 June 2024 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 2024 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 21 December 2023 Annual Stockholders' Meeting up to 18 December 2024. A list of the corporate acts to be ratified are enumerated in Item 16, page 25 of the Preliminary 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 21 December 2023 Annual Stockholders' Meeting up to 18 December 2024 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 25 October 2024. 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. Amendment of Article II of Articles of Incorporation to Offer Maritime Courses

   A resolution for the approval of the amendment of Article II of Articles of Incorporation to offer maritime courses will be presented to the stockholders.

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

   Below is the proposed resolution:

   > *"RESOLVED, to approve the amendment of Article II of the Articles of Incorporation to offer maritime courses."*

   The affirmative vote of stockholders representing at least 2/3 of the outstanding voting capital stock of the stock of the Company is necessary to approve the resolution.

9. 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 2024-2025."*

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.

10. 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.

11. 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.
2024 ANNUAL STOCKHOLDERS' MEETING
Wednesday, 18 December 2024 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 2024, 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/asm2024

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/asm2024 Accomplished voting forms may be submitted by email to corsec@sti.edu. Deadline to vote in absentia is on 13 December 2024. 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/asm2024 and submitted on or before 13 December 2024 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 13 December 2024 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.

For ASM-related matters, please go to: https://www.sti.edu/asm2024. For ASM-related queries, please send an email to corsec@sti.edu. For account updating/validation concerns, please get in touch with the Company's Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., via email to corsec@sti.edu.

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") 2024 Annual Stockholders' Meeting ("ASM")

This is to express my intent to participate in STI ESG's 2024 ASM to be held virtually on Wednesday, 18 December 2024 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 **Wednesday, 18 December 2024** 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 21 December 2023			
2.	Approval of the Management Report for FY 2023-2024			
3.	Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ending 30 June 2024			
4.	Ratification of all acts, resolutions, proceedings of Management and the Board of Directors from 21 December 2023 to 18 December 2024			
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.	Amendment of Article II of Articles of Incorporation			
7.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2024-2025			

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 13 December 2024**, 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. **18 December 2023, 11:00 a.m. via Remote Communication through Microsoft Teams**
   Date, time and place of the meeting of security holders

   The Annual Stockholders' Meeting scheduled on the first Thursday of November of each calendar year as provided in the Company's By-Laws, was postponed due to (a) finalization of the Audited Financial Statements of the Company for the period ending 30 June 2024; and (b) lack of material time to complete reports and updates on the Company's operations and prepare the documents required to be filed with the regulatory agencies for the holding of stockholders' meeting.

9. Approximate date on which the Information Statement is first to be sent or given to security holders **28 November 2024**

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	**₽820,000,000.00**

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	:	18 December 2024
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	:	28 November 2024

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 2024 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 October 2024, there were sixty-four (64) 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 2024.

	Name	No of Shares Owned	% Ownership[1]
1	STI EDUCATION SYSTEMS, HOLDINGS, INC.	3,040,623,037	98.66
2	PRUDENT RESOURCES, INC.	13,465,465	0.44
3	GONZALES, FRANCISCO B. JR.	8,873,692	0.29

[1] Percentage is net of treasury shares.

	Name	No of Shares Owned	% Ownership[1]
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 Dividend Declaration

Policy on Dividend Declaration

On September 19, 2017, the Board of Directors (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% 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 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 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.

Dividend History

Declaration Date	Dividends per Share	Amount
December 16, 2023	Php0.20	Php616.4 million
December 16, 2022	Php0.07	Php215.7 million
November 26, 2021	Php0.05	Php154.1 million

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.

On December 21, 2023, the Parent Company's BOD approved the cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱616.4 million in favor of all stockholders of record as at January 10, 2024. The dividends were paid on January 12, 2024.

The Board of Directors of the Parent Company approved the declaration and payment of cash dividends that exceeded the range indicated in the dividend policy after considering the earnings, financial condition, cash flows and capital requirements of the Group.

The subsidiaries of the Company do not have specific dividend payout policies.

The dividend history of STI College Novaliches, Inc., a subsidiary of the Company, is summarized below:

Declaration Date	Dividends per Share	Amount
March 19, 2024	Php12.00	Php60 million
November 17, 2023	Php3.00	Php15 million

On November 17, 2023, the Board of Directors of STI College Novaliches, Inc. approved cash dividends amounting to ₱3.00 per share or an aggregate amount of ₱15 million in favor of all stockholders of record as at November 30, 2023. The dividends were paid on February 15, 2024.

On March 19, 2024, the Board of Directors of STI College Novaliches, Inc. approved cash dividends amounting to ₱12.00 per share or an aggregate amount of ₱60 million in favor of all stockholders of record as at March 31, 2024. The dividends were paid on April 8, 2024.

(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 2024:

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 25 November 2024 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 2024

As of 30 June 2024, 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	98.66%

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

(b) Security Ownership of Management as of 31 October 2024

The following table sets forth, as of 31 October 2024, 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 2024, 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.

On October 15, 2024, the NLRC issued its Resolution, which affirmed the Labor Arbiter's order and final computation of STI ESG's remaining liability. The former employee has ten (10) days to file a Motion for Reconsideration on the Resolution.

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.

After STI ESG filed its Opposition dated July 14, 2023 to the said Motion for Reconsideration, the Court of Appeals issued its Resolution dated November 6, 2023, which denied the Plaintiffs' Motion for Reconsideration.

On January 8, 2024, STI ESG received the Petition for Review filed by the Plaintiffs before the Supreme Court.

The Supreme Court has yet to issue the appropriate Resolution on the said Petition insofar as whether to dismiss the same or require STI ESG to file a Comment to the Plaintiffs' Petition for Review.

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 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, 75, 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 iACADEMY, Inc. 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, 79, 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, 75, 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., Total Consolidated Asset Management, Inc.,. He is Vice-Chairman and President of Asian Terminals, Inc.

Mr. Tanco is the President of 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, 60, 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, 81, 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, 44, 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 First 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, 46, 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, STI College Novaliches, Inc., PhilPlans First, Inc., PhilhealthCare, Inc., Chantilly Nutriment Corporation and iACADEMY.

Currently, she is the Chairperson 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, 58, 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. He is also a director of TechZone Philippines, Inc..

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, 55, 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 PhilhealthCare, Inc., Philippine Life Financial Assurance Corporation, Maestro Holdings, Inc. and Venture Securities, 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, 63, 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, Metro Pacific Health (MPH) [formerly known as Metro Pacific Hospital Holdings, Inc.) on December 9, 2019 and AIG Philippines Insurance, Inc. on 2 January 2024.

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

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

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

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

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

Ma. Leonora Vasquez- De Jesus, 73, 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 Psychology from the University of the Philippines-Diliman.

Yolanda M. Bautista, 72, 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., 64, 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, Famtech Properties, Inc., 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., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, PhilsFirst, PhilLife, PhilCare, Inc., Philplans., PH1 World Developers, Inc., Plus Homes Communities, Inc., 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., 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, 49, 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 15 October 2024, 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. The amount of the advisory fees paid by STI ESG for the past three years is set out below:

Period	Advisory Fees
2024	₱14,400,000
2023	₱14,400,000
2022	₱14,400,000

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.

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

Transactions with Promoters

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

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, 2024, 2023 and 2022. 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, 2024, June 30, 2023 and 2022 and what the Company expects to pay for the fiscal year ending June 30, 2025.

ANNUAL COMPENSATION

	Year Ended	Salaries and Bonus	Other Compensation
Chief Executive Officer and the Top Four Highly Compensated Officers [a]	2022	₱30,652,457	None
	2023	35,518,959	None
	2024	40,796,717	None
	2025[b]	44,876,389	None
Board of Directors			
	2022	₱2,719,118	None
	2023	2,731,545	None
	2024	4,865,385	None
	2025[b]	4,865,385	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 21, 2023 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 third 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, 2024 "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	OPE[a]	VAT	Total
June 30, 2024	₱12,761,000	₱1,276,100	₱1,684,952	₱15,721,552
June 30, 2023	₱11,611,000	₱1,150,859	₱1,531,423	₱14,293,282
June 30, 2022	₱10,013,820	₱894,935	₱1,309,051	₱12,217,806

(a) 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 21 December 2023 Annual Stockholders' Meeting. The Minutes of the 21 December 2023 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 16 December 2022 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 2023
8. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 16 December 2022 to 21 December 2023
9. Election of Directors
10. Appointment of External Auditor

11. Adjournment

Based on the Minutes of the 21 December 2023 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 3,055,740,330 shares out of the 3,081,877,170 [net of treasury shares] issued and outstanding capital stock of the Company or 99.15% 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 21 December 2023 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 21 December 2023 Annual Stockholders' Meeting.

Stockholders were likewise given the opportunity to ask questions. No questions or objections were raised by stockholders during the 21 December 2023 Annual Stockholders' Meeting.

The following items were unanimously approved by the stockholders present at the 21 December 2023 Annual Stockholders' Meeting: (a) the Minutes of the 16 December 2022 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 2023; (d) the ratification of legal acts, proceedings and resolutions of the Board of Directors and of management from 16 December 2022 to 21 December 2023; (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 2024.

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 21 December 2023 to 18 December 2024. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting held on 21 December 2023 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; (i) declaration of cash dividends; (j) execution of Management Contract with PSBA; and (k) redemption of Fixed Rate Bonds.

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 21 December 2023 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

Article II of the Articles of Incorporation shall be amended to include the offering of maritime courses as part of the primary purpose of the Corporation.

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..

<u>Except for the amendment to the Articles of Incorporation which requires the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock,</u> 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 13 December 2024. 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 13 December 2024 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 21 December 2023

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

(2) Approval of Parent and Consolidated Audited Financial Statements as at and for the fiscal year ending 30 June 2024

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

(3) Ratification of all acts of the Board of Directors and of Management from 21 December 2023 to 18 December 2024

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

(4) Amendment of Article II of the Articles of Incorporation to include the offering of maritime courses as part of the primary purpose of the Corporation

The affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding voting capital stock of the Company present at the Annual Stockholders' Meeting is necessary to approve the resolution.

(5) Election of Directors

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

(6) Appointment of External Auditor

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

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 2023 ACGR with the SEC on July 1, 2024. 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.

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

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the 21 December 2023 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 2024 is as follows:

Board	Name	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman/Independent Director	Jesli A. Lapus	6	6	100%
Director	Eusebio H. Tanco	6	6	100%
Director	Monico V. Jacob	6	6	100%
Director	Joseph Augustin L. Tanco	6	6	100%
Director	Ma. Vanessa Rose L. Tanco	6	6	100%
Director	Peter K. Fernandez	6	6	100%
Director	Raul B. De Mesa	6	4	67%
Director	Martin K. Tanco	6	6	100%
Director	Paolo Martin O. Bautista	6	6	100%

Board	Name	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman/Independent Director	Jesli A. Lapus	6	6	100%
Independent Director	Robert G. Vergara	6	6	100%
Independent Director	Ma. Leonora Vasquez-De Jesus	6	6	100%

The 2023 Self-Evaluation Performance Report of the Board of Directors was presented during the 11 October 2024 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 2024.

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 2024 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2024. 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 21 November 2024.

STI EDUCATION SERVICES GROUP, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

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
AIG Philippines Insurance, Inc.	Independent Director	January 2, 2024 to present
Cabanatuan Electric Corporation	Chairman/	August 2022 to present
	Director	26 June 2010 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 to present

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 OCT 29 2024 day of October 2024 at Makati City.

ROBERT G. VERGARA

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

OCT 29 2024

SUBSCRIBED AND SWORN to before me this _____ day of October 2024 at Makati City, affiant personally appeared and exhibited to me his Passport No. P5668049B issued on 12 October 2020 at DFA Manila.

Doc. No. 191;
Page No. 40;
Book No. IV;
Series of 2024.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-431
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 10074456/ Makati / 02 January 2024
IBP No. 295710 / Batangas / 12 October 2023
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

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

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 OCT 29 2024 day of October 2024 at Makati City.

MA. LEONORA VASQUEZ-DE JESUS

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)S.S. OCT 29 2024

SUBSCRIBED AND SWORN to before me this _____ day of October 2024 at Makati City, affiant personally appeared to me and exhibited to me her Passport No. P6145077A issued on 22 February 2018 at DFA Manila.

Doc. No. 192;
Page No. 40;
Book No. IV;
Series of 2024.

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY, PHILIPPINES

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-431
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 10074456/ Makati / 02 January 2024
IBP No. 295710 / Batangas / 12 October 2023
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

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 29th day of October 2024 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

SUBSCRIBED AND SWORN to before me this 29th day of October 2024 in Makati City, affiant exhibiting to me his Passport No. P6534927B issued on 23 March 2021 at DFA NCR South.

Doc. No. 371;
Page No. 76;
Book No. IV;
Series of 2024.

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. 10074459 / Makati / 02 January 2024
IBP No. 295714 / Makati / 12 October 2023

MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF

STI EDUCATION SERVICES GROUP, INC.

Held on 21 December 2023, 11:00 a.m.
Conducted virtually via remote communication

PRESENT:	**NO. OF SHARES**
Total Number of Shares Present by Proxy	**3,055,740,330**
Total Number of Shares Represented In Person and By Proxy	**3,055,740,330**
Total Outstanding Shares [Net of Treasury Shares]	**3,081,877,170**
Attendance Percentage to Total Outstanding Shares	**99.15%**

I. CALL TO ORDER

The Chairman, Mr. Jesli A. Lapus, 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 24 November 2023 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 24 November 2023 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 3,055,740,330 shares or 99.15% 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. 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 15 December 2023 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 15 December 2023 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. DECLARATION OF DIVIDENDS

The Chairman announced to the stockholders that, at the Meeting of the Board of Directors held earlier that morning, the Board approved the declaration of cash dividends in the amount of Php0.20 per share or an aggregate amount of Six Hundred Sixteen Million Three Hundred Seventy Five Thousand Four Hundred Thirty Four Pesos (Php616,375,434.00) (the "Cash Dividends") from the unrestricted retained earnings of the Company as of 30 June 2023 based on the Parent Company Audited Financial Statements as of 30 June 2023.

The Cash Dividends are payable to stockholders of record as of 10 January 2024 and shall be payable on 12 January 2024, upon compliance with all necessary regulations.

V. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 16 December 2022 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 16 December 2022 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 16 December 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,055,740,330	-	
% of Shares of Shareholders Present	100%	-	

VI. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Peter K. Fernandez, rendered the Management Report for Fiscal Year 2022-2023. The Management Report for Fiscal Year 2022-2023 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 2022-2023 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 2022-2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,055,740,330	-	
% of Shares of Shareholders Present	100%	-	

VII. APPROVAL OF PARENT AND CONSOLIDATED AUDITED FINANCIAL STATEMENTS AS AT AND FOR THE FISCAL YEAR ENDED 30 JUNE 2023

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 2023 as discussed in the Annual Report be noted and approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Parent and Consolidated Audited Financial Statements of the Corporation for the fiscal year ended 30 June 2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,055,740,330	-	
% of Shares of Shareholders Present	100%	-	

VIII. 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 16 December 2022 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 Management, done in the ordinary course of business, since the 16 December 2022 Annual Stockholders' Meeting up to 21 December 2023, be approved, confirmed and ratified."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of all legal acts, proceedings and resolutions of the Board of Directors and of Management, done in the ordinary course of business, since the Annual Stockholders' Meeting held on 16 December 2022 up to 21 December 2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	3,055,740,330	-	
% of Shares of Shareholders Present	100%	-	

IX. 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	3,055,740,330
Monico V. Jacob	*3,055,740,330*
Peter K. Fernandez	*3,055,740,330*
Ma. Vanessa Rose L. Tanco	*3,055,740,330*
Joseph Augustin L. Tanco	*3,055,740,330*
Raul B. De Mesa	*3,055,740,330*
Martin K. Tanco	*3,055,740,330*
Paolo Martin O. Bautista	*3,055,740,330*
Jesli A. Lapus	*3,055,740,330*
Robert G. Vergara (Independent Director)	*3,055,740,330*
Ma. Leonora Vasquez-De Jesus (Independent Director)	*3,055,740,330*

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.

X. 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 ended 30 June 2024."*

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 ended 30 Jund 2024 as follows:

	For	Against	Abstain
Number of Voted Shares	3,055,740,330	-	
% of Shares of Shareholders Present	100%	-	

XI. OTHER MATTERS

The Corporate Secretary stated that, as of 15 December 2023, the cut-off date for submission of questions and/or queries on the Management report for Fiscal Year 2022-2023, no questions and/or queries were submitted to the Corporation.

XII. 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:

JESLI A. LAPUS
Chairman

Annex "A"

STI

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 24 November 2023 in connection with the Corporation's Annual Stockholders' Meeting ("ASM") to be held on 21 December 2023.

The ASM Materials were sent thru messengerial services, ordinary mail and e-mail.

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

ATTY. CARL MARK A. GANHINHIN
School Legal Manager

Annex "B"

STI EDUCATION SERVICES GROUP, INC.

2023 ANNUAL STOCKHOLDERS' MEETING

December 21, 2023

11:00 AM | Makati City

MANAGEMENT REPORT FY 2022-2023

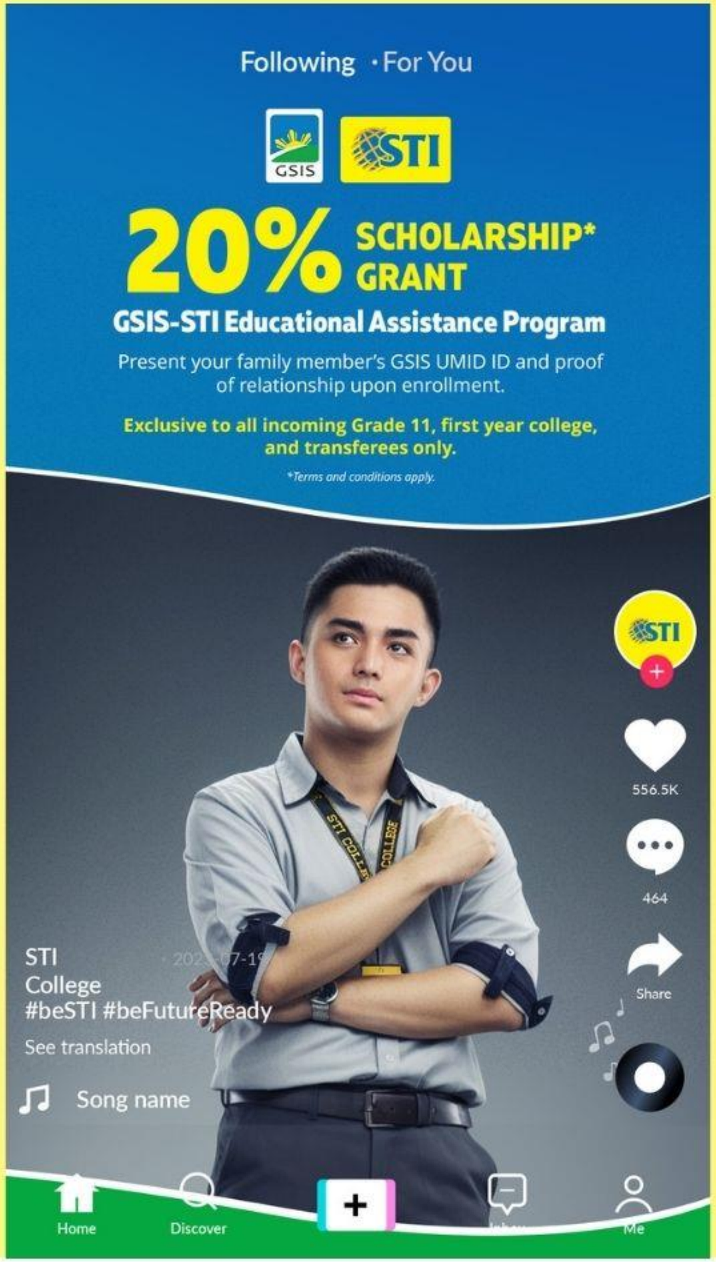
FACE-TO-FACE CLASSES

EVENTS & ONSITE ACTIVITIES

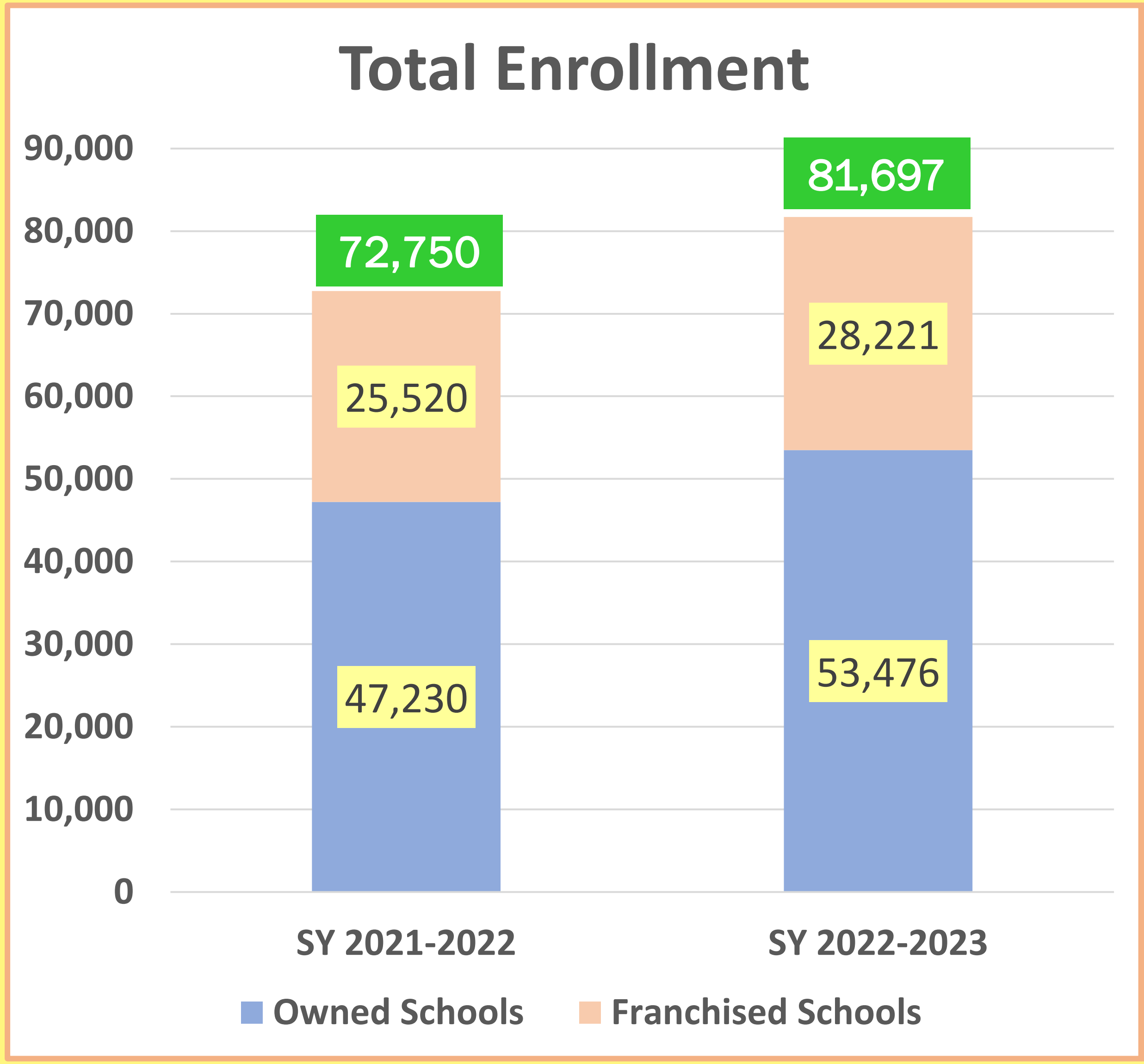
58TH ANVIL AWARDS

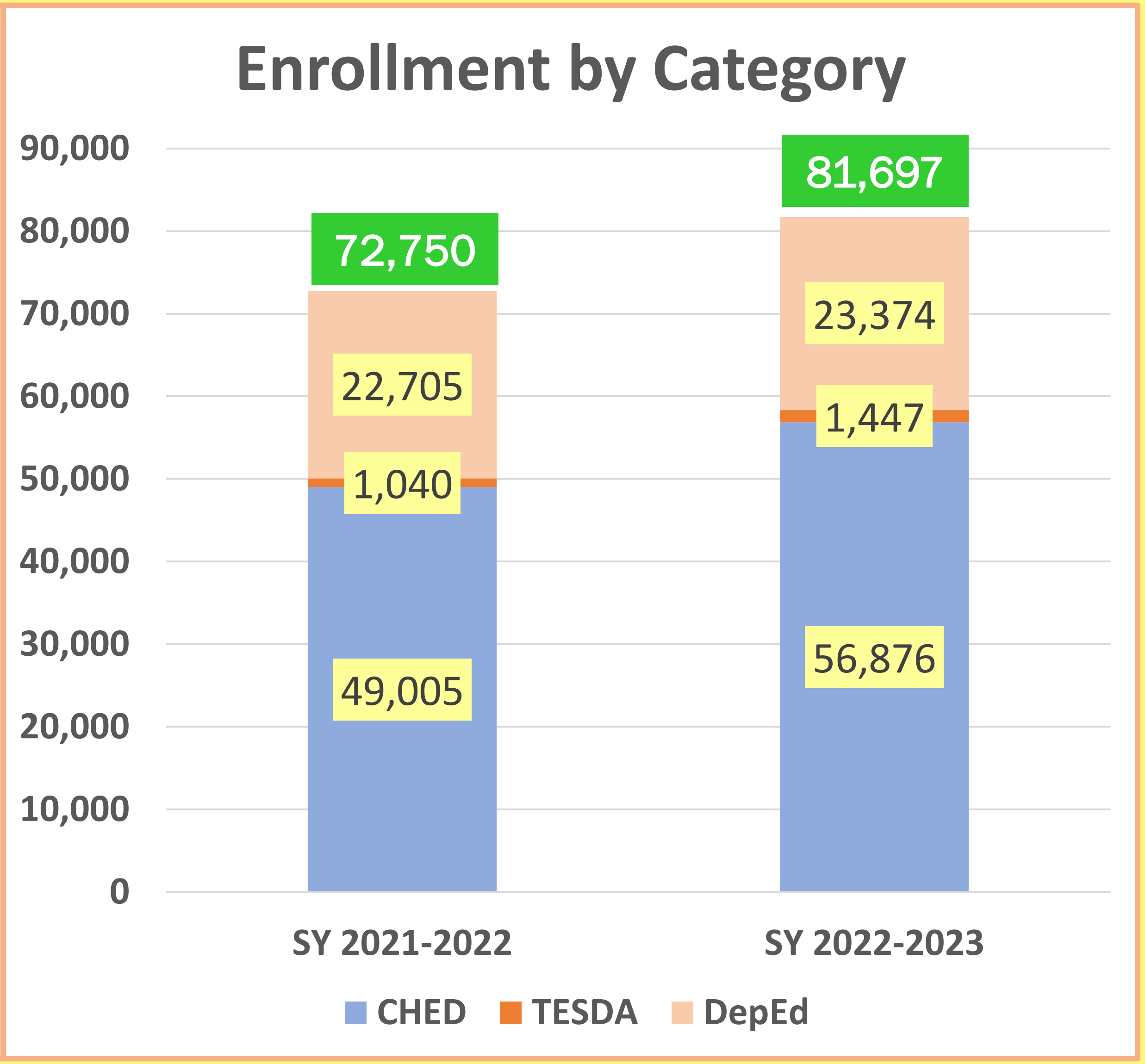
NEW PROGRAMS

FINANCIAL AID PROGRAMS

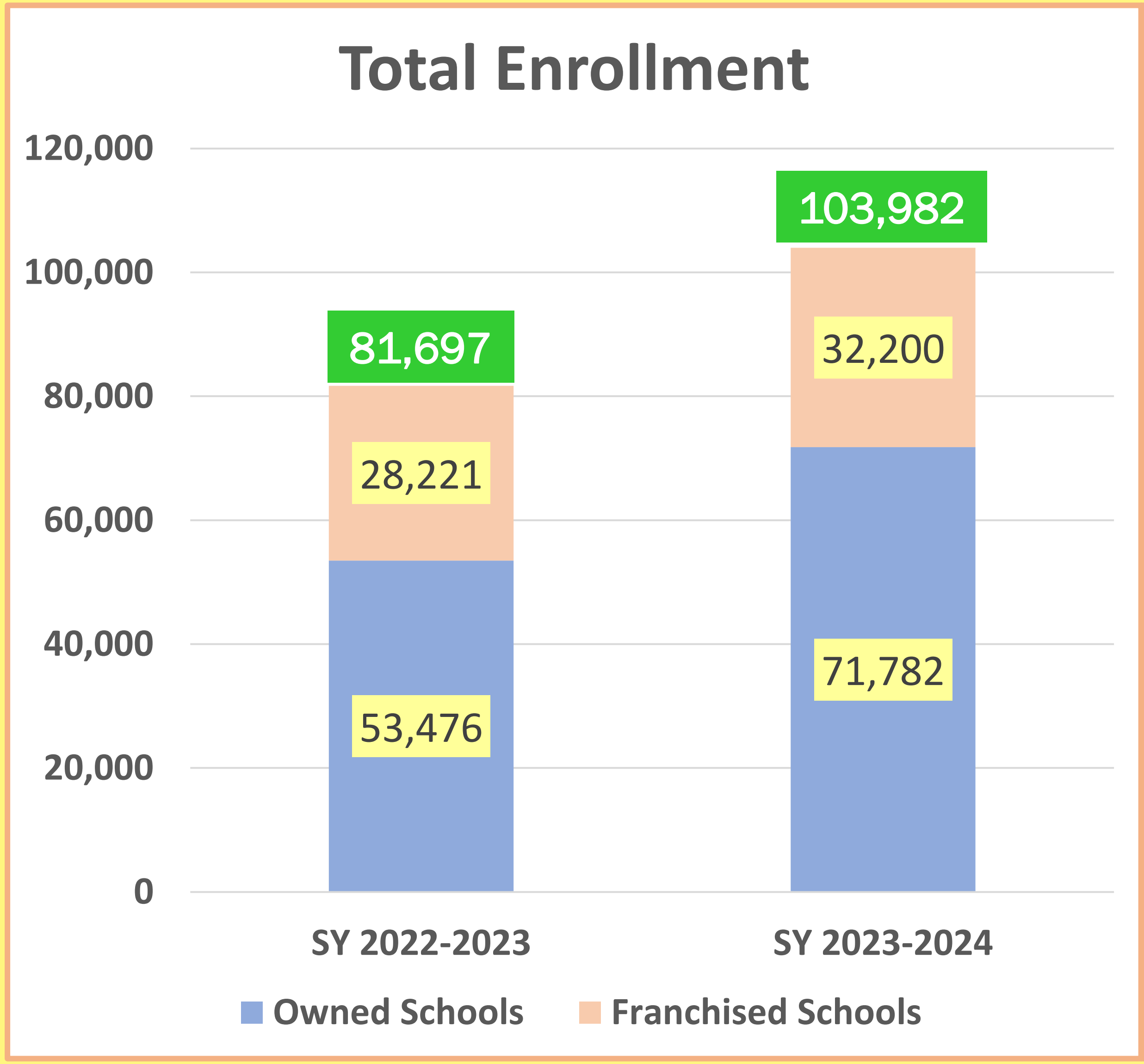


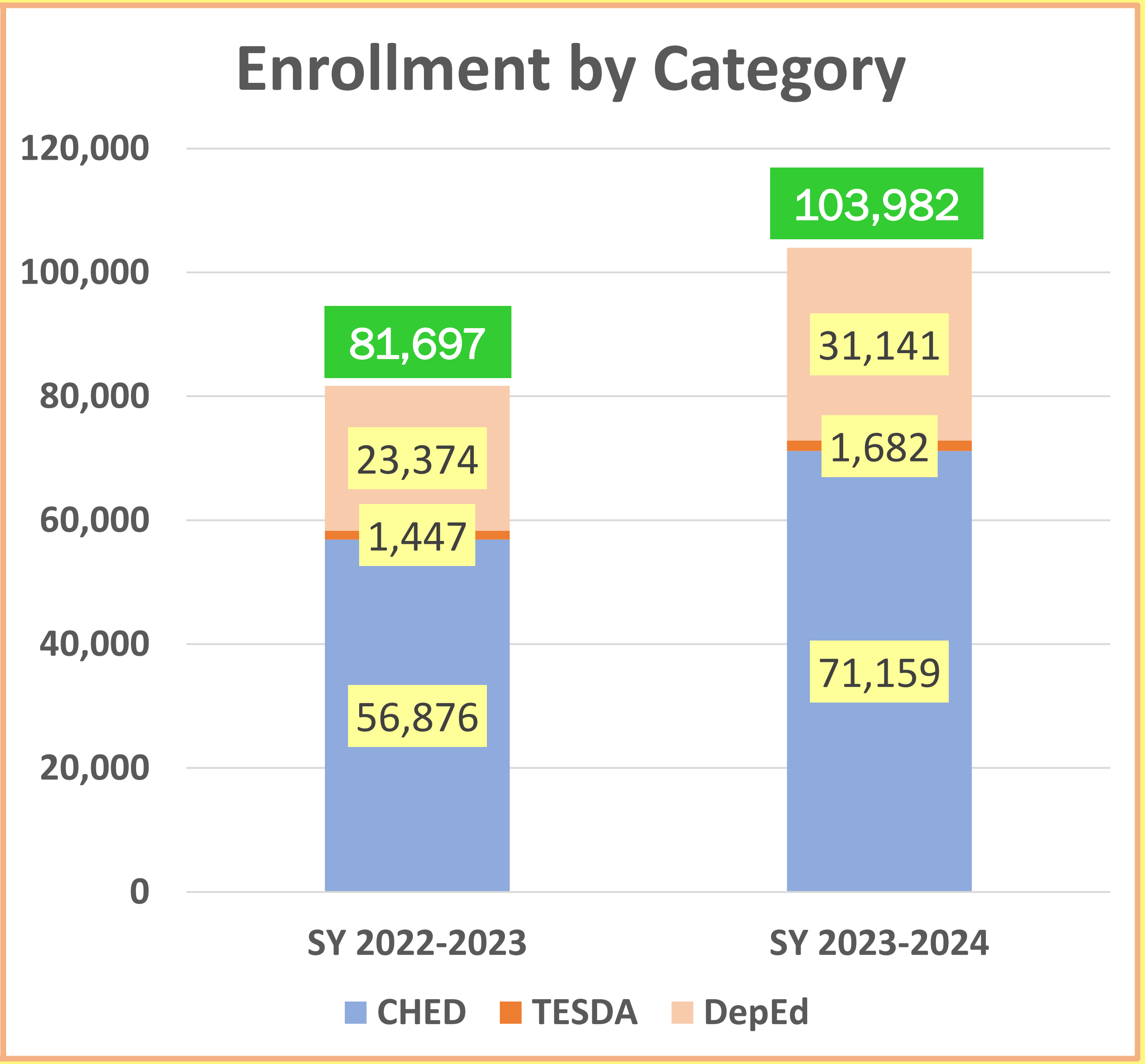
TOTAL STUDENT POPULATION (SY 2022-2023)





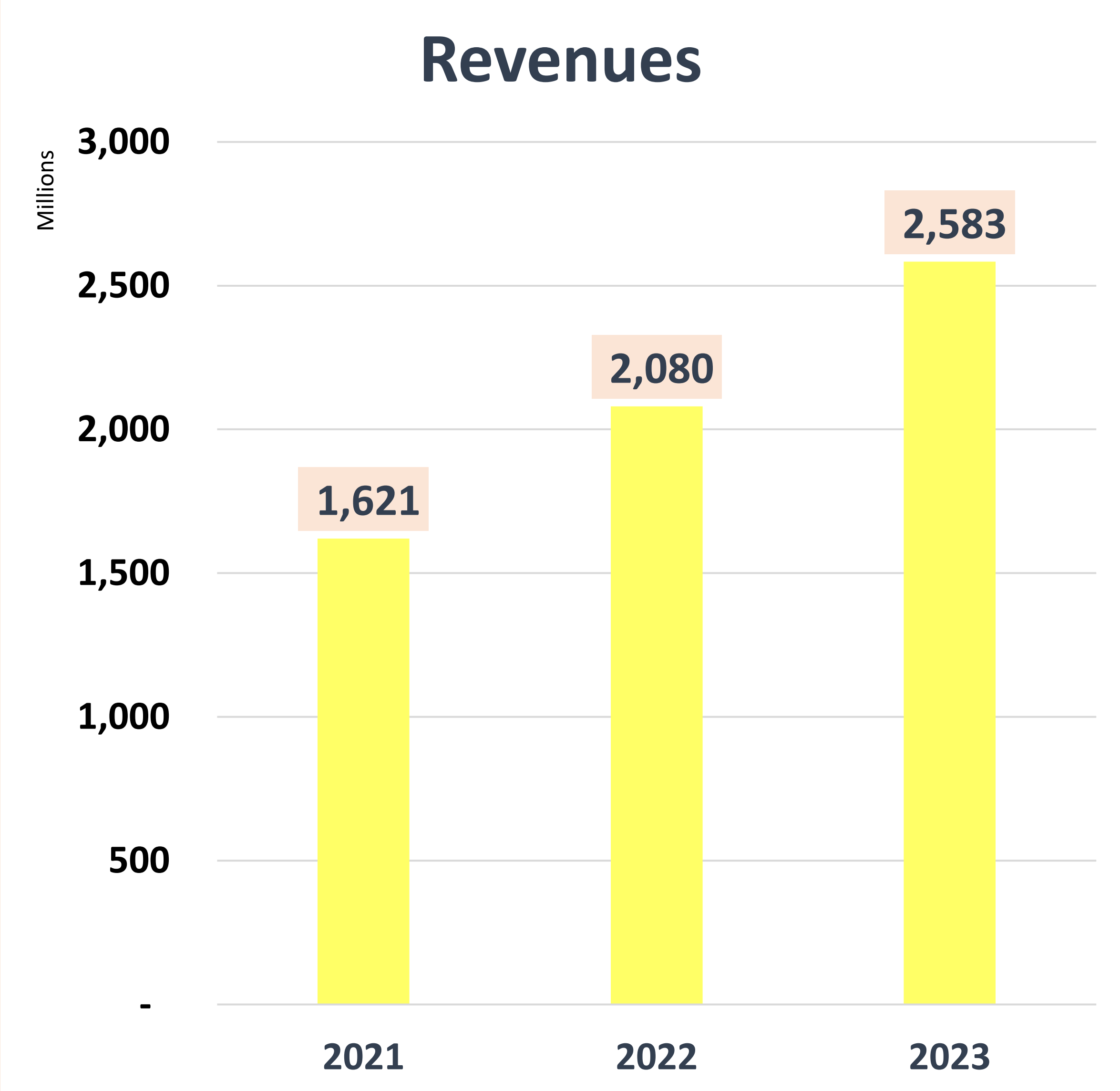
TOTAL STUDENT POPULATION (FIRST SEMESTER, SY 2023-2024)

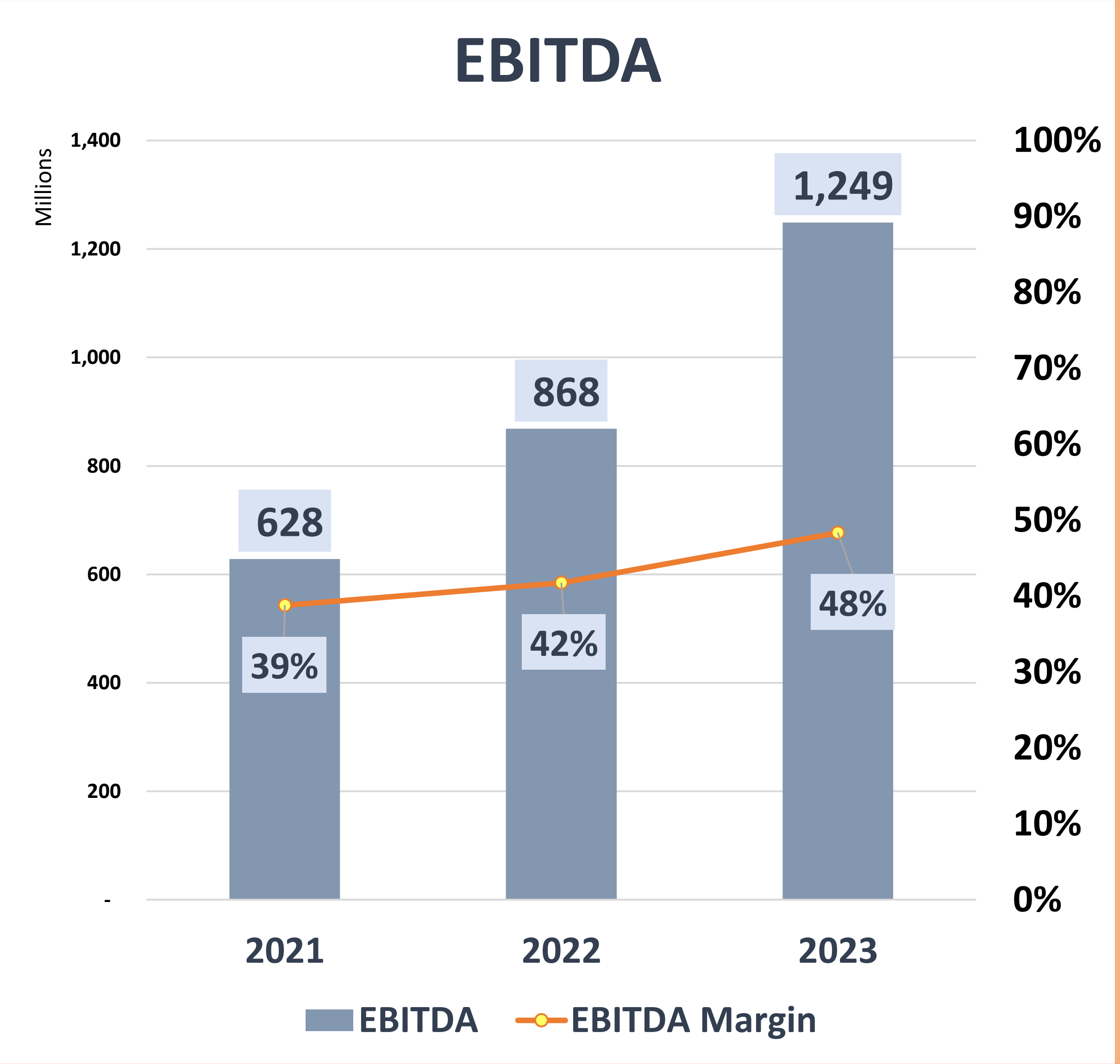




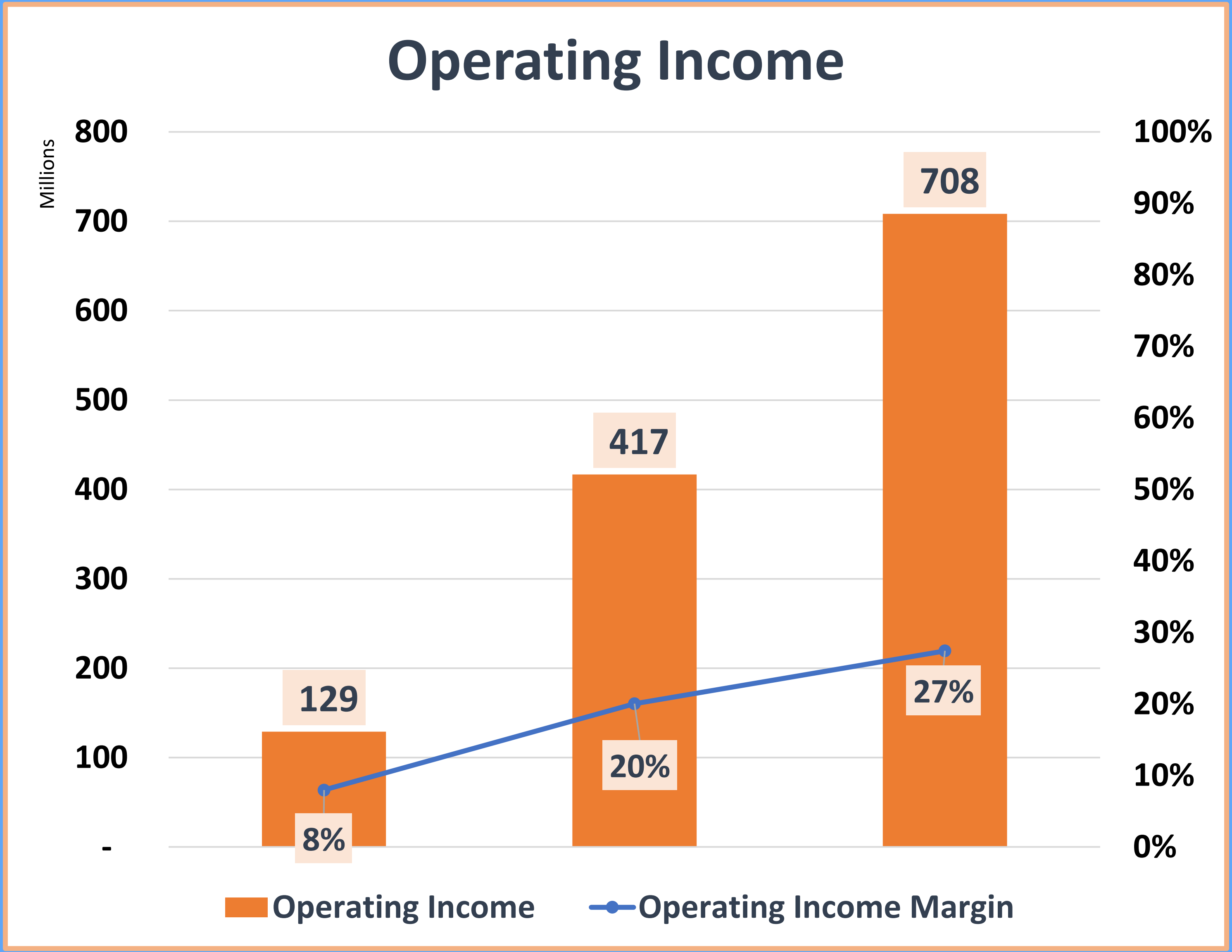
FINANCIAL HIGHLIGHTS AS OF JUNE 30, 2023

REVENUES AND EBITDA

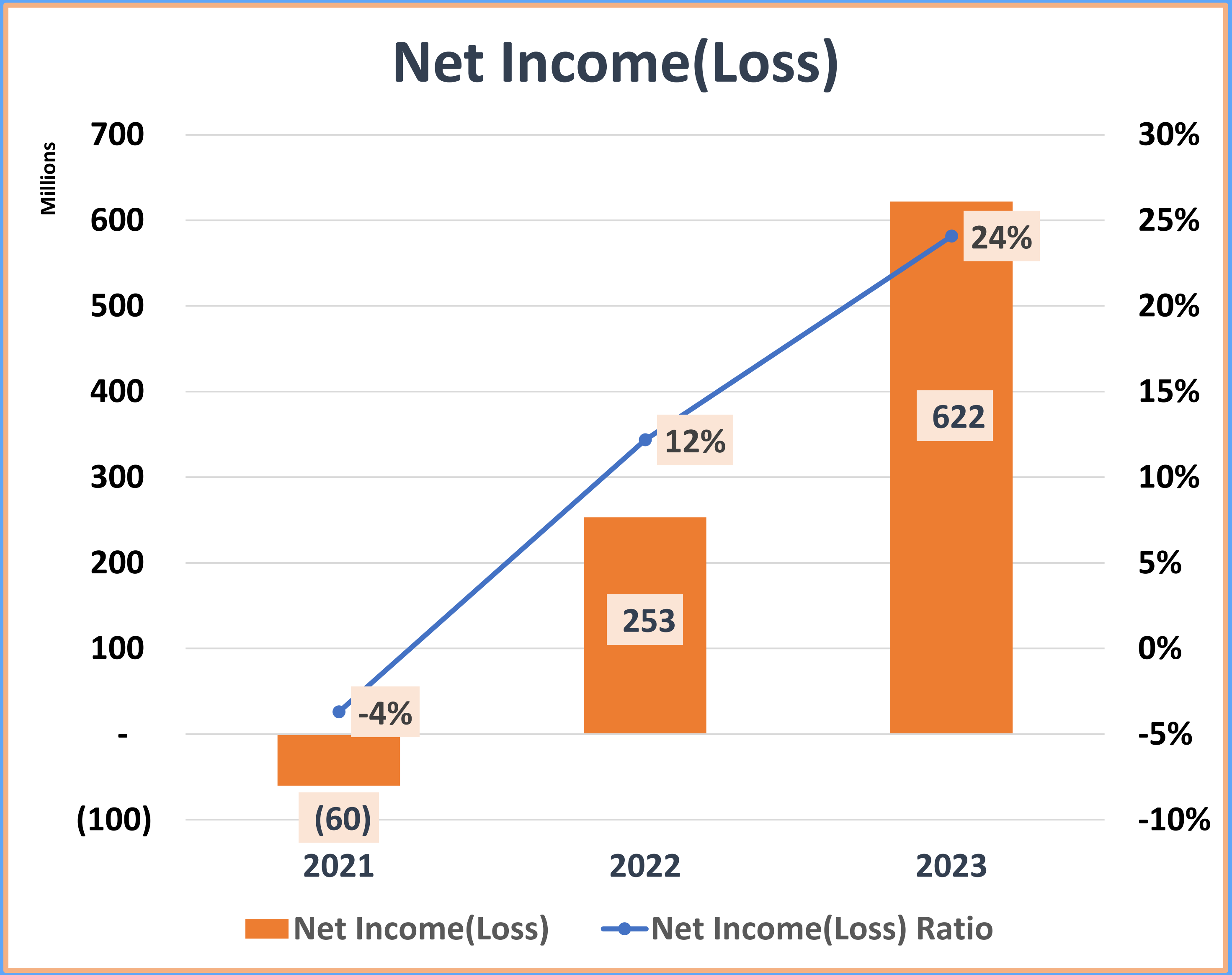




OPERATING INCOME



NET INCOME



Net Income(Loss)
Millions
700
600
500
400
300
200
100
-
(100)
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
(60)
-4%
253
12%
622
24%
2021
2022
2023
Net Income(Loss)
Net Income(Loss) Ratio

THANK YOU FOR YOUR SUPPORT

MANAGEMENT REPORT

Business Development

Established on August 21, 1983, STI Education Services Group, Inc. (STI ESG) began with a goal of training as many Filipinos as possible in computer programming and address the need for information technology (IT) education in 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, and soon expanded to other key areas in Luzon, Visayas, and Mindanao, and sites outside the Philippines. In 2003, management decided to focus its attention on the domestic market but continued to study the possibility of going international once again.

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 rolled out four-year college programs starting with Information & Communications Technology and then gradually introduced new programs in the succeeding years. To date, STI ESG also offers four-year college programs in the fields of Business and Management, Engineering, Hospitality Management, Tourism Management, Arts and Sciences, Education, Maritime, and Criminal Justice Education.

STI ESG embarked on strengthening its geographical presence nationwide as it aggressively constructed improved facilities. More STI ESG schools are veering away from rented commercial complexes and have moved to bigger and better stand-alone campuses in strategic locations. The improved campuses house state-of-the-art facilities, spacious classrooms, top-of-the-line simulation laboratories, and recreational facilities conducive to high academic delivery. At present, there are twenty-two (22) wholly-owned schools with renovated or newly built facilities. In addition, STI ESG offered incentives to franchisees to upgrade their facilities wherein nine (9) have responded so far.

STI ESG likewise centralized its efforts into academic quality and started investing in trainings on awareness, documentation, and internal quality audit to achieve the ISO 9001:2008 certification on February 5, 2015 and the ISO 9001:2015 certification on February 5, 2018. Awarded by the ISO certifying body TÜV Rheinland Philippines Inc., both certifications focus on STI ESG's Learning Delivery System covering courseware development and faculty training and certification for the tertiary level. The ISO 9001:2015 certification has also been extended to senior high school and expanded to include student development programs and job placement assistance for graduates.

When the Department of Education (DepEd) announced the K to 12 program in 2013, STI ESG capitalized on its nationwide presence to implement the first-to-market approach of the Senior High School (SHS) program. STI ESG is the largest pioneer to offer Senior High School. The two (2) program tracks covered by the permit are the Academic and Technical-Vocational-Livelihood tracks. Under the Technical-Vocational-Livelihood track, STI ESG offers three strands with various specializations. STI ESG is likewise offering the Junior High School program in select schools.

STI ESG and other educational institutions experienced another monumental change in the education landscape with the implementation of the Republic Act (RA) 10931 or the "Universal Access to Quality Tertiary Education Act" (UAQTEA) in 2018. The law covers four (4) salient points: (1) free tuition and miscellaneous fees in state universities and colleges (SUCs) and local universities and colleges (LUCs); (2) free technical-vocational education and training in state-run technical-vocational institutes; (3)

student loan programs for tertiary students; and (4) Tertiary Education Subsidy (TES) in private higher education institutions (HEIs).

STI ESG fully supports the government's advocacy to provide equal opportunities to the Filipino youth by making tertiary education more accessible and encouraging them to pursue and complete higher learning. Thus, STI ESG signed a Memorandum of Agreement on December 17, 2018 with CHED and the implementing organization Unified Student Financial Assistance System for Tertiary Education (UniFAST) for the enactment of the tertiary education subsidy and student loan program.

Through the consistent efforts of management, the STI brand stays true to its commitment of providing real-life education to the Filipino youth and nurturing them to become competent and responsible members of the society.

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 2021, STI College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED, DepEd, and Technical Education and Skills Development Authority (TESDA) 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. The students enrolled in the aforementioned schools were given the option to transfer to other STI schools. 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.

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.

On March 23, 2024, the 7-year fixed rate bonds with a principal amount of ₱2,180.0 million matured and was fully redeemed by STI ESG in accordance with terms of the Trust Agreement and the Supplemental Trust Agreement.

Enrollment and Graduates

In SY 2021-2022, STI ESG and its subsidiaries registered an enrollment of 72,750 at the start of the school year. The total enrollment further increased in the subsequent school years, 81,697 registered students at the beginning of SY 2022-2023 and an impressive 103,982 students at the start of SY 2023-2024.

The average retention rate for students in a semester remained at 99% from SY 2021-2022 through SY 2023-2024. Meanwhile, the average percentage of students who migrated to the succeeding semester in SY 2021-2022 was 96%. Migration slightly dipped to 93% in SY 2022-2023 and bounced back to 94% in SY 2023-2024.

The enrollees in associate and baccalaureate degree programs, technical-vocational programs, and senior high school level for SY 2021-2022 accounted for 67%, 2%, and 31% of the total enrollment, respectively. The enrollment mix posted in SY 2022-2023 was 70% for associate and baccalaureate degree programs, 1% for technical-vocational programs, and 29% for senior high school tracks and specializations. Meanwhile, the enrollment mix in SY 2023-2024 was at 68%, 2%, and 30% for associate and baccalaureate degree programs, technical-vocational programs, and senior and junior high school, respectively.

There were 8,192 tertiary graduates for the first and second semesters, while 10,481 students graduated from senior high school in SY 2021-2022. For SY 2022-2023, there were 9,666 students who graduated from tertiary for the first and second semesters and 9,996 senior high school graduates. Meanwhile in SY 2023-2024, there were 8,799 tertiary graduates for the first and second semesters and 11,554 senior high school graduates.

As at November 19, 2024, 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 146,585 students, with 103,123 pertaining to owned schools and 43,462 for franchised schools.

Tuition Fee Increases

No increases in tuition fees and other school fees were implemented in SY 2021-2022 for both college and senior high school. In SY 2022-2023, a 5% increase in tuition fee and other school fees was implemented for incoming college students while an average of 5% increase in tuition and other school fees was applied to all college students for SY 2023-2024. On the other hand, tuition and other school fees for senior high school students remain unchanged for both school years.

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, SY 2022-2023 and SY 2023-2024.

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, four new programs were developed and 16 programs were updated in SY 2021-2022 and one program was developed in SY 2022-2023, while another program was developed and eight curricula were updated in SY 2023-2024. Select STI campuses were given government permits for Junior High School, and BS Psychology and BS Criminology programs in SY 2022-2023.

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 June 30, 2024, 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 2023-2024, three courseware materials were developed and 21 materials were revised for Business and Management, Arts and Sciences, IT and Engineering, Tourism Management, Hospitality Management, and Criminology. Meanwhile, three courseware materials were updated and 10 new courseware materials were developed 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.

ONline and ONsite Education at STI (ONE STI) Learning Model

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. This model, introduced in SY 2020-2021, continued through SY 2021-2022. 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 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 were all conducted face-to-face since the opening of SY 2022-2023. Classes for 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.

The Group utilizes the electronic Learning Management System (eLMS), a cloud-based software application, to manage the delivery of educational courses and/or training programs for its students. eLMS supports collaboration through integrated tools such as wikis, forums, and discussion groups. It also includes an internal messaging system with bidirectional support for emails and text messaging, as well as portfolio system that that enables students to compile work that supports their learning and achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This platform facilitates two-way interaction between teachers and students where they can collaborate, assign, and submit homework, take assessments, and track learning progress, among other things. The Group has extensive experience with online learning, having utilized eLMS since 2016. This platform was crucial during the pandemic when online learning became the predominant modality. As the Group has transitioned back to full in-person instruction, it continues to leverage eLMS to enhance students' learning experiences through courseware content, performance tasks, and digital resources, among others, thereby ensuring continuity of education even amidst potential physical classroom disruptions.

Learning Innovation

In SY 2023-2024, the Group introduced various tools and online resources to facilitate better learning delivery to the students. First was ZipGrade, a tool aimed at checking exam papers faster and allowing prompt submission of grades. It can be accessed through its website and mobile application where students are given immediate feedback of their exam results. The STI community also gained access to the EBSCO (Elton B. Stephens Company) Academic Library, a comprehensive resource platform offering a vast collection of eBooks covering various academic subjects. This subscription benefits both students and faculty by providing essential materials for their studies and research.

Standardized Periodical Examination

STI ESG's Academic Research Group (ARG) develops the Standardized Periodical Examinations and introduced the STI Test Bank System in 2018. For SY 2021-2022 and 2022-2023, 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. In SY 2023-2024, the Group developed 834 and 828 exams for the first and second semesters, respectively.

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.

Huawei Educators' Summit 2023

STI College has been a beacon of innovation and success for being awarded as "Huawei's Best Academy 2023" on September 3, 2023. This is the 2nd year in a row that STI won best academy.

One of the main factors that helped STI College secure the title is the impressive number of its student certifications. With more than 900 students receiving Huawei certifications, they demonstrated a commitment to producing highly skilled and certified graduates. STI College also achieved the highest number of active Huawei learning portal users, surpassing 9,000, while leaders from STI College actively participate in Huawei activities, fostering a strong partnership between academe and industry.

27th Word Education Summit

The ELETS World Education Awards was staged during the 27th World Education Summit held in Malaysia on October 2-3, 2023. During the summit, STI was recognized with the "Excellence in Industry-Academia" award.

This award is given to institutions with collaborative efforts and achievements resulting from the close partnership between industry and academia. This highlights the mutual benefits and synergies that can be realized when businesses and educational institutions work together effectively.

Department of Tourism

STI College has been honored with the Filipino Brand of Service Excellence (FBSE) recognition from the country's Department of Tourism (DOT) for its significant contribution to their 2023 goal of training over 100,000 tourism stakeholders on December 12, 2023 at the Makati Diamond Hotel in Makati City.

The FBSE Program, dedicated to strengthening Filipino brands in the tourism industry, emphasizes the promotion of culture and identity to enhance the quality of tourism and hospitality services across the nation. Through this partnership, STI College students in BS Tourism Management, BS Hospitality Management, and BS Culinary Management were able to learn key skills from esteemed industry professionals in championing the Filipino way in their careers.

59th Anvil Awards

STI ESG brought home the Silver Anvil during the 59th Anvil Awards Gabi ng Parangal on January 31, 2024 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 brought home the Silver Anvil award for the STI Destination Career Guide Magazine under the Public Relations (PR) Tool category. The magazine serves as a career guide for incoming senior high school and college students toward a successful career.

20th Philippine Quill Awards

The International Association of Business Communicators (IABC) awarded STI ESG with a pair of Quill awards for the Student's Career Opportunity and Personality Evaluator (SCOPE) and the STI Official Facebook Page during the award ceremony held on January 23, 2024 at the Marriott Grand Ballroom in Pasay City

The STI SCOPE, an online personality assessment test created to aid students who are at the crossroads in choosing the ideal program and career path, bagged the Award of Excellence plum under the Communication Management category, as a Corporate Social Responsibility platform.

Meanwhile, the STI Official Facebook page won the Award of Merit under the Communication Skills category – Social Media for its campaign to cultivate an engaging and enriching online community through insightful and informative content.

Department of Education

Each year, the Department of Education (DepEd) through the External Partnerships Service (EPS) organizes the Partners Appreciation and Recognition event to commend and celebrate the invaluable contributions of its partners in support of the MATATAG Agenda. Among the distinguished awardees this year is STI Education Services Group, Inc. The event was held on February 20, 2024 at the GSIS Theater, located within the GSIS Complex in Roxas Boulevard, Pasay City.

STI ESG's collaboration with DepEd for 2023 encompasses various initiatives, including implementing a learning recovery program through STI Career Camp to support DepEd's National Learning Camp (NLC), hosting venues for In-Service Training for Public Teachers (INSET), supporting Brigada Eskwela drives, and participating in engagement initiatives like DepEd's Youth Convergence and Labor Day Wellness Fair, among others.

School Recognition

STI College Lipa was recognized as one of the distinguished partners of the Schools Division Office (SDO) of Lipa City during the 6th GAWAD KABALIKAT cum Stakeholders Convergence, organized by the Department of Education (DepEd) Lipa. The event took place at the Lipa City Sports Academy on November 24, 2023. The recognition symbolizes the collaborative support and shared dedication between SDO Lipa City and its school partners.

Faculty Achievements

International Conferences

STI College General Santos' Ronald Ferman was one of the featured chefs in the First UN Tourism Regional Forum on Gastronomy Tourism for Asia and the Pacific. The event was held in Cebu on June 26-28, 2024 and attended by UN Tourism Member States, UN Tourism Affiliate Members, and international and regional organizations. Ferman represented the Department of Tourism – Soccsksargen. The participants exchanged knowledge and best practices in gastronomy tourism.

Ann Gilyn Premarion, also from STI College General Santos, participated in the 4th NOTED International Conference 2023 held on September 8-9, 2023 at the Institute of Biology Auditorium, National Science Complex, University of the Philippines Diliman, Quezon. She presented her research titled "Evaluation of Research and Creative Work (RCW) Program Implementation and Teachers' Research Capability of State Universities in Region XII" and was recognized as the Best Oral Research Presenter.

Academic Research

Mark Edward F. Fabrero, General Education Program Head of STI College Ortigas-Cainta presented his study "English Language Skills Assessment for Grade 12 Learners" at a thesis colloquium on July 12, 2023 as part of his requirements for the degree, Master of Arts in Teaching major in English, at the University of Rizal System-Morong. The study was conducted among Grade 12 learners enrolled at STI College Ortigas-Cainta in SY 2022-2023. It was intended to assess the English language skills of students under four macro skills of language: listening, reading, writing, and speaking.

STI College Tagum's Allimar Nuevo presented his papers during the 2nd Regional Student Research Congress and 2nd Regional Research Conference on Recent Issues and Trends in Business, Accounting, Management, and Economics held via Zoom on July 21, 2023. His papers are titled "Motivation and Post-pandemic Travel Intention on Spiritual Destinations in Tagum City" and "Working Environment and Employees Performance among fast-food chains in Tagum City."

Jona Claudio and Ann Gilyn Premarion from STI College General Santos jointly presented their research entitled, "Faculty Performance in Flexible Learning Delivery of Tourism and Hospitality Courses: Basis for Faculty Development Plan" at the 6th Philippine Research Conference on Tourism and Hospitality. The event took place at the Asian Institute of Tourism in University of the Philippines Diliman on October 23-24, 2023.

Additionally, Claudio published a paper titled, "The Relationship Between Sleep and Mood" on the Akademika: Educational Learning Anthology Volume 11, Publication Date: November 11, 2023.

STI College Dumaguete's part-time faculty member, Jeckson B. Repollo, LPT, MAEd-Fil, authored several papers that passed peer review and were published on the Ignatian International Journal for Multidisciplinary Research: (1) "Lawak ng Paggamit ng mga Guro ng MELC sa Paglinang ng Tatlong Domeyn ng Pagkatuto" that was published in Volume 2 Number 4 April, 2024 issue; (2) "Perceived Impact of Diploma Programs on Students' Skill Development" that was published in Volume 2 Number 5 May, 2024 issue; and (3) "Factors Affecting Teaching-Learning Effectiveness of Teachers and Students of Metro Dumaguete College" that was published in Volume 2 Number 5 May, 2024 issue.

STI College Global City's Carlo Cortez published an article on the International Journal of Educational Research. His article titled "Cooperative-flipped Classroom under Online Modality: Enhancing Students' Mathematics Achievement and Critical Thinking Attitude" discussed the implementation of flipped classroom in an online modality, structured by cooperative learning strategies. This intervention was conducted during the pandemic where students were on pure online modality.

Cortez also co-authored another article titled "Switching to Virtual Classes: Exploring Teacher Readiness under the New Normal." The articles were published on the journal Technology, Pedagogy, and Education.

STI College Cotabato's Harold Fernandez presented his manuscript titled "Green Marketing Orientations Toward Sustainability of Manufacturing Firms in Region XII: A Sequential Explanatory Design" during the 1st Multidisciplinary Paper Presentation at Notre Dame University on April 27, 2024, and was awarded as the Most Outstanding Presenter.

Certifications

STI College General Santos' faculty members passed the rigid requirements of TESDA Region 12 for National Assessment Certifications to qualify as Lead Assessors: Glenna Arias passed the Tour Packaging (Domestic Ad Hoc) Services NC II and Regional Lead Assessor for Region 12, Travel Services NC II passer and Regional Lead Assessor for Region 12, and Tour Guiding Services NC III; Prietzel Tagupa passed the Teacher Methodology TM1 Passer and qualified as a trainer and Front Office Services NC II; Mary Jim Reynoso, Yllan John Armentia, and Kathleen Catilo passed the Front Office Services NC II; Jona Claudio passed the Housekeeping NC III and NC IV; Celeste Mae Andang passed the Front Office Services NC II and Cookery NC II; and Mary Lou Emen passed the Visual Graphics Design NC III.

Jeano Frederick Ermitaño, from STI College Las Piñas, passed the certification exam of the Certified in Cybersecurity (CC) Program of International Information System Security Certification Consortium (ISC2). ISC2 is a nonprofit organization that provides security training and certificates, and aims to create a vendor-neutral, standardized certification program to validate the competency of security professionals. After passing the exam, Ermitaño earned his CC credentials and is now an active member of ISC2.

STI College Tagum's Allimar Nuevo passed the TESDA National Assessment and is now an Accredited Competency Assessor for Cookery NC II, Front Office Services NC II, and Food and Beverage Services NC II; a certified National TVET Trainer Level 1 in Cookery NC II and Food and Beverage Services NC II; and now, a Lead Trainer in the 345-hour Cookery NC II and Cookery NC III Training, and for the Special Training for Employment Program in Cookery NC II.

Student Achievements

Global Competition

Three students from STI College Tagaytay bagged the 2nd runner-up place in the Huawei Developer Competition 2023 Asia-Pacific region in Shenzhen, China on November 22, 2023.

Team IC composed of BS Information Technology (BSIT) students Dan Torrecampo, Carlo Ledesma, and Jet Maquiling secured a podium finish, marking a historic achievement as the first Filipinos to reach the final stage in the global competition.

Presenting their innovation Intercommunication, a website application they developed to aid users in communicating effectively, the trio went against all odds as the country's sole representative in the event organized by one of the world's leading technology companies.

Local Competitions

A group of talented senior high school students from the Accountancy, Business, and Management (ABM) strand at STI College Batangas, namely Mary Angeline Balmes, Nerie Balmes, Nadine Caringal, Irish Rein Del Mundo, and Irish Shayne Sumalabe, achieved remarkable success by securing the 3rd runner-up spot in the RCBC DiskarTechPreneur contest held on July 4, 2023.

The competition, spearheaded by Rizal Commercial Banking Corporation's (RCBC), popular mobile financial application DiskarTech and in coordination with the Department of Education (DepEd), aimed to showcase the students' entrepreneurial skills and talents.

Among all the participants from NCR and CALABARZON, STI College Batangas was chosen as one of the top 20 finalists, demonstrating the students' exceptional business skills and innovative thinking.

Under the guidance of their coach, Ms. Ivy Berana, these bright young minds successfully conceptualized, produced, and sold a unique product called Fried-sushi Plant, which garnered significant attention. The fried-sushi plant is a creative twist on the traditional sushi roll, with an eggplant-based wrapper.

Meanwhile, Business Administration students Nicole Cajayon, Mai-Mai Cilomen, Hannah Frances Gerona, and Paula Angela Finulia, together with their coach, Mr. Jay-pee Padilla have earned their place among the top 5 finalists in the Food category of the annual Best Business Idea Development Awards (BIDA). The competition was spearheaded by the Philippine Chamber of Commerce and Industry (PCCI) Education Committee and was held at PCCI office Mckinley, Taguig City on September 21, 2023.

In a culinary spectacle held on November 17-18, 2023 at De La Salle Lipa Sentrum, STI College Tanauan made an impressive debut at the 14th National Food Showdown, etching a memorable presence into the vibrant canvas of culinary excellence. The event, working alongside the 11th Batangas Food and Beverage Expo, drew attendees from the CALABARZON and nearby regions, highlighting the resonant theme of "Lasap Tagalog."

Team STI clinched two prestigious diploma awards in Klasika Moderna Kulinarya and Plated Kakanin – Regional Bibingkang Galapong categories; and three bronze titles in Mocktail Mixing, Best Traditional/Modern Recipe – Paksiw Batangas, and Best Regional Ingredient – Vinegar categories.

STI College Cubao student Jenievive Adame also showed a remarkable display of talent and perseverance as she emerged victorious at the first Puregold CinePanalo Film Festival on March 17, 2024. The talented 4th yr. Bachelor of Multimedia Arts (BMMA) student clinched numerous awards for her short film "Smokey Journey" amidst stiff competition from 24 other entries.

Adame's film secured 1st place in the MTRCB Responsableng Paglikha Award, Puregold's Choice 'Always Panalo' Award, Best Cast Ensemble, and Best Musical Scoring (by Bernie Del Carmen). Additionally, she received a prestigious Mowelfund Film Institute's Scholarship Award.

Two students from STI College Pasay-EDSA, on the other hand, proudly participated and claimed 3rd place in the JML Flavor Festival, a prestigious competition held at the SM Megamall Event Center on May 6, 2024. The event celebrated the vibrant theme of Filipino culinary heritage and offered a stage for students to demonstrate their culinary prowess using JML Philippines cookware.

After a luminating performance, STI College Ormoc's Pundok sa Nagkahiusang Ormocanon brought home the Grand Champion Ritual Showdown award from the Piña Festival Grand Showdown for the 5th consecutive year. The school was also recognized as Best in Street Dancing, Best Choreographer, and Best in Graphics Design.

Four students from STI College Muñoz-EDSA won the bronze award at the StartUp QC Student Competition held at the Matrix Creation Events Venue in Quezon City on May 16, 2024. The StartUp QC Student Competition fosters innovative business ideas among the youth by supporting startup ventures with incubation, financial grants, and mentorship sessions. It further aims to help students understand business intricacies through seminars and hands-on experiences.

Representing STI College Muñoz-EDSA were 4th year BS in Computer Engineering (BSCpE) students — Marianne Jane Acebo, Arman James Andres, Elaine Carillo, and Rojammarh Casas. These students were guided by their coaches, Academic for External Affairs Engr. Devie Patricio and Business Management professor Mrs. Ellen Cabrera.

In an exemplary display of programming skills, Nathaniel Rase, a freshman from STI College Sta. Mesa, bagged 5th place in the National IT Skills Competition held in April 2024.

The Bachelor of Science in Computer Science (BSCS) student showcased his talents in the Programming C++ category, organized by the Integrated Society of Information Technology Enthusiasts (iSITE).
The Junior Chamber International (JCI) Philippines, dedicated to developing young leaders who drive positive community change, hosted the 2024 Youth Leadership Excellence Award (YLEA) on June 30, 2024. The event recognized students for their exceptional leadership and contributions to both their schools and communities.

Among the 28 distinguished awardees were eight students from STI College Ortigas-Cainta and a student from STI College Muñoz-EDSA, who stood out for their outstanding contributions and unwavering commitment to positive change.

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 semester 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. The training courses offered each year vary based on the results of needs assessments conducted among the faculty members across the entire STI ESG network.

Faculty Training

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 industry relevant 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.

The Academics Group kicked off SY 2023-2024 with its Ready-To-Teach (R2T) Orientation held on August 22, 2023. This two-day event aimed to prepare faculty members and support staff for the challenges of the school term ahead. There were 1,645 academic personnel across the STI network who participated in the orientation.

In August 2024, a series of trainings were conducted to various faculty members. With speakers from Netsynch Computer Solutions, 23 Hospitality Management faculty members participated in a training program that enabled them to gain necessary knowledge and skills on using the eZee Optimus Point-of-Sale (POS) and eZee Absolute Property Management System (PMS). These systems are integrated in the courses Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality. On the other hand, 13 IT faculty members participated in a training with speakers from FastTrack IT Academy where they learned about SAP that was integrated in the IT courses. Amadeus likewise held a faculty training program that enabled 12 Tourism faculty members to gain the necessary knowledge and skills on the use of the Amadeus Basic Reservation software, which is integrated in the course Applied Business Tools and Technologies in Tourism. Lastly, 14 Computer Engineering faculty members were oriented and trained on how to effectively facilitate the course Robot Assembly and Programming with the use of the required robot kit, e-Gizmo's PBOT Jr. Standard.

A training program was also held for the Program Heads to orient/reorient them of their critical roles and function in key areas of academic operations (such as academic program management, faculty supervision and development, and student development and support) and how their performance affects the overall outcomes of the school management. The training was held in batches from November to December 2023 where a total of 211 Program Heads attended.

Conducted online from January to February 2024 and through STI ESG's partnership with SAP under the SAP University Alliances Program and Victoria University, 56 IT and 57 Business & Management faculty members participated in a training program that enabled them to understand the integration of SAP in the Business, Accounting, and IT courses.

On January 29-31, 2024, 13 Multimedia Arts faculty members went through a training program that enabled them to effectively deliver the courses Drawing 1 and 2.

Also conducted online from April to June 2024, a training program was held for 259 faculty members aimed to enhance their proficiency in teaching research and enable them to be more confident in teaching and guiding the students with their research projects

STI ESG likewise took significant steps toward creating a more supportive and responsive environment for mental health.

Through STI ESG's collaboration with PhilCare and Empath, a training program for guidance personnel was conducted onsite on July 12-13, 2023. The training aimed to equip the 54 participants with the necessary competencies in providing social emotional support to students in the areas of gender sensitivity and suicide awareness and prevention. The trainees were also oriented on how to use the

Mindscapes platform to assist identified students with mental health concerns have access to licensed mental health professionals.

Meanwhile, in partnership with the UNILAB Foundation through its mental health and wellbeing pillar Heads Up PH, STI ESG successfully conducted the RACE Against Suicide Training of Trainers on December 19-20, 2023, at the STI Academic Center Ortigas-Cainta.

The RACE Against Suicide Training initiative is designed to equip educators with the necessary skills and knowledge to identify and address warning signs of suicide among students. This evidence-based mental health intervention program is tailored specifically for teachers and other school personnel who play a crucial role in the holistic development of students.

The training is set in two phases: First, at the concluded *Training of Trainers* headed by Dr. Sophia Mendoza, RGC, RPm wherein she shared her expertise with the registered guidance counselors and licensed psychometricians of various STI College campuses. Secondly, the most noteworthy aspect of this program is its ripple effect in equipping teaching staff and non-teaching with mental health first aid skills to identify and support the students.

This project aims to empower school staff and those in the academe with tools that will contribute to the holistic well-being of the student body, placing a strong emphasis on mental health. As of June 26, 2024, the institution has successfully rolled out the RACE Against Suicide Gatekeepers' Toolkit training to 12 campuses, training a total of 627 faculty and staff members.

The partnership between STI ESG and Unilab Foundation reflects a united approach to tackling mental health challenges in schools. With training continuing through SY 2024-2025, STI aims to complete the training roll-out to 51 STI local schools.

Academic Head Training

The institution likewise provides training to its Academic Heads. In 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 members will be issued certificates after passing the certification exams per course.

In SY 2021-2022, 3,382 faculty members were certified, and 9,310 certificates were released. For SY 2022-2023, 3,896 FCCs were granted and 11,637 certificates were released. Meanwhile, SY 2023-2024 registered 4,582 certified faculty members and released 12,842 certificates.

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.

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 2021-2022, STI ESG conducted a virtual nationwide SHS 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 resumed as an in-campus activity in SY 2022-2023 and SY 2023-2024. 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 and SY 2023-2024, 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 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 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. In the following year, SY 2023-2024, there were 6,662 students who participated in the program.

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. In SY 2023-2024, the online guidance service transitioned to face-to-face sessions since the students preferred in-person consultations in the guidance office. During this school year, the guidance offices across 63 STI campuses logged a total of 11,475 sessions with its stakeholders.

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. Since 2016, the talent search has been streamed live on the STI Official Facebook Fan Page, making it more accessible to STI students nationwide. For SY 2023-2024, the national level was held at the Enchanted Kingdom in Sta. Rosa, Laguna on January 25, 2024. From 3,433 students who competed in the local school level, 116 students remained and competed for the coveted 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 2023-2024, there were 6,188 students who participated in nine competitions in the local school level and 120 students competed for the national championship titles.

Tagisan ng Sining (TNS)

The TNS is an annual competition that aims to challenge the students' artistry, creativity, and originality in the field of photography and music video making. In SY 2023-2024, a total of 1,396 students eagerly joined the local school level competition wherein 236 students vied in the national screening level.

National Youth Convention

The 25th National Youth Convention (NYC) made its much-anticipated return in 2024. With the theme "VIBESHIFT: FIND YOUR MEANING," the convention delved into the depths of self-discovery, embracing uniqueness, amplifying passion, and uncovering meaningful impact. The NYC kicked off on February 21, 2024 in San Fernando, Pampanga; followed by key stops in Naga, South Luzon, Bacolod, Cagayan de Oro, Davao, Metro Manila, and Baguio from February to June 2024. There were 33,402 students who participated in the NYC all throughout the eight legs.

School Seminar

Offering a unique learning opportunity for thousands of STI college and high school students, the King of Talk, Boy Abunda, held the second leg of the 'GMA Masterclass: The Conversation Series' at STI College General Santos on April 5, 2024.

The GMA Masterclass: The Conversation Series offers the youth limitless opportunities to learn about honesty and self-discovery. In addition to studying successful communication techniques, students under Boy Abunda's guidance dug deeper into their own narratives, areas of interest, and distinctive voices. This emphasizes the value of effective communication in developing students to become competent communicators, which is exactly in line with STI's graduate attributes.

Hosted by '24 Oras Game Changer and Sportscaster, Martin Javier, Abunda shared his humble beginnings, captivating the hearts of the audience with his journey from a very simple life to becoming a respected television host and public speaker, and offered tips on becoming an effective communicator.

Post-Graduation Report

The STI Alumni and Placement Services (STI APS) department, through the respective STI School's Alumni and Placement Office, surveys the graduates to track employment rate. Based on the most recent reports, around 73% of our surveyed graduates are employed within six months after they graduate.

Interactive Career Assistance and Recruitment System (I-CARES)

As part of the job placement assistance of STI, the STI APS 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 use I-CARES. During SY 2022-2023 and SY 2023-2024, 163 and 260 partner companies registered to use the I-CARES website, respectively.

STI APS launched 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 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 APS 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 APS 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 APS hosted eight virtual career fairs with 2,763 student participants from different programs nationwide.

In the following school year, SY 2023-2024, there were 6,134 students and 539 partner companies who participated in the National Career Fest and five virtual career fairs were held from May to June 2024 with 1,097 student participants 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, 96 alumni have been awarded and recognized for their outstanding accomplishments.

In 2024, STIDAA recognized and honored 11 notable alumni in a gala event held at The Forums, Solaire Resort in Paranaque City on May 31, 2024. The 2024 STIDAA National Awardees were Hannah Jill Bato, Bill Ringer Salalima, Esther Correo, Lystra Aurel Angeles, Angelo Rivera, Mark Ramos, Jacquelyn Adormeo, Jessica Grace Parks, Cris John Benavente, Abner Aler, and Shina Aquino.

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

STI ESG partnered with the Department of Education (DepEd) in support of the National Learning Recovery Program through the latter's National Learning Camp (NLC). The program focuses on providing targeted instruction to learners based on their academic needs.

STI College offers its existing program called the STI Career Camp, a free workshop for Grade 10 and Grade 12 students, to explore their options for Senior High School or College while getting hands-on experience in their chosen career path. The students may choose from four different camps and modules with topics on entrepreneurship, mobile photography, game development, and baking.

Department of Labor and Employment

STI ESG inked a Memorandum of Agreement with the Department of Labor and Employment (DOLE) on July 11, 2023 to strengthen its partnership in providing employment opportunities for STI students after graduation. The partnership includes seminars and workshops for students to be organized by both STI ESG and DOLE to prepare them for employment.

The BLOKC

STI ESG inked a partnership with The BLOKC (Blockchain Lead Organization & Knowledge Center) on August 8, 2023 to provide students with a unique opportunity to acquire competitive tech skills that are in high demand across the job market.

The partnership between STI College and The BLOKC aims to provide access to a wide range of resources offered by The BLOKC including workshops, seminars, webinars, and hands-on training sessions conducted by industry experts. This collaboration signifies a significant step towards bridging the gap between traditional education and the evolving needs of the tech industry by providing students with opportunities to learn from real-world practitioners and engage with the latest advancements.

Citibank

In pursuing a brighter future, Citibank, a global financial titan, has opened its doors to impart invaluable wisdom about future careers in the ever-evolving field of Information Technology. The career talk was held at STI Academic Center Ortigas-Cainta on September 22, 2023.

They discussed the different career opportunities in Citibank Philippines such as the Graduate Analyst program wherein they hire analysts and rotate them to other groups for one year to help them determine what group they want to join.

In October 2023, STI students gained access to IBM Z concepts, a fundamental technology at the core of Citibank's operations. This collaboration promises STI students unique hands-on experience and a launchpad for their future careers in IT. The partnership between Citibank and STI bridges the gap between education and professional life, equipping students with the knowledge, determination, and loyalty to shape the future of IT careers.

Globe Telecom

In its continuous efforts to provide students with innovative opportunities, STI ESG signed a partnership with major telecommunications provider Globe Telecom, Inc on January 11, 2024. The collaboration, which aims to bridge the gap between the academe and the corporate world, will primarily open an array of internship opportunities for STI students to enjoy at the largest mobile network in the country.

Center for Integrated STEM Education

STI ESG forged a partnership with the Center for Integrated STEM Education (CISTEM), one of the programs by the Unilab Foundation, that is renowned for its commitment to promoting quality STEM education. At the core of this partnership is a shared vision to elevate STEM (Science, Technology, Engineering, and Mathematics) education in the Philippines.

A Memorandum of Understanding (MOU) signing ceremony on April 4, 2024, affirmed the two parties' commitment to conduct faculty training and learner engagement programs to advance STEM education.

Both institutions aim to equip teachers with the tools, skills, and knowledge necessary to deliver exceptional STEM education and inspire students to pursue careers in these fields.
The STEM TRIP (Theory to Real-world Industry Practices) initiative will immerse STI teachers in real-world industry settings, bridging the gap between classroom theory and practical application. Meanwhile, the Teach SMART program, short for Supporting Mastery and Resource-Building Techniques of Teachers, will equip educators with pedagogies and tools tailored to their learners' needs.

Additionally, CISTEM will launch a new website for the STEMKonek Mentoring Platform. This way the students will have a much easier way to access mentors in science, engineering, and technology disciplines. This initiative aims to inspire students and provide them with valuable insights into potential career paths.

Huawei

STI ESG 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 (CCL) 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 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.
In SY 2023-2024, a group of 65 BS Information Technology students participated in the Accenture Technology Academy program where they received intensive training in SAP ABAP and Salesforce programs, conducted by Accenture's employees. Successful completers were then invited for job interviews without the need to take the initial assessment and 45 students were subsequently hired.

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 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 1,087 scholars in SY 2021-2022, 654 scholars in SY 2022-2023, and 370 scholars in SY 2023-2024.

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.

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 traveled to 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's strong support to DepEd's various programs were further recognized as it received a Plaque of Appreciation during the Education Partners Appreciation Program on December 13, 2022.

STI Foundation likewise 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 Tarlac joined the national kick-off program held on August 7, 2023 at Tarlac National High School, San Roque in Tarlac City. The event was attended by then DepEd Secretary VP Sara Duterte, top officials from DepEd-Tarlac Division, partners, and private institutions, among others. Together with STI Foundation, STI ESG mobilized its 63 campuses nationwide and has gone above and beyond in their efforts to support Brigada Eskwela. Through their collective 0efforts, they have managed to amass an astonishing total of almost PhP1 million, a significant portion of which was contributed in cash and various in-kind donations. Apart from financial and in-kind contributions, STI ESG campuses have also leveraged their expertise and knowledge by organizing workshops and training sessions for teachers and public-school personnel.

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 select public elementary and high schools nationwide. Additionally, in SY 2022-2023, STI Foundation sponsored the electricity and computer laboratory maintenance of eight public schools.

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 para 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
BA in Psychology[1]
BS in Marine Engineering[2]
BS in Marine Transportation[2]
BS in Naval Architecture and Marine Engineering[2]
BS in Criminology[1]
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

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
- Computer Systems 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:
- Electronic Products Assembly and Servicing

Junior High School

Grades 7 to 10[1]

[1] *Available only in select STI schools*
[2] *These maritime programs are offered only to students of NAMEI Polytechnic College, Inc.*

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 recertification audit on December 5, 2023 for inclusivity in the workplace and various awards and recognition received such as World Education Summit Excellence in Industry Academia, Huawei Best Academy, Silver Anvil Awards for the Student's Career Opportunity and Personality Evaluator (SCOPE) and the STI Official Facebook Page and the STI SCOPE as a finalist in the PANAta Awards 2022.

Employees

STI ESG had 2,248 employees — 1,528 of whom were faculty members, 533 were non-teaching personnel, and 187 employees were from the main office as of June 30, 2024. 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	8
Manager	59
Staff	120
Subtotal	187
STI Schools	
Teaching Personnel (wholly-owned schools)	1,528
Non-teaching Personnel (wholly-owned schools)	533
Subtotal	2,061
TOTAL	**2,248**

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 2024 was 7,841,118, equivalent to 0.25% of the outstanding common shares of the Company.

As of 31 October 2024, 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 2024.

	Name	No of Shares Owned	% Ownership
1	STI HOLDINGS	3,040,623,037	98.66
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

	Name	No of Shares Owned	% Ownership
20	PAULINO, M. LUZ LOURDES M.	55,061	0.00

(3) Dividend History and Policy on Declaration of Dividends

Dividend History

Declaration Date	Dividends per Share	Amount
December 16, 2023	Php0.20	Php616.4 million
December 16, 2022	Php0.07	Php215.7 million
November 26, 2021	Php0.05	Php154.1 million

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.

The Board of Directors of the Parent Company approved the declaration and payment of cash dividends that exceeded the range indicated in the dividend policy after considering the earnings, financial condition, cash flows and capital requirements of the Group.

The subsidiaries of the Company do not have specific dividend payout policies.

The dividend history of STI College Novaliches, Inc., a subsidiary of the Company, is summarized below:

Declaration Date	Dividends per Share	Amount
March 19, 2024	Php12.00	Php60 million
November 17, 2023	Php3.00	Php15 million

On November 17, 2023, the Board of Directors of STI College Novaliches, Inc. approved cash dividends amounting to ₱3.00 per share or an aggregate amount of ₱15 million in favor of all stockholders of record as at November 30, 2023. The dividends were paid on February 15, 2024.

On March 19, 2024, the Board of Directors of STI College Novaliches, Inc. approved cash dividends amounting to ₱12.00 per share or an aggregate amount of ₱60 million in favor of all stockholders of record as at March 31, 2024. The dividends were paid on April 8, 2024.

(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") as at June 30, 2024, 2023 and 2022 and operating results for the years ended June 30, 2024, 2023, and 2022 as well as for the three-months periods ended September 30, 2024 and 2023 and financial condition as at September 30, 2024 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, 2024 and 2023, and for all the other periods presented.

Financial Condition

The Group posted consolidated total assets of ₱12,952.8 million as at September 30, 2024, up from ₱ 11,221.0 million as at June 30, 2024. This increase was primarily driven by growth in cash and cash equivalents, receivables, and property and equipment.

(Amounts in Peso millions)	**Sept 30, 2024**	**June 30, 2024**	**Increase (Decrease) Amount**	**%**
Total Current Assets	3,240.0	1,793.3	1,446.7	81%
Total Noncurrent Asset	9,712.8	9,427.7	285.1	3%
Total Assets	12,952.8	11,221.0	1,731.8	15%
Total Current Liabilities	3,170.9	1,428.5	1,742.4	122%
Total Noncurrent Liabilities	2,516.0	2,795.8	(279.8)	-10%
Total Liabilities	5,686.9	4,224.3	1,462.6	35%
Total Equity	7,265.9	6,996.7	269.2	4%
Total liabilities and equity	12,952.8	11,221.0	1,731.8	15%

Cash and cash equivalents increased by ₱148.9 million or 13% from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, attributed largely to the tuition and other school fees for SY 2024-2025 collected during the quarter. This reflects the Group's profitable operations and improved collection efficiency.

Total receivables is up by ₱1,293.2 million from ₱347.2 million as at June 30, 2024 to ₱1,640.4 million as at September 30, 2024. This receivables balance consists primarily of amounts expected to be collected from students as payment for tuition and other school fees, as well as from DepEd for the SHS vouchers that are expected to be received during the remaining months of the school year.

Prepaid expenses increased by ₱9.9 million or 10%, from ₱98.8 million to ₱108.7 million as at September 30, 2024. This increase was primarily driven by higher prepaid insurance and other prepaid expenses, which were partially offset by decreases in prepaid subscriptions and licenses, and advances to suppliers.

The carrying value of the equity instruments designated at FVPL amounted to ₱9.1 million as at September 30, 2024 compared to ₱8.1 million as at June 30, 2024. 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.

Property and equipment increased by ₱298.8 million, net of accumulated depreciation, from ₱7,548.6 million as at June 30, 2024 to ₱7,847.4 million as at September 30, 2024, substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

Deferred tax assets (DTA) increased by ₱30.5 million from ₱34.0 million as at June 30, 2024 to ₱64.5 million as at September 30, 2024, largely representing taxes due on tuition and other school fees collected in advance. In accordance with statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Total current liabilities increased by ₱1,742.4 million, from ₱1,428.5 million to ₱3,170.9 million as at June 30, 2024 and September 30, 2024, respectively, mainly due to the increase in unearned tuition and other school fees by ₱1,722.3 million from ₱93.0 million to ₱1,815.3 million as at September 30, 2024. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱279.7 million to ₱2,516.0 million as at September 30, 2024 from ₱2,795.7 million as at June 30, 2024 attributed to the reclassification of a portion of noncurrent interest-bearing loans and borrowings, reflecting the principal amount due within the next twelve months to current interest-bearing loans and borrowings.

Total equity increased from ₱6,996.7 million as at June 30, 2024 to ₱7,265.9 million as at September 30, 2024 reflecting the Group's net income for the three-month period ended September 30, 2024. This includes the deposits for future stock subscription for STI Novaliches and STI Training Academy which were reclassified from liability to equity section upon meeting the required conditions for classification under the equity section.

June 30, 2024 vs. June 30, 2023

The key balances for the balance sheet line items and financial ratios are set out in table format below:

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**Amount**		**Increase (Decrease)**	
	June 30, 2024	**June 30, 2023**	**Amount**	**%**
Consolidated financial position				
Cash and cash equivalents	1,191.7	1,571.7	(380.0)	(24%)
Current assets	1,793.3	2,162.8	(369.5)	(17%)
Total assets	11,221.0	11,282.3	(61.3)	(1%)
Current liabilities	1,428.5	3,016.7	(1,588.2)	(53%)
Total liabilities	4,224.3	4,987.1	(762.8)	(15%)
Equity attributable to equity holders of the parent	6,999.7	6,298.3	701.4	11%
Total equity	6,996.7	6,295.2	701.5	11%
Financial ratios				
Current ratio	1.26	0.72	0.54	75%
Asset-to-equity ratio	1.60	1.79	0.19	(11%)
Debt-to-equity ratio (D/E)*	0.59	0.79	(0.20)	(25%)
Debt service cover ratio (DSCR)**	2.39	0.47	1.92	409%
Interest Cover Ratio (ICR)**	9.37	5.82	3.55	61%

**The Group monitors its D/E ratio in accordance with the financial covenants prescribed in the loan and trust agreements (see Notes 18 and 19 of the Audited Consolidated Financial Statements). As at June 30, 2024 and 2023, STI ESG is compliant with the D/E ratio requirement of all its loan and trust agreements.*

***DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation, and amortization (EBITDA) for the last twelve months divided by the total interest-bearing debts and interest due in the next twelve months. In August 2022, China Banking Corporation (Chinabank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ended December 31, 2023. The Term Loan Agreement with Chinabank prescribes that* *the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. With the waiver, STI ESG is compliant with the required covenant under the Chinabank Term Loan agreement as at June 30, 2023.*

DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the past twelve months. DSCR under both the Term Loan and Bond Trust Agreements is pegged at 1.05:1.00. STI ESG's DSCR as at June 30, 2023, as defined in the bond trust agreement, is 2.36:1.00. STI ESG is compliant with the required covenants as at June 30, 2023.

The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 18 of the Audited Consolidated Financial Statements).

In April 2024, Chinabank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see Note 19 of the Audited Consolidated Financial Statements). STI ESG is compliant with the ICR requirement, as at June 30, 2024 at 9.37:1.00.

The Group continues to exhibit a strong financial position, with cash and cash equivalents primarily generated from its operational activities. The Group's financial ratios are sound and well within bank covenants.

The Group's consolidated total assets stood at ₱11,221.0 million as at June 30, 2024, compared to ₱ 11,282.3 million as at June 30, 2023. Current assets amounted to 1,793.3 million from ₱2,162.8 million, a decline by 369.5 million, while non-current assets grew by ₱308.2 million, from ₱9,119.5 million to ₱9,427.7 million. The net decrease in cash and cash equivalents amounting to ₱380.0 million was primarily attributed to STI ESG's investing and financing activities aggregating to ₱2,661.2 million following the net cash generated from its operational activities amounting to ₱2,273.5 million. The net income of the Group, which is more than double that of the previous year, and the more efficient collection of receivables from students, were the key contributors to the increase in net cash generated from operating activities.

Cash and cash equivalents decreased by ₱380.0 million from last year's ₱1,571.7 million to ₱1,191.7 million as at June 30, 2024. The Group generated net cash from operating activities aggregating to ₱ 2,273.5 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's net cash used for the investing activities during the year ended June 30, 2024 aggregated to ₱727.8 million substantially composed of STI ESG's acquisition of 100% of the total issued and outstanding capital stock of Clinquant Holdings, Inc. (CHI), a company that owns a real estate in Tanauan, Batangas in the amount of ₱180.0 million in June 2024, and the amount of ₱60.5 million representing a 15% deposit to acquire 100% ownership of another company, Phosphene Holdings, Inc. (PHI), which owns the property adjacent to the CHI's property described earlier, and ₱45.1 million downpayment made on June 10, 2024 for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City. These properties are intended to be sites of STI schools. Cash outflow for investing activities likewise include disbursements related to solar panel installation, classroom expansion projects, and recent construction, renovation and rehabilitation projects in the schools.

The Group likewise registered ₱1,933.4 million net cash outflow in financing activities for the year ended June 30, 2024. STI ESG received in March 2024 the loan proceeds from its drawdowns from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI) credit facilities. These loan proceeds were utilized to partially finance the full redemption of STI ESG's series 7-year bonds aggregating to ₱2,180.0 million. In addition, STI ESG reported principal payments of interest-bearing loans and borrowings substantially with Chinabank aggregating to ₱333.0 million, and interests on loans and bond issue aggregating to ₱212.2 million. STI ESG likewise distributed cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱613.5 million to stockholders of record as of January 10, 2024, paid on January 12, 2024.

Receivables increased to ₱347.2 million as at June 30, 2024, representing an increase of ₱5.2 million when compared to the ₱342.0 million balance as at June 30, 2023. 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 ₱139.9 million from ₱275.0 million to ₱414.9 million. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱16.6 million as at June 30, 2024, posting an increase of ₱6.6 million 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 ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

The DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) 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. Receivables related to DBP RISE amounted to ₱2.2 million and ₱1.6 million as at June 30, 2024 and 2023, respectively.

Rent, utilities and other related receivables decreased from ₱56.5 million as at June 30, 2023 to ₱48.8 million as at June 30, 2024 reflecting improved collection efficiency during the year ended June 30, 2024.

STI ESG's allowance for ECL recognized in compliance with the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, declined from ₱290.3 million as at June 30, 2023 to ₱155.6 million as at June 30, 2024 reflecting write-off of receivables during the year ended June 30, 2024 totaling ₱156.3 million. Provision for ECL, net of reversals, for the year ended June 30, 2024 amounted to ₱24.6 million. The receivables which were written-off were associated with tuition and other school fees from students for SYs 2019-2020 to 2021-2022. The Boards of Directors (BODs) of STI Caloocan, STI Batangas, and STI Tanauan approved the write-off of receivables from students aggregating to ₱17.4 million for the year ended June 30, 2023. On the other hand, STI ESG adopted an interim policy to defer the write-off of receivables for the fiscal years ended June 30, 2023, and 2022.

Inventories rose by ₱22.2 million or 18% from ₱125.2 million to ₱147.4 million as at June 30, 2024. The increase is attributed to the receipt of student uniforms during the last quarter of the fiscal year ended June 30, 2024, in preparation for the SY 2024-2025.

Prepaid expenses and other current assets decreased by ₱16.1 million, or 14%, from ₱114.9 million to ₱98.8 million as at June 30, 2024, substantially attributed to utilization of excess prior year's credits and creditable withholding taxes, partially offset by the increase in input VAT. The increase in the Input VAT arose mainly from the acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City, from which STI ESG recognized input VAT amounting to ₱24.7 million. This account also includes input VAT recognized on the purchase of goods and services. STI ESG applied its prior years' excess tax credits and creditable withholding taxes against its income tax due for the year ended June 30, 2024. The current portion of STI ESG's advances to suppliers as at June 30, 2023, were applied against full payment when the orders for uniforms were completed delivered in 2024.

The carrying value of the equity instruments designated at FVPL amounted to ₱5.25 per share or an aggregate of ₱8.1 million as at June 30, 2024 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. STI ESG recognized dividend income from RCR amounting to ₱0.6 million in 2024 and 2023.

Property and equipment increased by ₱42.9 million, net of depreciation expenses aggregating to ₱485.3 million, from ₱7,505.7 million as at June 30, 2023 to ₱7,548.6 million as at June 30, 2024. The increase primarily reflects ongoing capital expenditures, including the construction of a new building in STI Ortigas-Cainta campus, a new three-storey building in STI Lipa, installation of solar panels, classroom expansions, and various renovation and rehabilitation projects in certain wholly-owned schools. Also, STI ESG and Total Consolidated Asset Management Company, Inc. (TCAMI) executed a Deed of Absolute Sale (DOAS) in June 2024, to acquire 76.0 million common shares, with a par value of ₱1.0, representing 100% of the total issued and outstanding capital stock of CHI for ₱180.0 million. The land was valued of ₱182.9 million, following the allocation of the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. 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, 2024, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties increased by ₱161.7 million, net of depreciation expense, from ₱675.1 million as at June 30, 2023 to ₱836.8 million as at June 30, 2024. This increase reflects the carrying value of the land situated on Diversion Road, Brgy. San Rafael, Mandurriao, Iloilo City which was reclassified from “Property and equipment” to “Investment properties” account as at June 30, 2024.

Deferred tax assets (DTA) decreased by ₱8.0 million from ₱42.0 million as at June 30, 2023 to ₱34.0 million as at June 30, 2024, primarily attributed to changes on the temporary differences related to allowance for expected credit losses (ECL) and application of NOLCO against income tax due recognized during the fiscal year ended June 30, 2024. In accordance with PFRS, these temporary differences are accounted for in the calculation of deferred tax assets and liabilities.

Goodwill, intangible, and other noncurrent assets increased by ₱104.7 million from ₱331.2 million to ₱435.9 million as at June 30, 2024 substantially attributed to deposit made by STI ESG for the purchase of the total issued and outstanding capital stock PHI and advances to contractors and/or suppliers for the ongoing construction projects. Goodwill decreased by ₱14.3 million from ₱266.6 million to ₱252.3 million as at June 30, 2023 and 2024, respectively, due to the impairment of goodwill related to NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM), which had ceased operations effective June 30, 2022.

On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the “Deed”); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to the physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will be the future site of the new STI Academic Center Alabang.

Also, on June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement to acquire 190.0 million common shares with par value of ₱1.0 per share or 100% of the total issued and outstanding capital stock PHI for ₱403.2 million. On the same date, STI ESG paid a 15% deposit or ₱60.5 million. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement. The agreement grants STI ESG the right to cancel the purchase of the Subject Shares at any time within the three-year period. If STI ESG opts to cancel, TCAMI shall refund the deposit within thirty (30) days from receipt of the written notice of cancellation. The transfer of the shares shall take place on the third anniversary of the Share Purchase Agreement’s effectivity date or at an earlier date as mutually agreed upon by STI ESG and TCAMI. PHI owns a 25,202-square-meter parcel of land, adjacent to the CHI property, located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This lot is likewise planned to be the future site of STI Academic Center Tanauan.

“Goodwill, intangible, and other noncurrent assets” account likewise includes advances to contractors and/or suppliers for the ongoing construction of the new school building at STI Ortigas-Cainta, classroom expansion projects of certain schools, and acquisition of various school equipment and furniture. The related costs of these projects will be recognized to “Property and equipment” upon receipt of goods and/or as services are rendered.

Current portion of interest-bearing loans and borrowings increased by ₱353.3 million from ₱183.0 million as at June 30, 2023 to ₱536.3 million as at June 30, 2024. The balance as at June 30, 2024 represents the current portion of the term loans of STI ESG with Chinabank, BPI, and Metrobank.

Accounts payable and other current liabilities increased by ₱154.0 million from ₱560.9 million as at June 30, 2023 to ₱714.9 million as at June 30, 2024. The increase in accounts payable and other current liabilities is attributed largely to outstanding obligations as at June 30, 2024 related to the on-going construction of STI Ortigas-Cainta new building, recently completed construction projects, and various renovation and rehabilitation projects in several wholly owned schools of STI ESG, and student related activities and programs.

Unearned tuition and other school fees increased by ₱49.1 million from ₱43.9 million as at June 30, 2023 to ₱93.0 million as at June 30, 2024. This account represents advance payments for tuition and other school fees for the school year commencing after the financial reporting date, and will be subsequently recognized as revenues in the related school terms within the next fiscal year.

Current portion of lease liabilities amounted to ₱62.8 million as at June 30, 2024 and ₱53.4 million as at June 30, 2023. Noncurrent lease liabilities decreased by ₱30.1 million from ₱282.4 million as at June 30, 2023 to ₱252.2 million as at June 30, 2024. The decrease, net of new lease obligations, represents payments made during the year ended June 30, 2024. 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.

Income tax payable of ₱21.5 million reflects the income tax obligation of STI ESG and several of its subsidiaries pertaining to their respective taxable income during the fiscal year ended June 30, 2024. The notable increase in income tax payable 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 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law for proprietary educational institutions, the income tax rate reverted to its previous rate of 10%. STI ESG's income tax obligations for the fiscal year ended June 30, 2023, were fully offset by its tax credits.

Current portion of interest-bearing loans and borrowings increased by ₱353.2 million from ₱183.0 million as at June 30, 2023 to ₱536.3 million as at June 30, 2024. The balance as at June 30, 2024 represents the current portion of STI ESG’s term loans with Chinabank, BPI and Metrobank. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with Chinabank amounting to ₱60.0 million and ₱120.0 million, respectively, and the LandBank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to ₱3.0 million. On March 19, 2024, STI ESG settled the amortization due on its Term Loan Facility amounting to ₱120.0 million.

On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement up to the amount of ₱1,000.0 million. Of this amount, ₱500.0 million was drawn on March 18, 2024, subject to an interest rate of 8.4211% per annum. On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million, of which ₱1,000.0 million was drawn on March 18, 2024, subject to an interest rate of 7.8503% per annum. STI ESG has elected to fix the principal repayments in ten (10) equal installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date. The proceeds from these loans were used to partially finance the full redemption of STI ESG’s series 7-year bonds amounting to ₱2,180.0 million which matured on March 23, 2024. Non-current portion of interest-bearing loans and borrowings, increased by ₱801.0 million from ₱748.8 million to ₱1,549.8 million, net of deferred finance cost, as at June 30, 2023 and June 30, 2024, respectively. These interest-bearing loans and borrowings is composed of the outstanding loan balances, net of the current portions, related to STI ESG's Term Loan Agreements with BPI, Chinabank, and Metrobank.

On March 23, 2017, STI ESG successfully listed its ₱3.0 billion Series 7-Year Bonds, due in 2024, and Series 10-Year Bonds, due in 2027, on the Philippine Dealing and Exchange Corporation (PDEx) secondary market. 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 ₱815.0 million and ₱2,988.4 million as at June 30, 2024 and 2023, respectively, net of deferred finance charges, representing bond issue costs with carrying values of ₱ 5.0 million and ₱11.6 million, as at June 30, 2024 and 2023, respectively. The Series 7-Year Bonds amounting to ₱2,180.0 million matured in March 2024. On the other hand, the Series 10-Year Bonds maturing in March 2027 with a carrying value of ₱815.0 million as at June 30, 2024 is reported as "Bonds payable, noncurrent portion" under the "Noncurrent Liabilities" category.

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. In April 2024, Chinabank-Trust and STI ESG signed a second supplemental agreement that changed some financial covenants. The previous DSCR requirement of at least 1.05:1.00 has been replaced with an Interest Coverage Ratio (ICR) requirement of at least 3.00:1.00. Henceforth, STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 computed based on its consolidated financial statements. As at June 30, 2024, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.59:1.00 and ICR at 9.37:1.00.

Pension liabilities decreased by ₱12.7 million from ₱79.4 million to ₱66.7 million as at June 30, 2023 and June 30, 2024, respectively. The Board of STI ESG approved the adoption of a Multi-Employer Retirement Plan for STI ESG and its subsidiaries resulting to recognition of pension expense aggregating to ₱34.7 million for the year ended June 30, 2024. STI ESG recognized remeasurement adjustments attributed to the equity shares forming part of STI ESG's pension assets for the same fiscal year amounting to ₱36.7 million. STI ESG likewise contributed ₱6.7 million to the pension fund on June 20, 2024.

Other noncurrent liabilities increased by ₱65.8 million from ₱46.3 million to ₱112.1 million as at June 30, 2023 and June 30, 2024 attributed to deposits for future stock subscription recognized by STI Novaliches and STI Training Academy. On January 26, 2024, the BOD of STI Training Academy approved a cash call totaling ₱20.0 million to fund the company's capital expenditures and operating expenses. Of this amount, ₱12.0 million was contributed by STI ESG, while an additional ₱8.0 million was provided by another interested party. The latter's contribution was recognized as a "Deposit for future stock subscription" under "Noncurrent Liabilities" as at June 30, 2024. As at October 11, 2024, STI Training Academy is in the process of preparing the necessary documentation for its application to increase its authorized capital stock. On March 19, 2024, the BOD of STI Novaliches approved a resolution to increase STI Novaliches' authorized capital stock from 5 million shares, with a par value of ₱1.0, totaling ₱5.0 million, to 300 million shares or a total of ₱300.0 million. The BOD likewise authorized the subscription of 75 million shares at a subscription price of ₱1.0 per share, equating to ₱75.0 million. On June 4, 2024, STI Novaliches received the full amount of ₱75.0 million from STI Holdings as payment for the subscription to these 75 million shares. Subsequently, on July 15, 2024, STI Novaliches filed an application with the SEC relative to the increase in its authorized capital stock.

As at October 11, 2024, STI Novaliches' application for the increase in authorized capital stock remains in process with the SEC.

Cumulative actuarial gain amounted to ₱36.7 million as at June 30, 2024 from ₱2.6 thousand as at June 30, 2023. The increase reflects the changes in the market value of the equity investments held within the pension plan assets of the Group for the year ended June 30, 2024.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱5.2 million from ₱15.0 million to ₱20.2 million as at June 30, 2024. This increase was driven by the fair value adjustments attributed to 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 ₱34.6 thousand and ₱38.8 thousand, as at June 30, 2023 and 2024, 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 stood at ₱3,524.7 million from ₱2,865.3 million or an increase of ₱659.4 million. The Group registered net income amounting to ₱1,275.8 million for the year ended June 30, 2024. STI ESG declared cash dividends on December 21, 2023 amounting to ₱616.4 million which were settled in January 2024.

June 30, 2023 vs. June 30, 2022

The key balances for the balance sheet line items and financial ratios are set out in table format below:

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

The key balances for the balance sheet line items and financial ratios are set out in table format below:

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 year ended June 30, 2024. The operating results shown in the Group's consolidated statements of comprehensive income demonstrate recovery from the economic impact of the COVID-19 pandemic and robust 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, 2024, June 30, 2023, and June 30, 2022. and the three-month period ended 30 September 2024 versus the three-month period ended 30 September 2023.

Three-month period ended September 30, 2024 vs. three-month period ended September 30, 2023

For the three-month period ended September 30, 2024, the Group generated gross revenues amounting to ₱772.6 million, higher by 61% or ₱292.4 million from ₱480.2 million of the same period of the previous year. The Group recognized earned revenues equivalent to one and a half month for the three-month period ended September 30, 2024 compared to just one month in the prior year as classes for SY 2024-2025 commenced around mid-August, earlier than the end of August start date for SY 2023-2024. The increase likewise was driven by the remarkable increase in the total number of students of the Group for SY 2024-2025. Gross profit likewise increased by 91% or ₱251.2 million year-on-year from ₱275.5 million to ₱526.7 million. Gross profit margin likewise increased from 72% for the three-month period ended September 30, 2023 to 81% for the three-month period ended September 30, 2024.

The Group recorded an operating income for the three-month period ended September 30, 2024 amounting to ₱198.2 million, a turn-around from an operating loss of ₱13.3 million for the same period last year. The Group recognized a net income of ₱164.7 million this quarter, reversing the net loss of ₱21. 7 million for the three-month period ended September 30, 2023.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱329.5 million for the three-months period ended September 30, 2024 compared to ₱115.9 million for the same period last year. EBITDA for the three-month periods ended September 30, 2024 and 2023 is computed as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint venture, gain(loss) on foreign exchange differences, fair value gain(loss) on equity instruments at FVPL, nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease. Gains recognized from the disposal of shares held in an associate, and termination of lease were reported as part of "Other income". 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, 2024 is 43%, compared to 24% for the same period last year due to reasons cited above.

Years ended June 30, 2024, vs June 30, 2023

Enrollment figures of the Group for SY 2023-2024 grew by 27.0% with enrollment of 103,982 for SY 2023-2024 compared to 81,697 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 around 36,000 new students in SY 2022-2023. 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 over 56,000 students. In addition, the retention rate[1] for both years stands at 99%, while the migration rate[2] improved to 94% in SY 2023-2024 from 93% in SY 2022-2023.

The student enrollment across the schools in the STI ESG network at the start of the SY are as follows:

	SY 2023-2024	SY 2022-2023	Increase	
			Enrollees	Percentage
STI Network				
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 classification of students according to the supervising government regulatory agencies is as follows:

- CHED – students under this group are enrolled in tertiary and post-graduate programs;
- Technical Education and Skills Development Authority (TESDA) – students under this group are enrolled in technical-vocational programs; and
- DepEd – students under this group are those enrolled in secondary education - Junior High School (JHS) and SHS.

	SY 2023-2024	%	SY 2022-2023	%
CHED	71,159	68%	56,876	70%
TESDA	1,682	2%	1,447	2%
DEPED[3]	31,141	30%	23,374	28%
TOTAL	**103,982**	100%	**81,697**	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 30,674 SHS students and 467 JHS students for SY 2023-2024, while for SY 2022-2023, count includes 23,077 SHS students and 297 JHS students.

During SY 2022-2023, the Group gradually transitioned from remote learning to full resumption of face-to-face classes, while classes throughout SY 2023-2024 were 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, while classes for the tertiary programs began on September 5, 2022. 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 50% delivered onsite/face-to-face and 50% delivered through asynchronous instruction. 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 and guidance on the conduct of face-to-face classes.

The table below contains the horizontal and vertical analyses of income statement line items. The causes for material changes in these income statement line items are also discussed below.

	2024	2023	Increase (Decrease)	YoY Change (%)
Revenues	3,696.4	2,583.2	1,113.2	43%
Costs and expenses	2,221.2	1,874.8	346.4	18%
Income before other income (expenses) and income	**1,475.2**	**708.4**	**766.9**	**108%**
Other income (expenses)	(72.0)	(101.8)	29.8	-29%
Income before income tax	**1,403.2**	**606.5**	**796.7**	**131%**
Provision for (benefit from) income tax	127.4	(15.4)	142.8	-927%
Net income	**1,275.8**	**621.9**	**653.9**	**105%**
Other comprehensive income (loss)	42.1	(3.2)	45.3	-1415%
Total comprehensive income	**1,317.9**	**618.7**	**699.2**	**113%**

The Group recognized consolidated gross revenues amounting to ₱3,696.4 million for the year ended June 30, 2024. This represents a 43% increase from ₱2,583.2 million revenues recognized for the year ended June 30, 2023.

Tuition and other school fees reached ₱3,302.4 million for the year ended June 30, 2024, marking a substantial increase of ₱1,053.7 million or 47% compared to same period of the previous year. This growth is largely driven by the significant increase in the student population for SY 2023-2024. Enrollment for SY 2023-2024 increased by 27%, reaching close to 104,000 students, up from over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED-regulated programs increased by 33% from approximately 22,000 in SY 2022-2023 to over 29,000 students in SY 2023-2024. Furthermore, total enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared to over 56,000 students in the previous year. CHED-regulated programs generate higher revenues per student. The Group likewise implemented an average of 5% tuition fee increase across all tertiary programs.

Revenues from educational services and royalty fees both increased by 17% driven by the growth in student population and improved collection efficiency of the franchised schools for SY 2023-2024. 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 ₱19.5 million, reflecting a remarkable 18% increase compared to the same period in the previous year of ₱106.9 million to ₱126.3 million for the year ended June 30, 2024. This significant growth was primarily driven by increase in sale of uniforms. The cost of educational materials and supplies sold for the year ended June 30, 2024 increased concomitant with the higher sales volume.

Other revenues increased by ₱11.4 million or 18% compared to same period last year from ₱63.8 million to ₱75.2 million for the year ended June 30, 2024 attributed to the higher number of students enrolled in SY 2023-2024.

The cost of educational services increased by ₱202.6 million compared to same period last year, from ₱771.0 million to ₱973.6 million for the years ended June 30, 2023 and 2024, respectively. This increase is primarily attributed to higher instructors' salaries and benefits, an uptick on school materials and supplies expense, as well as the higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱103.1 million from ₱304.2 million to ₱407.3 million, reflecting the cost of a larger faculty roster concomitant with the increase in student population. Also, merit increases and bonuses were distributed to deserving and qualified faculty members, as recognition of their contributions to the positive enrollment outcome for SY 2023-2024, highlighting the Group's appreciation for everyone's dedication and hard work.

Expenses attributed to student activities and programs climbed by ₱87.6 million from ₱129.0 million for the year ended June 30, 2023 to ₱216.6 million during the year ended June 30, 2024. These expenses substantially include the costs of activities and programs to further the development and test the competencies of the students, which include among others, "Local and National Talent Search", "Tagisan ng Talino at Sining" competitions, educational tours, hotel immersion activities, and the National Youth Convention. The related costs were driven by the increase in the number of graduates/participants, as applicable, concomitant with the increase in the student population. The related revenues for these costs of student activities and programs are reported as part of tuition and other school fees. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, Amadeus, which likewise went up due to the increase in the student population.

Rent expense recognized under the cost of educational services increased by ₱4.4 million from ₱24.2 million to ₱28.6 million for the years ended June 30, 2023 and 2024, respectively, representing rent expense recognized during the fiscal year for the building occupied by STI Alabang, which became a wholly-owned subsidiary of STI ESG on March 31, 2023. Similarly, the rent expenses attributed to the general and administrative section also increased due to the same reason.

School materials and supplies increased by ₱14.1 million from ₱9.8 million to ₱23.9 million for the years ended June 30, 2023 and 2024, respectively, attributed to expenses associated with conducting students' assessments and examinations and acquisition of other school learning materials and supplies.

The cost of developing courseware during the fiscal year ended June 30, 2024 decreased by ₱2.0 million from ₱3.7 million for the year ended June 30, 2023 to ₱1.7 million for the year ended June 30, 2024. In 2023, courseware materials for SHS and JHS were developed. STI ESG continuously reviews and updates its courseware materials. The Group closely monitors industry trends and regulatory requirements to align all program curricula and materials with current standards and emerging needs.

Gross profit improved from ₱1,729.1 million to ₱2,626.8 million for the years ended June 30, 2023 and 2024, respectively, primarily due to higher enrollment. Similarly, gross profit margins improved from 67% to 71% year-on-year.

General and administrative expenses increased by 13% or ₱130.9 million, from ₱1,020.7 million to ₱1,151.6 million for the years ended June 30, 2023 and 2024, respectively.

Salaries and benefits are higher by ₱61.9 million, from ₱265.6 million to ₱327.5 million for the years ended June 30, 2023 and 2024, respectively . This increase primarily reflects merit increases and bonuses given to deserving and qualified nonteaching and administrative personnel, underscoring the Group's recognition of their dedication and hard work resulting in the positive enrollment outcome for SY 2023-2024. Also, certain plantilla positions were filled up during the year ended June 30, 2024. This account also includes pension expenses totaling ₱34.7 million for the year ended June 30, 2024, reflecting the cost impact of the adoption of the Multi-Employer Retirement Plan for STI ESG and its subsidiaries. The Multi-Employer Retirement Plan was implemented to ensure consistency and unified management of retirement benefits across the Group. Additionally, the plan offers more comprehensive and wider benefits for all eligible members, resulting in an increase in the Group's pension expense by ₱23.5 million, from ₱11.2 million to ₱34.7 million for the year ended June 30, 2024.

During the first term of SY 2022-2023, tertiary classes were conducted using a flexible learning modality, whereas all classes for SY 2023-2024 were held onsite, alongside an increase in student population. Consequently, consumption for SY 2023-2024 increased leading to higher light and water expenses by ₱15.6 million, from ₱128.1 million for the year ended June 30, 2023, compared to ₱143.7 million for the year ended June 30, 2024. Similarly, costs associated with external services, particularly security and janitorial services, increased by ₱19.1 million from ₱87.9 million to ₱107.0 million for the years ended June 30, 2023 and 2024, respectively. The increase in minimum wage rates and higher premiums charged by government agencies contributed to the higher security and janitorial expenses.

Professional fees are higher by ₱16.0 million amounting to ₱97.3 million for the year ended June 30, 2024 compared to ₱81.3 million for the year ended June 30, 2023 largely attributed to professional fees for external panelists and consultants' fees.

Advertising and promotions expense is higher by ₱10.6 million from ₱29.1 million to ₱39.7 million for the years ended June 30, 2023 and 2024, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2024-2025.

Taxes and licenses expense is higher by ₱5.3 million from ₱31.8 million to ₱37.1 million for the years ended June 30, 2023 and 2024, respectively, reflecting the increase in local taxes concomitant with the increase in revenues.

Other expenses including transportation, meetings and conferences and entertainment, amusement and recreation expenses increased as well for the year ended June 30, 2024. These expenditures are part of the ordinary course of business, and rose attributed to increased mobility and connectivity, to maintain operational efficiency and ensure effective engagement across the various business units while also enhancing engagement with customers, government agencies, and industry partners to foster stronger partnerships.

The Group recognized a provision for ECL, net of reversals, amounting to ₱24.6 million, representing ECLs on outstanding receivables from students' tuition and other school fees for the year ended June 30, 2024. This provision for ECL is lower by ₱36.2 million compared to ₱60.8 million for the year ended June 30, 2023, indicating improved collection efficiencies during the fiscal year ended June 30, 2024. 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 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.

The Group recognized a provision for impairment loss on goodwill amounting to ₱14.3 million representing the impairment of goodwill recognized for NPIM. For SY 2021-2022, NPIM exclusively enrolled students for JHS and SHS. 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, another school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. The cessation of operations of NPIM did not have a material financial impact on the Group.

On October 2, 2023, the BOD of PHEI, a joint venture entity in which STI ESG holds 40% interest, approved the cessation of PHEI's school operations, effective December 31, 2023. The BOD of STI ESG, in its February 27, 2024 meeting, approved the termination of the Joint Venture Agreement (JVA) between STI ESG and another stockholder. This JVA, executed in March 2004, led to the establishment of PHEI. In the same meeting, the BOD authorized an amendment to PHEI's Articles of Incorporation to shorten its corporate life. Consequently, STI ESG recognized a provision for impairment on its investment in PHEI amounting to ₱1.7 million for the fiscal year ended June 30, 2024, reflecting the net impact after accounting for the estimated book value of the investment.

The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and P1.0 million for the years ended June 30, 2023 and 2024, respectively, representing outdated School Materials & Supplies (SMS) and proware items which are deemed obsolete.

Insurance expense increased by ₱2.6 million from ₱14.4 million to ₱17.0 million for the years ended June 30, 2023 and 2024, respectively, reflecting higher premiums paid concomitant with the increase in market values of STI ESG properties.

Association dues increased by ₱3.7 million from ₱1.0 million to ₱4.7 million for the years ended June 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in May 2023.

Expenses related to payment channels and bank charges increased from ₱2.1 million to ₱4.5 million for the years ended June 30, 2023 and 2024, respectively, attributed to service charges on the use of STI ESG's alternative payment channels. This increase is primarily due to service charges incurred from the use of STI ESG's other online and offsite payment channels. This reflects greater awareness and preference on the use of STI ESG's payment gateways by students.

The Group posted an operating income of ₱1,475.2 million for the year ended June 30, 2024, more than double the operating income reported for the year ended June 30, 2023 amounting to ₱708.4 million. The substantial improvement is primarily driven by higher revenues resulting from a larger student population. The operating income margin reached 40% for the year ended June 30, 2024, up from 27% reported for the year ended June 30, 2023. This improvement likewise reflects the Group's optimized operational efficiency, through effective management of the costs of educational services, and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱6.0 million, from ₱275.9 million to ₱269.9 million for the year ended June 30, 2024. This reduction is primarily attributed to principal payments made by STI ESG on its Term Loan Facility with Chinabank amounting to ₱240.0 million in September 2022. The prepayment was applied in the direct order of maturity and as such, applied on scheduled amortizations due on March 19, 2023 and September 19, 2023. STI ESG likewise settled the principal payment on its Term Loan Facility with Chinabank in the amount of ₱120 million in March 2024. Additionally, STI ESG fully settled its Corporate Notes Facility with Chinabank amounting to ₱210.0 million in September 2023 and redeemed its series 7-year bonds in March 2024 aggregating to ₱2,180.0 million. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rate on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively.

Rental income decreased by ₱11.0 million year-on-year from ₱122.3 million to ₱111.3 million representing termination of the lease contracts in one of STI ESG's investment properties.

The Group recorded consolidated interest income of ₱41.2 million for the year ended June 30, 2024 from ₱18.3 million for the year ended June 30, 2023, representing an increase of ₱22.9 million attributed to the investments of STI ESG and certain subsidiaries in short-term instruments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱18.8 million for the year ended June 30, 2024, compared to ₱15.2 million for the year ended June 30, 2023.

Gain on disposal of property and equipment amounted to ₱485.3 thousand for the year ended June 30, 2024 compared to ₱134.7 thousand for the year ended June 30, 2023. This represents gain on the disposal of property and equipment that are no longer in use.

The Group recognized as income the recovery of previously written-off accounts amounting to ₱5.8 million for the year ended June 30, 2024 compared to ₱10.1 million for the year ended June 30, 2023.

Dividend income amounted to ₱2.9 million for the year ended June 30, 2024 compared to ₱2.5 million for the year ended June 30, 2023. This represents dividend income of ₱0.6 million from RCR, ₱1.1 million from DLS Medical Center (DLSMC) and ₱1.2 from STI Marikina, an associate, for the year ended June 30, 2024, and dividends from RCR and DLSMC amounting to ₱0.6 million and ₱1.9 million, respectively, for the year ended June 30, 2023.
The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱7.7 million and ₱2.3 million for the years ended June 30, 2024 and 2023, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱9.6 million and nil for the years ended June 30, 2024 and 2023, respectively.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank 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 audited consolidated statement of comprehensive income for the year ended June 30, 2024.

Fair value losses on equity instruments at FVPL amounting to ₱0.9 million and ₱0.6 million were recognized for the years ended June 30, 2024 and 2023, respectively, representing adjustments in the market value of STI ESG’s quoted equity shares.

The Group reported other expenses – net, amounting to ₱2.1 million for the year ended June 30, 2024 and other income – net, amounting ₱3.8 million for the year ended June 30, 2023. STI ESG recognized other income amounting to ₱4.7 million for the year ended June 30, 2023, representing donation from a third-party institution as part of 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 ₱2.5 million and ₱1.0 million for the years ended June 30, 2024 and 2023, respectively, representing maintenance costs associated with STI ESG’s bonds issuance.

The Group reported a provision for income tax amounting to ₱127.4 million for the year ended June 30, 2024 compared to benefit from income tax amounting to ₱15.4 million for the year ended June 30, 2023. Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July 1, 2020 up to June 30, 2023. The special tax rate for proprietary educational institutions reverted to 10.0% starting July 1, 2023.

STI ESG reported a net income after income tax of ₱1,275.8 million for the year ended June 30, 2024 compared to ₱621.9 million net income after income tax for the same period last year. Net income margin likewise improved from 24% to 35% year-on-year. The improvement is attributed to the upswing in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement gains, net of taxes, amounting to ₱36.7 million for the year ended June 30, 2024 and remeasurement loss, net of taxes, amounting to ₱4.4 million for the year ended June 30, 2023, 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 ₱5.2 million for the year ended June 30, 2024, compared to ₱1.7 million for the year ended June 30, 2023. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the year ended June 30, 2024 amounted to ₱1,317.9 million compared to ₱618.7 million for the year ended June 30, 2023 attributed to the higher number of enrollees for SY 2023-2024 compared to that of SY 2022-2023.

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, gain on foreign exchange differences, fair value loss on equity instruments at FVPL, and nonrecurring loss (gain) such as gain on early extinguishment of loan, increased from ₱1,248.7 million for the year ended June 30, 2023 to ₱1,992.1 million for the year ended June 30, 2024. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin likewise improved, reaching 54% for the year ended June 30, 2024 compared to 48% for the same period last year 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 ₱1,238.1 million for the year ended June 30, 2024 compared to core income for the same period last year of ₱600.1 million.

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 table below contains the horizontal and vertical analyses of income statement line items. The causes for material changes in these income statement line items are also discussed below.

	2023	2022	Increase (Decrease)	YoY Change (%)
Revenues	2,583.2	2,080.0	503.2	24%
Costs and expenses	1,874.8	1,663.2	211.6	13%
Income before other income (expenses) and income	**708.4**	**416.8**	**291.6**	**70%**
Other income (expenses)	(101.8)	(151.5)	49.7	-33%
Income before income tax	**606.5**	**265.3**	**341.2**	**129%**
Provision for (benefit from) income tax	(15.4)	12.1	(27.5)	-227%
Net income	**621.9**	**253.2**	**368.7**	**146%**
Other comprehensive income (loss)	(3.2)	6.6	(9.8)	-148%
Total comprehensive income	**618.7**	**259.8**	**358.9**	**138%**

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 table below contains the horizontal and vertical analyses of income statement line items. The causes for material changes in these income statement line items are also discussed below.

	2022	2021	Increase (Decrease)	YoY Change (%)
Revenues	2,080.0	1,620.5	459.5	28%
Costs and expenses	1,663.2	1,491.4	171.8	12%
Income before other income (expenses) and income	**416.8**	**129.1**	**287.7**	**223%**
Other income (expenses)	(151.5)	(169.0)	17.5	-10%
Income before income tax	**265.3**	**(39.9)**	**305.2**	**-765%**
Provision for (benefit from) income tax	12.1	20.2	(8.1)	-40%
Net income	**253.2**	**(60.0)**	**313.2**	**-522%**
Other comprehensive income (loss)	6.6	14.0	(7.4)	-53%
Total comprehensive income	**259.8**	**(46.0)**	**305.8**	**-665%**

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.

Years ended June 30, 2021, vs June 30, 2020

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

	SY 2020-2021	SY 2019-2020	Decrease	
			Enrollees	Percentage
STI Network				
Owned schools	39,890	44,811	4,921	11%
Franchised schools	22,600	29,987	7,387	25%
Total Enrollees	**62,490**	**74,798**	**12,308**	**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 2020-2021	%	SY 2019-2020	%
CHED	35,412	56%	40,737	54%
TESDA	1,036	2%	2,152	3%
DEPED*	26,042	42%	31,909	43%
TOTAL	**62,490**	100%	**74,798**	100%

**DepEd count includes SHS students and 454 and 241 students of NAMEI who are enrolled in basic education in SY 2019-2020 and SY 2020-2021, respectively.*

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

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

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

Classes of both SHS and tertiary students started on September 7, 2020. Face-to-face classes remain suspended and thus, the Group had continued to conduct classes online as at June 30, 2021.

The consolidated gross revenues of the Group for the year ended June 30, 2021 amounted to ₱1,620.6 million compared to ₱1,945.0 million for the year ended June 30, 2020.

Tuition and other school fees amounted to ₱1,410.2 million for the year ended June 30, 2021 compared to ₱1,691.3 million from the same period in 2020. 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 for SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. Despite this, the Group registered an enrollment of over 60,000 students in SY 2020-2021. Also, as part of Group’s continuous efforts to further support the students and parents in relation to the impact brought about by the COVID-19, select students enrolled in certain programs enjoyed a refund and/or a tuition fee credit. This reduced the laboratory fees by up to 35% and other school or miscellaneous fees of both SHS and tertiary students for SY 2020-2021 or by an aggregate amount of ₱67.8 million. The Group likewise granted a refund to tertiary students for SY 2019-2020 aggregating to ₱28.2 million.

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

As classes for the entire SY 2020-2021 are held online, sale of educational materials and supplies amounted to ₱24.0 million from ₱64.6 million for the years ended June 30, 2021 and 2020, respectively. Sale of educational materials and supplies recognized in SY 2019-2020 substantially pertains to the sale of uniforms and textbooks while the sale of educational materials and supplies for SY 2020-2021 is largely attributed to the sale of textbooks. The cost of educational materials and supplies sold decreased likewise, concomitant with the decrease in the sale of educational materials and supplies.

Other revenues increased by ₱12.7 million or 23% from ₱55.8 million for the year ended June 30, 2020 to ₱68.5 million for the year ended June 30, 2021 largely attributed to the data connectivity costs charged to franchised schools. Data loading to the respective SIM cards of the students is centralized in STI ESG's Head office, thus the equivalent connectivity charges pertaining to franchised schools amounting to ₱21.4 million were recognized as other revenues for the year ended June 30, 2021 in the audited consolidated statements of comprehensive income of the Group. The related cost of data connectivity assistance was reported as part of the cost of educational services. The increase was partially offset by lower recovery of accounts receivable previously written-off as compared to the year ended June 30, 2020, as well as lower income from issuance of diplomas, transcript of records and other documents requested by students. Income was also recognized last year in relation to the forfeiture of security deposits on pre-terminated lease contracts on the investment properties of STI ESG.

The cost of educational services is lower by ₱50.6 million compared to last year, from ₱695.7 million to ₱645.1 million for the years ended June 30, 2020 and 2021, respectively. Instructors' salaries and benefits decreased by ₱56.3 million from ₱248.5 million to ₱192.2 million as a result of the optimization of faculty loading in the conduct of synchronous meetings with the students under the new learning modality. Rent expense decreased by ₱2.7 million due to savings on rental expenses attributed to the transfer of STI Shaw operations to STI Sta. Mesa, and STI Taft and STI Makati operations to STI Pasay-EDSA, net of lease contracts entered during the year. Depreciation expense decreased by ₱9.4 million from ₱298.2 million for the same period last year to ₱288.8 million this year attributed to fully depreciated assets and lower depreciation expense recognized on right-of-use (ROU) assets due to terminated lease agreements. The Group adopted PFRS 16 and applied a single recognition and measurement approach for all leases except for short-term leases and recognized ROU assets for the leases previously classified as operating lease. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The related depreciation expense of ROU assets amounting to ₱38.4 million and ₱41.8 million were recognized as part of the cost of educational services for the years ended June 30, 2021 and 2020, respectively. As classes were conducted online, school materials and supplies posted a decline of ₱10.3 million from ₱13.9 million to ₱3.6 million for the years ended June 30, 2020 and 2021, respectively. Courseware development cost amounted to ₱11.2 million for the year ended June 30, 2020 compared to ₱1.8 million for the year ended June 30, 2021. The courseware development cost for SY 2019-2020 includes the costs of curriculum development and implementation of maritime programs of NAMEI. STI ESG, in behalf of NAMEI, entered into a Cooperation Agreement with Raft Shore People, Inc. (RAFT), to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. The parties likewise agreed to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW). In light of the effects of the pandemic on the operation of schools and on the economy as a whole, the parties agreed to hold the implementation of the agreement in abeyance. Face-to-face classes remain suspended to contain the spread of the virus in the country and thus the Group has continued to conduct classes online as at June 30, 2021. Classes are conducted through various online learning platforms to continue the delivery of lessons to the students during the pandemic. Such, however, posed different risks and challenges for both teachers and students, many of whom have limited access to the internet connection. As such, the Group provided internet connectivity assistance to its students which amounted to ₱64.9 million for the year ended June 30, 2021.

Gross profit declined from ₱1,207.0 million to ₱962.5 million for the years ended June 30, 2021 and 2020, respectively, largely due to the lower number of enrollees.

General and administrative expenses decreased by 13% or ₱120.2 million from ₱947.1 million to ₱826.9 million for the years ended June 30, 2020 and 2021, respectively. Salaries, wages and benefits are lower by ₱38.3 million for the year ended June 30, 2021 compared to same period in 2020. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination during the ECQ and MECQ periods. The Group also embraced work-from-home arrangements to the furthest extent possible and likewise optimized its manpower structure resulting in a reduced workforce. Similarly, the costs of external services, particularly security and janitorial services, decreased by ₱9.0 million and ₱19.9 million, respectively. Meanwhile, light and water expenses decreased by ₱51.7 million from ₱94.8 million for the same period last year to ₱43.1 million this year. Rent expense decreased by ₱3.3 million due to savings generated from the transfer of STI Shaw to STI Sta. Mesa, and STI Taft and STI Makati to STI Pasay-EDSA, net of lease contract entered during the year. Depreciation expense decreased by ₱9.7 million from ₱207.4 million for the same period last year to ₱197.7 million this year attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets because of terminated lease agreements. The related depreciation expenses of ROU assets amounting to ₱22.2 million and ₱25.7 million were recognized as part of the general and administrative expense for the years ended June 30, 2021 and 2020, respectively. The Group recognized a provision for ECL amounting to ₱48.6 million, largely representing ECLs on receivables from students' tuition and other school fees for the year ended June 30, 2021, slightly up compared to ₱45.1 for the same period in 2020. While receivables from students for tuition and other school fees increased, these are substantially recent accounts that were assigned lower loss rates. Subsequent collections from the students related to the receivables for SY 2019-2020 were also considered in the computation. Collection of prior years' receivables from students showed an improvement compared to the ECL recognized for the year ended June 30, 2020. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million representing receivables to an associate was recognized for the year ended June 30, 2021. Provisions for inventory obsolescence amounting to ₱0.8 million and ₱4.8 million, representing impairment of old uniforms and textbooks were recognized for the years ended June 30, 2021 and 2020, respectively. The Group recognized advertising and promotions expense amounting to ₱46.0 million for the year ended June 30, 2021. Bulk of the marketing activities and programs for SY 2019-2020 were concluded as at June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, marketing activities were mostly conducted from July to September 2020, which increased the advertising and promotions expense recognized for the year ended June 30, 2021. The decline in all other operating expenses is a result of the cost control measures implemented by the Group in response to the impact of COVID-19 pandemic.

The Group posted an operating income of ₱129.1 million for the year ended June 30, 2021 compared to ₱253.6 million for the year ended June 30, 2020, due to lower revenues caused by the lower number of enrollees, as a result of the COVID-19 pandemic.

Equity in net earnings of associates amounted to ₱3.7 million for the year ended June 30, 2021 compared to equity in net earnings of associates of ₱4.0 million for the same period in 2020.

Interest expenses increased by ₱19.6 million, from ₱282.7 million to ₱302.3 million for the year ended June 30, 2021, resulting substantially from drawdowns made by STI ESG on its Term Loan Facility with China Bank amounting to ₱400.0 million in July 2020, subject to an interest rate of 5.81% per annum. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum effective on September 19, 2020.

Interest income decreased from last year's ₱4.0 million to ₱3.7 million for the year ended June 30, 2021, as available funds were used to settle obligations with suppliers.

Rental income decreased from ₱121.5 million to ₱90.7 million for the years ended June 30, 2020 and 2021, respectively, attributed to vacancies in investment properties of STI ESG as a result of pre-termination of and expired lease contracts during the year ended June 30, 2021.

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

Following the amendments to PFRS 9, Financial Instruments, Fees in the '10 percent' test for derecognition of financial liabilities, STI ESG assessed the terms of the new or modified financial liability. The modifications of financial liabilities of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. The modification of terms and conditions resulted in the recognition of loan premium, which adjusted the carrying value of the loan, and loss on loan modification amounting to ₱8.3 million recognized in the consolidated statement of comprehensive income 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 revenues aggregating to ₱17.7 million for the year ended June 30, 2021.

For the year ended June 30, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The decline in fair value as at June 30, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale for the sale of STI ESG's 20% ownership in Maestro Holdings, for a price of US$10.0 million. The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱15.5 million which is recognized and presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" amounting to ₱45.9 million, in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the carrying value of the STI ESG's 20% stake in Maestro Holdings of ₱419.1 million as at June 30, 2020 and the equivalent peso selling price of ₱480.5 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱45.9 million represents 15% of the ₱306.4 million, which is the difference between the acquisition cost of investment amounting to ₱174.1 million and the selling price recorded at its peso equivalent of ₱480.5 million. The related net foreign exchange gain of ₱4.0 million was recognized for the year ended June 30, 2021 since the sale was settled in US dollars.

Provision for income tax amounting to ₱20.2 million was recognized for the year ended June 30, 2021, net of DTA recognized during the year ended June 30, 2021, largely due to the reduction in the balance of deferred tax asset of STI ESG following the implementation of the CREATE Law which prescribes lower preferential income tax rate for proprietary educational institutions from 10% to 1% effective on July 1, 2020 to June 30, 2023.

STI ESG reported a net loss of ₱60.1 million for the year ended June 30, 2021 compared to net loss amounting to ₱205.0 million for the year ended June 30, 2020. Net loss for year ended June 30, 2020 includes a provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings.

STI ESG recognized remeasurement gain amounting to ₱12.5 million and remeasurement loss of ₱16.0 million, net of income tax effect, for the years ended June 30, 2021 and 2020, respectively, due to the movements in value of equity shares forming part of pension assets. Similarly, the Group's share in associates' cumulative actuarial loss amounting to ₱64.8 thousand as at June 30, 2020, registered a cumulative gain amounting to ₱0.2 million.

The unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱1.4 million for the year ended June 30, 2021 compared to ₱7.7 million for the year ended June 30, 2020. STI ESG recognized unrealized fair value adjustment on its unquoted equity instrument amounting to negative ₱10.7 thousand and ₱8.1 million for the years ended June 30, 2021 and 2020, respectively. Similarly, STI ESG recognized unrealized fair value adjustment on its quoted equity instruments designated at FVOCI amounted to ₱1.4 million and negative ₱0.4 million for the years ended June 30, 2021 and 2020, respectively. The Group's share in associates' unrealized fair value loss adjustment on equity instruments designated at FVOCI is ₱9.8 thousand for the year ended June 30, 2021 from ₱2.6 thousand of the same period in 2020, as the market values of certain equity shares declined as of the financial statements reporting date.

Total comprehensive loss amounted to ₱46.0 million and ₱213.4 million for the years ended June 30, 2021 and 2020, respectively.

EBITDA decreased from ₱794.0 million to ₱628.5 million for the year ended June 30, 2021. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 39% compared to 41% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱85.3 million for the year ended June 30, 2021 compared to core income for the same period last year of ₱88.5 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		
		2024	**2023**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	43%	24%	EBITDA margin improved in 2024 as compared to the same period in 2023 mainly due to increase in revenues arising from earlier start of SY 2024-2025 and higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	68%	57%	Gross profit margin improved due to economies of scale, as

		As at/Three-month periods ended September 30		
		2024	**2023**	**Remarks**
				revenues increased at a faster rate than costs.
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	10%	0%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate. Return on Equity (ROE) is expected to be lower in the first quarter of both fiscal years, reflecting the Group's seasonality of operations.
Debt-to-equity ratio (D/E ratio)[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.53	0.73	D/E ratio improved due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
Current ratio	Current assets divided by current liabilities	1.02	0.75	The Group ensures that it has adequate current assets to cover its current obligations. STI ESG's current liabilities as at September 30, 2023 is higher than its current assets for the same period with the maturity of STI ESG's 7-year bonds in March 2024. STI ESG's 7-year bonds were fully redeemed in March 2024 using internally generated funds and long-term borrowings.

The Group likewise monitors its financial covenants in accordance with the provisions under its loans and trust Agreements.

[1] D/E ratio under the Term Loan Agreements with Chinabank, and Metrobank must not exceed 1.5:1, while D/E ratio under the Term Loan Agreement with BPI must not be more than 2.5:1.00.

[2] DSCR under the Term Loan Agreements with Chinabank, BPI and Metrobank must not be lower than 1.05:1.00. For China Bank, DSCR is tested every December 31 and June 30 of each year while for BPI and Metrobank, this is tested on June 30 of each year

[3] ICR under the Trust Agreement must not be lower than 3.00:1.00

		June 2024	Remarks
D/E ratio[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.59	D/E ratio improved from 0.79 in June 2023 due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
DSCR[2]	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	2.39	The minimum DSCR set by management, the lender banks, 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).
ICR	EBITDA for the immediately preceding twelve months divided by interest due in the next twelve months	9.37	ICR is well within the threshold set under the Second Supplemental Trust Agreement.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year.

As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the aforementioned financial covenants, following the respective agreements, (see Notes 16 and 17) of the unaudited interim condensed consolidated financial statements).

Material Changes in Balance Sheet Accounts

Cash and cash equivalents increased by ₱148.9 million from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, primarily attributable to the Group's profitable operations and improved collection efficiency. The Group generated cash from operating activities aggregating to ₱736.4 million during the three-month period ended September 30, 2024. The collection of tuition and other school fees during the three-month period ended September 30, 2024 was the primary contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the second installment for the acquisition of a parcel of lot located at South Park District, Alabang, Muntinlupa City, and the contractor for the new building construction at STI Ortigas-Cainta. Cash outflows for investing activities at ₱186.0 million likewise include expenditures related to solar panel installations, classroom expansion projects, and acquisition of various equipment and furniture for the schools owned and operated by STI ESG. The Group registered ₱401.4 million net cash used in financing activities substantially representing scheduled principal payments of STI ESG Term Loans with Chinabank, BPI and Metrobank aggregating to ₱270.0 million. This likewise includes interest payments largely for STI ESG's Term Loans and coupon payments for STI ESG's bond issue aggregating to ₱99.3 million during the three-month period ended September 30, 2024.

Receivables increased to ₱1,640.4 million as at September 30, 2024 or by ₱1,293.1 million, more than threefold of the receivable balance as at June 30, 2024 amounting to ₱347.2 million. Receivables from students rose by ₱895.1 million from ₱279.0 million to ₱1,174.1 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 ₱410.0 million as at September 30, 2024 from ₱16.6 million as at June 30, 2024. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who are enrolled in a "non-DepEd SHS". A non-DepEd SHS refers to an educational provider not directly operated by DepEd but granted by DepEd with a permit or government recognition to operate SHS. This includes private schools, private colleges and universities; state universities and colleges (SUCs), local universities and colleges (LUCs); and technical and vocational institutions offering SHS. A Qualified Voucher Recipient (QVR) in participating private institutions is entitled to a subsidy ranging from ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

Receivables related to DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, respectively. 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.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱1.8 million as at September 30, 2024 from ₱1.4 million as at June 30, 2024. Under the Universal Access to Quality Tertiary Education Act (UAQTEA) or RA No. 10931, and its Implementing Rules and Regulations (IRR), students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous 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. In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. The circular provides, among others, that the new TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are PWDs shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

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 ₱103.0 million as at September 30, 2024, higher by ₱41.7 million from ₱61.3 million as at June 30, 2024. 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 on network charges related to the use of eLearning Management System, Microsoft License subscriptions, among others, and sale of uniforms and prowares during the three-month period ended September 30, 2024. These receivables from franchised schools and an affiliate are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱1.9 million to ₱46.9 million as at September 30, 2024 from ₱48.8 million as at June 30, 2024 representing collection of rentals from various lessees and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2024.

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 ₱155.6 million as at June 30, 2024 to ₱207.9 million as at September 30, 2024. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2024.

Prepaid expenses and other current assets increased by ₱9.9 million or 10% from ₱98.8 million as at June 30, 2024 to ₱108.7 million as at September 30, 2024 which is substantially attributed to the increase in prepaid insurance and other prepaid expenses, partially offset, substantially, by the lower advances to suppliers and prepaid subscriptions and licenses as at September 30, 2024. Prepaid insurance increased by ₱16.7 million from ₱1.0 million to ₱17.7 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money securities 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. Other prepaid expenses as of September 30, 2024, primarily consist of prepayments for tickets and venue rental for the National Talent Search competition, scheduled on November 22, 2024, for the entire network. The decrease in the prepayments for subscriptions and licenses from ₱14.8 million to ₱11.9 million represent the portions which were charged to expense during the three-month period ended September 30, 2024. Advances to suppliers decreased from ₱ 13.3 million to ₱9.2 million primarily due to the completion of deliveries and full payment of certain purchase orders for student uniforms for SY 2024-2025 during the three-month period ended September 30, 2024.

The carrying value of STI ESG's equity instruments designated at FVPL, particularly, its investment in quoted equity shares of RCR, amounted to ₱5.90 per share or an aggregate of ₱9.1 million as at September 30, 2024 compared to ₱5.25 or an aggregate value of ₱8.1 million as at June 30, 2024. This increase in market value in quoted equity shares of RCR resulted in fair value gain on equity instruments at FVPL amounting to ₱1.0 million for the three-month periods ended September 30, 2024 compared to a fair value loss on the same equity instruments amounting to ₱1.4 million for the three-month periods ended September 30, 2023. Dividends received from this investment amounted to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

Property and equipment increased by ₱298.8 million, net of depreciation, to ₱7,847.4 million as at September 30, 2024 from ₱7,548.6 million June 30, 2024 substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City, and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will serve as the future site of the new STI Academic Center Alabang.

STI ESG sold a portion of its shares in STI Education Systems Holdings, Inc. (STI Holdings), totaling 23 million shares, during the quarter ending on September 30, 2024, for a total of ₱25.0 million. Consequently, STI ESG's equity interest in STI Holdings has been reduced from 5.05% to 4.82% as at September 30, 2024. This resulted in gain on disposal of shares held in an associate amounting to ₱ 3.2 million which was reported as part of "Other income" in the three-month period ended September 30, 2024.

Deferred tax assets (DTA) increased by ₱30.6 million from ₱34.0 million to ₱64.6 million as at September 30, 2024, 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 ₱16.7 million from ₱714.9 million as at June 30, 2024 to ₱698.2 million as at September 30, 2024. Accounts payable, which rose by ₱12.3 million to ₱340.8 million as at September 30, 2024, primarily reflect obligations to various suppliers and contractors of recently completed renovation and construction projects. Network events fund also increased by ₱11.9 million to ₱37.3 million as at September 30, 2024. Network events fund refers to fees collected from the students and are used to subsidize the expenses intended for network-wide social, academic, arts, and sports competitions with the objective of enhancing the student development programs of the schools within the network. This fund is expected to be fully utilized within the fiscal year. This increase was offset by the lower interest payable, from ₱49.5 million as at June 30, 2024 to ₱5.8 million as at September 30, 2024, as STI ESG settled its semi-annual coupon and interest on loans in September 2024. Accrued expenses for commencement costs and other student activities, decreased likewise reflecting payments made to suppliers during the three-month period ended September 30, 2024.

Unearned tuition and other school fees increased by ₱1,722.3 million from ₱93.0 million as at June 30, 2024 to ₱1,815.3 million as at September 30, 2024. 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 ₱60.8 million and ₱62.8 million as at September 30, 2024 and June 30, 2024, respectively. Noncurrent lease liabilities declined by ₱9.7 million from ₱252.2

million to ₱242.5 million representing 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 amounted to ₱536.2 million as at September 30, 2024 net of deferred finance charges amounting to ₱3.8 million. The balance as at September 30, 2024 represents the current portion of the Term Loan Facility of STI ESG with Chinabank, BPI and Metrobank amounting to ₱240.0 million, ₱200.0 million, and ₱100.0 million, respectively. On the other hand, the non-current portion of interest-bearing loans and borrowings, decreased by ₱269.0 million from ₱1,549.8 million to ₱1,280.8 million, net of deferred finance cost, as at June 30, 2024 and September 30, 2024, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings that are due in the next twelve months.

Income tax payable amounted to ₱60.3 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively, reflecting the income tax obligation of STI ESG and some of its subsidiaries for their respective taxable income during the three-month period ended September 30, 2024.
Pension liabilities declined by 31% or ₱20.7 million from ₱66.7 million to ₱46.0 million as at June 30, 2024 and September 30, 2024, respectively, representing remeasurement adjustments forming part of STI ESG's pension assets for the three-month period ended September 30, 2024. This decrease was partially offset by the pension expense recognized for the three-month period ended September 30, 2024. Other noncurrent liabilities increased by ₱19.2 million from ₱112.1 million to ₱131.3 million.

The balance as at September 30, 2024 substantially pertains to STI ESG's payable for the acquisition of a parcel of lot in Alabang, Muntinlupa City amounting to ₱102.1 million. This amount is due on the 16th month after the execution of the Deed of Sale on Installments in September 2024. This was partially offset by the reclassification of the deposits for future stock subscription which was previously classified under the noncurrent liability section. These deposits for future stock subscription for STI Novaliches and STI Training Academy were reclassified by STI ESG from liability to equity section as both entities met the required conditions for classification under the equity section. As at November 19, 2024, STI Training Academy is awaiting the response of SEC, while STI Novaliches is completing the additional requirements for submission to SEC.

Cumulative actuarial gain amounted to ₱58.1 million as at September 30, 2024 from ₱36.7 million as at June 30, 2024. 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, 2024.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱34. 6 thousand and ₱43.6 thousand, as at June 30, 2024 and September 30, 2024, 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 increased by ₱164.8 million from ₱3,524.7 million to ₱3,689.5 million representing net income recognized for the three-month period ended September 30, 2024.

Material Changes in Income Statement Accounts

The Group generated gross revenues amounting to ₱772.6 million during the three-month period ended September 30, 2024, an increase of ₱292.4 million from ₱480.2 million of the same period last year.

Condensed Statements of Comprehensive Income

	Three Months Ended September 30			
(Amounts in Peso millions)	**2024**	**2023**	**Increase (Decrease)**	
Revenues	772.6	480.2	292.4	61%
Costs and expenses	574.4	493.5	80.9	16%
Operating income (loss)	**198.2**	**(13.3)**	**211.5**	**-1590%**
Other income (expenses)	(16.3)	(14.3)	(2.0)	14%
Income (Loss) before income tax	**181.9**	**(27.6)**	**209.5**	**-759%**
Provision for (benefit from) income tax	17.2	(5.9)	23.1	-392%
Net income (loss)	**164.7**	**(21.7)**	**186.4**	**-859%**
Other comprehensive income	21.5	3.1	18.4	592%
Total comprehensive income (loss)	**186.2**	**(18.6)**	**204.8**	**-1101%**

Tuition and other school fees amounted to ₱618.3 million for the three-month period ended September 30, 2024, up by ₱283.5 million or 85% from ₱334.8 million of the same period last year. This increase is primarily due to the earlier start of classes for SY2024-2025, which began on August 12, compared to August 29 for the previous year. Consequently, the Group recognized earned revenues equivalent to one and a half month compared to just one month in the prior year. This timing difference has substantially contributed to the higher revenues of the Group for the three-month period ended September 30, 2024. The Group registered a significant enrollment growth of 17% for SY 2024-2025 reaching over 121,000 students up from nearly 104,000 enrollees in SY 2023-2024. New students enrolled in CHED programs increased by 9% from over 29,000 in SY 2023-2024 to approximately 32,000 in SY 2024-2025. Furthermore, enrollment in programs regulated by CHED registered an impressive 21% increase to over 86,000 in SY 2024-2025 compared to enrollment in SY 2023-2024 of over 71,000 students. As CHED programs generate higher revenues per student, this increase further bolsters the Group's financial performance for the period.

Revenues from educational services and royalty fees increased by 26%, primarily attributed to the increase in the student population of franchised schools for SY 2024-2025. 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 ₱5.1 million or 18% from ₱28.1 million for the three-month period ended September 30, 2023 to ₱33.2 million for the three-month period ended September 30, 2024, concomitant with the higher number of students this year. Similarly, the subscription costs for the Microsoft licenses increased due to a change in the subscription package—from Microsoft Office 365 A1 Plus to Microsoft Office 365 A3. This upgrade involves the use of licenses available to a higher-tier plan which provides additional features and capabilities resulting in a higher per-user cost. The related charges for the franchised schools are taken up as part of “Other Revenues” while the related costs are reported as part of “Other Direct Expenses”.

The revenues generated from the sale of educational materials and supplies amounted to ₱57.4 million for the three-month period ended September 30, 2024, compared to ₱66.9 million for the same period last year. Sales for both periods were primarily driven by uniform and proware items. The decline is due to timing differences as some of the student uniforms were distributed as early as the last quarter ended June 30, 2024 as opposed to last year wherein some sales transactions were completed during the first quarter of SY 2023-2024. 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 ₱42.7 million, from ₱156.8 million to ₱199.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is primarily attributed to higher instructors' salaries and benefits, as well as higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱26.8 million from ₱62.9 million to ₱89.7 million year-on-year. This is due to the earlier start of classes for SY2024-2025 compared to the previous year, and bigger faculty roster concomitant with the increase in student population.

Expenses attributed to student activities and programs climbed by ₱24.6 million from ₱4.4 million for the quarter ended September 30, 2023 to ₱29.0 million during the quarter ended September 30, 2024 driven by the increase in student population. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, and Amadeus, which likewise went up due to the larger student population. STI ESG also subscribed for access to e-books across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. Other direct expenses also increased, largely attributed to student insurance expense which grew concomitant with the student population.

Gross profit improved from ₱275.5 million to ₱526.7 million for the three-month periods ended September 30, 2023 and 2024, respectively, primarily due to earlier start of classes and higher enrollment. Similarly, gross profit margins improved from 57% to 68% year-on-year.

General and administrative expenses increased by 14% or ₱39.7 million from ₱288.8 million to ₱328.5 million for the three-month periods ended September 30, 2023 and 2024, respectively, largely attributed to expenses related to salaries and benefits, light and water, janitorial and security services, repairs and maintenance, provision for estimated credit losses and advertising and promotion expenses.

Salaries and benefits of ₱77.8 million are higher by ₱8.2 million for the three-month period ended September 30, 2024 compared to same period last year of ₱69.6 million due to salary adjustments granted to deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2024.

The Group recognized a provision for ECL amounting to ₱52.3 million from the three-month period ended September 30, 2024 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2024. This provision for ECL is higher by ₱9.5 million compared to ₱42.8 million for the three-month period ended September 30, 2023. This increase reflects the estimated credit losses on tuition and other school fees for SY 2024-2025. 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.
Light and water expenses are higher by ₱8.0 million from ₱26.8 million to ₱34.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is net of cost savings from the solar power system installed at STI Ortigas Cainta, which has a total capacity of 212 kilowatts. Similarly, outside services including security and janitorial services are higher by ₱4.1 million from ₱ 24.4 million to ₱28.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. These increases are primarily attributed to the earlier start of SY 2024-2025 compared to the previous year and likewise due to higher student population. Some schools reported an uptick in the security and janitorial personnel to meet the growing demands, alongside increases in minimum wage rates charged by security and utility service providers.

Advertising and promotions expenses rose by ₱4.1 million from ₱10.2 million to ₱14.3 million for the three-month periods ended September 30, 2023 and 2024, respectively, as online advertisements and promotions were intensified before the start of SY 2024-2025.

Taxes and licenses expense increased by ₱1.3 million from ₱8.5 million to ₱9.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. Local business taxes increased in 2024 concomitant with higher revenues. Additionally, in 2023, STI ESG incurred higher real property taxes due to the voluntary reclassification of one of its properties to the “Investment properties” category, causing the prior exemption from real property taxes to no longer apply.

Repairs and maintenance expenses are higher by ₱2.9 million from ₱5.7 million to ₱8.6 million for the three-month periods ended September 30, 2023 and 2024, respectively, due to refurbishment of school facilities ahead of SY 2024-2025.

Association dues increased by ₱0.7 million from ₱0.7 million to ₱1.4 million for the three-month periods ended September 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in June 2024.

The other general and administrative expenses like professional fees, transportation and travel, meetings and conferences, office supplies, and communication expenses also increased driven by the Group’s growing business activities, and student population.

The Group posted an operating income of ₱198.2 million for the three-month period ended September 30, 2024, marking a significant turnaround from an operating loss of ₱13.3 million for the three-month period ended September 30, 2023. The improvement was mainly driven by higher revenues, attributed to the earlier start of SY 2024-2025, and a larger student population. The operating income margin reached 26% for the three-month period ended September 30, 2024, a substantial recovery from operating loss margin of 3% reported for the three-month period ended September 30, 2023. This improvement likewise reflects the Group’s optimized operational efficiency, through effective management of the costs of educational services, and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱4.8 million, from ₱67.7 million to ₱62.9 million three-month period ended September 30, 2024. This reduction is primarily attributed to principal payments made by STI ESG on its Term Loan Facility with Chinabank in March 2024 and September 2024, and the full settlement of STI ESG's Corporate Notes Facility with Chinabank in September 2023. STI ESG likewise redeemed in full its series 7-year bonds aggregating to ₱2,180.0 million in March 2024. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rates on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively. The interest rates for these loans of STI ESG with BPI and Metrobank were repriced effective September 18, 2024 with prevailing interest rates set at 7.8735% and 7.8135% per annum, respectively. The interest rate for the Term Loan facility of STI ESG with Chinabank was repriced at 7.8749% per annum effective September 19, 2024.

Interest income increased from ₱5.0 million for the three-month period ended September 30, 2023 to ₱8.3 million for the three-month period ended September 30, 2024 substantially attributed to the investment of STI ESG and some of its subsidiaries in short-term investments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023 reflecting improved results of operations of certain associates of STI ESG.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

STI ESG redeemed and converted substantially all its dollar money market and time deposit placements, respectively, in August 2024 resulting in a realized foreign exchange loss amounting to ₱ 5.8 million for the three-month period ended September 30, 2024. On the other hand, STI ESG recognized an unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million for the three-month period ended September 30, 2023.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank 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.

Fair value gain on equity instruments at FVPL amounting to ₱1.0 million was recognized for the three-month period ended September 30, 2024, compared to fair value loss amounting to ₱1.4 million for the three-month period ended September 30, 2023, respectively, representing adjustments in the market value of STI ESG's quoted equity shares.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023.

The Group also recognized other income aggregating to ₱2.0 million for the three-month period ended September 30, 2024, substantially attributed to gain recognized on the termination of a former lease agreement which was accounted for under the PFRS 16 and unrealized gain on STI ESG's dollar short term investment as at September 30, 2024. Both periods include amortization of bond issue costs ₱ 152.8 thousand and ₱226.8 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

The Group recognized "Provision for income tax" amounting to ₱17.2 million for the three-month period ended September 30, 2024, mainly representing taxes due on STI ESG's and some of its subsidiaries' taxable income. On the other hand, the Group recognized "Benefit from income tax" amounting to ₱5.9 million for the three-month period ended September 30, 2023, mainly representing deferred taxes on tuition and other school fees collected in advance.

STI ESG reported a net income ₱164.7 million for the three-month period ended September 30, 2024, a remarkable turnaround from same period last year's net loss of ₱21.7 million. This improvement was driven by increased revenues due to the earlier start of SY 2024-2025 and a larger student population.

STI ESG recognized remeasurement gain, net of taxes, amounted to ₱21.4 million for the three-month periods ended September 30, 2024 compared to remeasurement loss of ₱1.9 million for the three-month periods ended September 30, 2023, 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 ₱0.09 million for the three-month period ended September 30, 2024, compared to ₱1.3 million for the three-month period ended September 30, 2023. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the three-month period ended September 30, 2024 amounted to ₱ 186.2 million compared to total comprehensive loss of ₱18.6 million for the three-month period ended September 30, 2023.

EBITDA is up from ₱115.9 million for the three-month period ended September 30, 2023 to ₱329.5 million for the three-month period ended September 30, 2024. EBITDA margin is 43% for the three-month period ended September 30, 2024, compared to 24% for the same period last year 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 ₱157.8 million for the three-month period ended September 30, 2024 compared to core income for the same period last year of negative ₱40.2 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. 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 and eighty (180) days.

As at September 30, 2024 and June 30, 2024, the Group's current assets amounted to ₱3,240.0 million and ₱1,793.3 million, respectively, while current liabilities amounted to ₱3,170.9 million and ₱1,428.5 million, respectively. Current liabilities include unearned tuition and other school fees amounting to ₱1,815.4 million and ₱93.0 million as at September 30, 2024 and June 30, 2024, respectively. Unearned tuition and other school fees represent performance obligations related to revenues from tuition and other school fees, which will be satisfied over time as the students receive the services provided by the Group.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

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 banks, and the STI ESG bondholders.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 16 of the unaudited interim condensed consolidated financial statements).

The second supplemental agreement replaced the DSCR measure with ICR, as discussed in Note 17, respectively. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. DSCR, as defined in the loan agreement, as at June 30, 2024 is 2.39:1.00. ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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 sch 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. Fixed-rate financial instruments are subject to fair value interest rate risk while floating-rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The Parent Company's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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

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 debt-to-equity ratio, which is computed in accordance with the financial covenants prescribed in the loans and trust agreements (see Notes 18 and 19 of the Audited Consolidated Financial Statements). The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender banks, and the STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

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 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 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 in the loan agreements. See Notes 18, 19, and 35 of the Notes to the Audited Consolidated Financial Statements of the Company and Notes 16 and 17 to the 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.

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 revenue of the Group is expected to be lower during the first quarter of the 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 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 19 of Notes to Audited Consolidated Financial Statements). STI ESG redeemed in full its series 7-year bonds in March 2024.

j. On February 27, 2024, the Board of Directors of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as “PSBA”. The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the “transaction”).

The term sheet and the implementation of the transaction are subject to several conditions including the execution of mutually acceptable definitive agreements, the fulfillment of the conditions precedent, the approval of the stockholders of PSBA, and regulatory approvals.

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the “Subject Property”). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that it intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the “PSBA Manila Property”). PSBA Manila is likewise the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the “School Related Assets”) used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others: (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and non-teaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; and (4) apply for and obtain permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon

City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at November 19, 2024, STI Holdings has yet to receive the reply of PSBA.

k. 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. Prior to this, the following owned schools had 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 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.

   In a meeting held on November 29, 2023, the Board of Directors of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.”, (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. As at October 11, 2024, the amendments are pending approval by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd of its proposed amendments in connection with its application with the SEC to amend its Articles of Incorporation and By Laws. As at October 11, 2024, TESDA has provided favorable endorsement while STI Quezon Avenue has yet to receive the responses from CHED and DepEd.

l. The following are the key changes to the Philippine tax law pursuant to the CREATE Law 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 up to June 30, 2023. -

The following changes in tax rates became effective on July 1, 2023 as outlined in Revenue Memorandum Circular (RMC) 69-2023:

- Minimum corporate income tax (MCIT) rate has reverted to 2% of gross income from a reduced rate of 1% that was in effect from July 1, 2020 to June 30, 2023

- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit has reverted to 10% of the taxable income following a temporary reduction to 1% effective July 1, 2020 to June 30, 2023

Consequently, the Group recognized provision for current income tax using the preferential income tax rate of 10% (MCIT rate of 2%, as the case may be) in fiscal year 2024 in accordance with RMC 69-2023.

SEC FORM 17-A

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: 21 November 2024

ARSENIO C. CABRERA, JR.
Corporate Secretary

STI

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, 2024, 2023 and 2022 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*

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

Subscribed and sworn to before me this OCT 18 2024, 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	

FELIPPE MART E. CLOSA
Notary Public for Makati City
Appointment No. M-431
Until 31 December 2024
5/F SGV II Building,
6758 Ayala Avenue, Makati City
Roll of Attorneys No. 58673
PTR No. 10074456/ Makati / 02 January 2024
IBP No. 295710 / Batangas / 12 October 2023
MCLE Compliance No. VII-0012485/
Pasig City/ 08 March 2022

FELIPPE MART E. CLOSA
NOTARY PUBLIC
ROLL NO. 58673
MAKATI CITY PHILIPPINES

Doc. No. 128;
Page No. 27;
Book No. IV;
Series of 2024.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

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

C O M P A N Y   I N F O R M A T I O N

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

C O N T A C T   P E R S O N   I N F O R M A T I O N

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
sgv.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, 2024 and 2023, 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, 2024, and notes to the consolidated financial statements, including material accounting policy information.

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, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2024, 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. The Group's allowance for ECL and provision for ECL on receivables as of and for the year ended June 30, 2024 amounted to ₱155.6 million and ₱24.6 million, respectively.

The disclosures on 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) evaluated 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, 2024, 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 ₱236.6 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically forecasted revenue growth, long-term growth rate and discount rate.

The Group's disclosures about goodwill are included in Notes 4 and 16 to the consolidated financial statements.

Audit response

We involved our internal specialist in evaluating the methodology and assumptions used. These assumptions include forecasted revenue growth, long-term growth rate and discount rate. We compared the key assumptions used, such as forecasted revenue growth and long-term growth rate against the historical performance of the CGUs and other relevant external data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of the goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2024 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, 2024, 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-145-2024, July 18, 2024, valid until July 17, 2027
PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,191,716,845**	₱1,571,737,633
Receivables (Note 6)	**347,232,034**	342,010,955
Inventories (Note 7)	**147,421,269**	125,227,248
Prepaid expenses and other current assets (Note 8)	**98,790,986**	114,852,313
Equity instruments at fair value through profit or loss (FVPL) [Note 9]	**8,137,500**	8,990,000
Total Current Assets	**1,793,298,634**	2,162,818,149
Noncurrent Assets		
Property and equipment (Note 11)	**7,548,645,572**	7,505,664,889
Investment properties (Note 12)	**836,772,871**	675,138,874
Investments in and advances to associates and joint venture (Notes 13 and 14)	**496,276,072**	493,988,698
Equity instruments at fair value through other comprehensive income (FVOCI) [Note 15]	**76,027,229**	71,501,232
Deferred tax assets - net (Notes 30 and 39)	**33,985,006**	41,994,892
Goodwill, intangible and other noncurrent assets (Note 16)	**435,946,908**	331,164,982
Total Noncurrent Asset	**9,427,653,658**	9,119,453,567
TOTAL ASSETS	**₱11,220,952,292**	₱11,282,271,716
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of bonds payable (Note 19)	**₱–**	₱2,175,083,335
Accounts payable and other current liabilities (Note 17)	**714,923,355**	560,930,731
Current portion of interest-bearing loans and borrowings (Note 18)	**536,274,021**	183,042,276
Unearned tuition and other school fees (Note 22)	**93,026,256**	43,940,924
Current portion of lease liabilities (Note 29)	**62,786,000**	53,358,726
Income tax payable	**21,473,093**	376,536
Total Current Liabilities	**1,428,482,725**	3,016,732,528
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 18)	**1,549,840,391**	748,861,025
Bonds payable - net of current portion (Note 19)	**814,967,275**	813,339,649
Lease liabilities - net of current portion (Note 29)	**252,248,072**	282,377,214
Pension liabilities - net (Note 28)	**66,659,244**	79,429,605
Other noncurrent liabilities (Note 20)	**112,067,244**	46,338,093
Total Noncurrent Liabilities	**2,795,782,226**	1,970,345,586
Total Liabilities *(Carried Forward)*	**4,224,264,951**	4,987,078,114

	June 30	
	2024	2023
Total Liabilities *(Brought Forward)*	**₱4,224,264,951**	₱4,987,078,114
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)	**36,707,023**	2,589
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**20,240,919**	15,008,758
Other equity reserve (Note 21)	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain (Note 13)	**298,698**	163,082
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(34,579)**	(38,774)
Retained earnings (Note 21)	**3,524,679,379**	2,865,327,141
Total Equity Attributable to Equity Holders of the Parent Company	**6,999,699,669**	6,298,271,025
Equity Attributable to Non-controlling Interests	**(3,012,328)**	(3,077,423)
Total Equity	**6,996,687,341**	6,295,193,602
TOTAL LIABILITIES AND EQUITY	**₱11,220,952,292**	₱11,282,271,716

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		
	2024	2023	2022
REVENUES (Note 22)			
Sale of services:			
Tuition and other school fees	**₱3,302,420,800**	₱2,248,671,271	₱1,823,948,963
Educational services	**175,161,712**	149,075,493	125,387,103
Royalty fees	**17,314,956**	14,736,299	12,386,738
Others	**75,158,046**	63,805,952	89,048,506
Sale of goods -			
Sale of educational materials and supplies	**126,343,019**	106,863,072	29,217,458
	3,696,398,533	2,583,152,087	2,079,988,768
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**973,552,749**	771,040,217	725,615,500
Cost of educational materials and supplies sold (Note 25)	**96,016,572**	83,060,489	23,817,609
General and administrative expenses (Note 26)	**1,151,612,241**	1,020,698,068	913,763,626
	2,221,181,562	1,874,798,774	1,663,196,735
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**1,475,216,971**	708,353,313	416,792,033
OTHER INCOME (EXPENSES)			
Interest expense (Notes 18, 19, 23 and 29)	**(269,911,588)**	(275,919,172)	(289,270,749)
Rental income (Note 12, 29, and 31)	**111,343,563**	122,265,868	55,022,242
Interest income (Notes 5, 6, 10 and 23)	**41,198,965**	18,288,499	37,529,266
Foreign exchange gain - net	**17,258,550**	2,455,546	45,835,048
Equity in net earnings (losses) of associates and joint venture (Note 13)	**18,810,890**	15,161,635	(12,001,488)
Recovery of accounts written off (Note 6)	**5,802,251**	10,133,135	9,153,868
Dividend income (Notes 9, 13 and 15)	**2,890,090**	2,488,404	1,199,289
Fair value loss on equity instruments at FVPL (Note 9)	**(852,500)**	(620,000)	(387,500)
Gain on:			
Early extinguishment of loan (Note 18)	**3,076,465**	–	–
Sale of property and equipment	**485,335**	134,743	1,534,265
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	–	10,832,534
Other income (expenses) - net (Note 29)	**(2,142,695)**	3,762,071	(10,911,280)
	(72,040,674)	(101,849,271)	(151,464,505)
INCOME BEFORE INCOME TAX *(Carried Forward)*	**1,403,176,297**	606,504,042	265,327,528

	Years Ended June 30		
	2024	2023	2022
INCOME BEFORE INCOME TAX *(Brought Forward)*	**₱1,403,176,297**	₱606,504,042	₱265,327,528
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**123,421,414**	6,798,832	1,996,170
Deferred	**3,962,104**	(22,229,902)	10,067,128
	127,383,518	(15,431,070)	12,063,298
NET INCOME	**1,275,792,779**	621,935,112	253,264,230
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liabilities (Note 28)	**40,752,216**	(4,859,506)	5,319,314
Tax effect on remeasurement loss (gain) on pension liabilities (Note 30)	**(4,047,782)**	492,178	(149,428)
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**5,232,161**	1,731,752	1,244,792
Share in associate's remeasurement gain (loss) on pension liability (Note 13)	**135,616**	(633,603)	166,058
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**4,195**	7,129	(5,242)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**42,076,406**	(3,262,050)	6,575,494
TOTAL COMPREHENSIVE INCOME	**₱1,317,869,185**	₱618,673,062	₱259,839,724
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱1,275,727,684**	₱623,308,931	₱254,674,709
Non-controlling interests	**65,095**	(1,373,819)	(1,410,479)
	₱1,275,792,779	₱621,935,112	₱253,264,230
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	**₱1,317,804,090**	₱620,046,881	₱261,250,203
Non-controlling interests	**65,095**	(1,373,819)	(1,410,479)
	₱1,317,869,185	₱618,673,062	₱259,839,724
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 32)	**₱0.41**	₱0.20	₱0.08

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, 2024, 2023 AND 2022

	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 28)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 15)	Retained Earnings (Note 21)	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 income	–	–	–	–	–	–	–	–	**1,275,727,684**	**1,275,727,684**	**65,095**	**1,275,792,779**
Other comprehensive income	–	–	–	**36,704,434**	**5,232,161**	–	**135,616**	**4,195**	–	**42,076,406**	–	**42,076,406**
Total comprehensive income	–	–	–	**36,704,434**	**5,232,161**	–	**135,616**	**4,195**	**1,275,727,684**	**1,317,804,090**	**65,095**	**1,317,869,185**
Dividend declaration (Note 21)	–	–	–	–	–	–	–	–	**(616,375,446)**	**(616,375,446)**	–	**(616,375,446)**
Balance at June 30, 2024	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱36,707,023**	**₱20,240,919**	**(₱46,104,556)**	**₱298,698**	**(₱34,579)**	**₱3,524,679,379**	**₱6,999,699,669**	**(₱3,012,328)**	**₱6,996,687,341**
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

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		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,403,176,297**	₱606,504,042	₱265,327,528
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12, 16, 24 and 26)	**485,259,907**	483,023,801	481,167,163
Interest expense (Notes 18, 19, 23 and 29)	**269,911,588**	275,919,172	289,270,749
Interest income (Notes 5, 6, 10 and 23)	**(41,198,965)**	(18,288,499)	(37,529,266)
Movements in pension (Note 28)	**27,981,855**	11,188,067	8,358,384
Equity in net losses (earnings) of associates and joint venture (Note 13)	**(18,810,890)**	(15,161,635)	12,001,488
Provision for impairment of:			
Goodwill (Notes 16 and 26)	**14,268,891**	–	3,806,174
Investment in and advances to an associate (Note 13)	**1,650,340**	–	–
Unrealized foreign exchange gain - net	**(7,655,086)**	(2,338,828)	(44,561,806)
Dividend income (Notes 9, 13 and 15)	**(2,890,090)**	(2,488,404)	(1,199,289)
Fair value loss on equity instruments at FVPL (Note 9)	**852,500**	620,000	387,500
Gain on:			
Early extinguishment of loan (Note 18)	**(3,076,465)**		
Sale of property and equipment	**(485,335)**	(134,743)	(1,534,265)
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	–	–	(10,832,534)
Income on rent concessions (Note 29)	–	–	(6,054,606)
Operating income before working capital changes	**2,128,984,547**	1,338,842,973	958,607,220
Decrease (increase) in:			
Receivables	**(51,279,640)**	66,374,758	(74,701,464)
Inventories	**(22,194,021)**	29,446,474	19,361,673
Prepaid expenses and other current assets	**(45,872,748)**	(54,108,408)	(7,270,149)
Increase (decrease) in:			
Accounts payable and other current liabilities	**104,705,299**	(50,630,335)	(83,516,558)
Unearned tuition and other school fees	**93,026,256**	43,940,924	30,625,479
Other noncurrent liabilities	**65,729,151**	26,780,547	14,093,246
Net cash generated from operations	**2,273,098,844**	1,400,646,933	857,199,447
Interest received	**40,744,916**	18,288,499	20,436,394
Income tax paid	**(40,328,986)**	(202,296)	(123,877)
Net cash provided by operating activities	**2,273,514,774**	1,418,733,136	877,511,964
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 11 and 38)	**(611,570,173)**	(149,870,730)	(86,318,224)
Investment properties (Notes 12 and 38)	**(742,694)**	(147,999,761)	(34,230,335)
Subsidiary, net of cash received (Note 39)	**27,652**	9,232,049	–
Equity instruments at FVPL (Note 9)	–	–	(9,997,500)

(Forward)

	June 30		
	2024	2023	2022
Proceeds from:			
Sale of noncurrent asset held for sale (Note 10)	**₱–**	₱19,000,000	₱–
Sale of property and equipment (Note 11)	**508,916**	135,000	1,652,430
Dividend received (Notes 9, 13 and 15)	**17,903,077**	9,994,897	6,995,502
Acquisition of/payments for intangible assets and other noncurrent assets (Note 16)	**(133,908,257)**	(6,774,372)	(16,947,326)
Net cash used in investing activities	**(727,781,479)**	(266,282,917)	(138,845,453)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Bonds payable (Note 19)	**(2,180,000,000)**	–	–
Interests	**(212,247,813)**	(250,500,565)	(266,445,938)
Long-term loans (Note 18)	**(333,050,203)**	(279,544,753)	(249,544,753)
Dividends (Note 21)	**(613,536,656)**	(214,756,479)	(153,667,156)
Lease liabilities (Note 29)	**(83,324,497)**	(80,779,082)	(73,175,691)
Net proceeds from long-term loans (Note 18)	**1,488,750,000**	–	–
Net cash used in financing activities	**(1,933,409,169)**	(825,580,879)	(742,833,538)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**7,655,086**	2,338,828	44,561,806
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(380,020,788)**	329,208,168	40,394,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,571,737,633**	1,242,529,465	1,202,134,686
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,191,716,845**	₱1,571,737,633	₱1,242,529,465

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 11, 2024, 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 Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (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 11, 2024, 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 the Department of Education (DepEd) and the Technical Education and Skills Development Authority (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 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.

In a meeting held on November 29, 2023, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.”, (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. As at October 11, 2024, the amendments are pending approval by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd of its proposed amendments in connection with its application with the SEC to amend its Articles of Incorporation and By Laws. As at October 11, 2024, TESDA has provided favorable endorsement while STI Quezon Avenue has yet to receive the responses from CHED and DepEd.

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, 2024, 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,” 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 11, 2024.

2. Basis of Preparation and Material Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for 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 which spans one academic year. The academic cycle for SY 2023-2024 began in late August 2023 and ended in June 2024. For SY 2022-2023, the academic year started in late August 2022 for JHS and SHS, while the tertiary level, began in September 2022, with all levels having concluded in June 2023. 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 were all conducted face-to-face.

STI ESG introduced the ONline and ONsite Education at STI (ONE STI) Learning Model as a strategic response to stringent social distancing measures, including class suspensions, prohibitions on mass gatherings, and the imposition of community quarantines, among others, which were implemented to contain the outbreak of 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. This model, introduced in SY 2020-2021, continued through SY 2021-2022. 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 its 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. Classes for 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.

The Group utilizes the electronic Learning Management System (eLMS), a cloud-based software application, to manage the delivery of educational courses and/or training programs for its students. eLMS supports collaboration through integrated tools such as wikis, forums, and discussion groups. It also includes an internal messaging system with bidirectional support for emails and text messaging, as well as a portfolio system that enables students to compile work that supports their learning and achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This platform facilitates two-way interaction between teachers and students where they can collaborate, assign, and submit homework, take assessments, and track learning progress, among others. The Group has extensive experience with online learning, having utilized eLMS since 2016. This platform was crucial during the pandemic when online learning became the predominant modality. As the Group has transitioned back to full in-person instruction, it continues to leverage eLMS to enhance students' learning experiences through courseware content, performance tasks, and digital resources, among others, thereby ensuring continuity of education even amidst potential physical classroom disruptions.

The faculty members of the Group regularly undertake competency-based certifications and training programs. During SY 2021-2022, these training programs were conducted online. Beginning in SY 2022-2023, the Group adopted a hybrid approach, combining in-person and online training sessions. These training programs are essential to maintaining an acceptable level of competency among faculty members, ensuring they possess the industry-based experience and credentials necessary to effectively teach their assigned courses.

The Group remains committed to 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). PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at June 30, 2024 and 2023 and for the years ended June 30, 2024, 2023 and 2022.

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 subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2024		2023		2022	
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, Inc. (STI Training Academy)	Educational Institution	**100**	–	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	–	100	–

(*Forward)*

Subsidiaries	Principal Activities	Effective Percentage of Ownership 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
De Los Santos-STI College, Inc. (De Los Santos-STI College) [c]	Educational Institution	**100**	**–**	100	–	100	–
STI Alabang [d]	Educational Institution	**100**	**–**	100	–	40	–
Clinquant Holdings, Inc (CHI)[e]	Investment Company	**100**	**–**	–	–	–	–
STI Quezon Avenue [f]	Educational Institution	**–**	**100**	–	100	–	100

[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 11, 2024.
[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] On June 20, 2024, STI ESG and Total Consolidated Asset Management, Inc. (TCAMI) executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of TCAMI's subsidiary, CHI. CHI became a wholly owned subsidiary as at June 30, 2024 (see Notes 11 and 39).
[f] 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 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 aforementioned 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, 2023. The adoption of these new standards and amendments did not have any significant impact on the 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. The amendments had an impact on the Group's accounting policy disclosures, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

- 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.

- 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).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after July 1, 2023. The objective of Pillar Two is for large multinational enterprises to pay a minimum level of tax on the income arising in each jurisdiction where they operate. Since the Group is not a multinational enterprise group, the amendment is currently not applicable to the Group.

<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 2025

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7*, Disclosures: Supplier Finance Arrangements*

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21*, Lack of exchangeability*

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 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, 2024 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.

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).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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, 2024 and 2023, 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. Equity instruments at FVOCI are not subject to impairment assessment.

As at June 30, 2024 and 2023, the Group's listed and non-listed equity investments are classified as financial assets at FVOCI.

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, 2024 and 2023, the Group's listed equity investments for trading are classified as financial assets at FVPL.

Impairment of Financial Assets

The Group recognizes an allowance for 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 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.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

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.

As at June 30, 2024 and 2023, the Group does not have financial liabilities at FVPL. The Group's financial liabilities as at June 30, 2024 and 2023 are measured at amortized cost.

Subsequent Measurement
After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated 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).

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.

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. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

Property and Equipment

The Group's property and equipment consists of land, buildings, equipment, furniture and fixtures, leasehold improvements, library holdings, construction in-progress and right-of-use (ROU) assets that do not qualify as investment properties.

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value, excluding the costs of day-to-day servicing. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred and the recognition criteria are met. Land is stated at cost less any impairment in value.

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling or removing the underlying asset.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives or lease term (in the case of ROU assets), whichever is shorter:

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
Renewable energy equipment	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 primarily include land and condominium units held by the Group for office or commercial lease and for capital appreciation. Condominium units are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation of condominium units 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 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.

Asset Acquisition

When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Investments in Associates and Joint Venture
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but 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) and PHEI which follow December 31 and March 31, respectively, as their financial reporting dates. The associates’ and joint venture’s 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					
		2024		2023		2022	
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	–
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 Note 31). STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.*

<u>Intangible Assets</u>
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 useful life of intangible assets as having a finite useful life to be the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of three years.

<u>Impairment of Nonfinancial Assets</u>
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 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.

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 per Share Attributable to the Equity Holders of the Parent Company

Earnings per share is computed by dividing net income attributed to equity holders of the Parent Company for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to stock split and stock dividend declaration, if any.

Diluted earnings per share is calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of any dilutive convertible common shares.

Revenue Recognition

Revenue 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 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.

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.

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	Unfunded, noncontributory defined benefit 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 an 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 (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 accounting policies for 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.

<u>Operating Segment</u>
For management purposes, the Group is organized into business units based on the geographical location of the students and assets. Financial information about operating segments is presented in Note 3 to the consolidated financial statements.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to 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 consolidated net income and EBITDA, defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net losses (earnings) of associates and joint venture, gain on foreign exchange differences, fair value loss on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on settlement of receivables (net of provision for impairment of noncurrent asset held for sale), and income on rent concessions. Depreciation and interest expense for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.

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

	Year Ended June 30		
	2024	2023	2022
Consolidated net income	**₱1,275,792,779**	₱621,935,112	₱253,264,230
Depreciation and amortization [(1)] (see Notes 11, 12, 16, 24 and 26)	**419,986,229**	420,842,361	422,934,908
Interest expense [(1)] (see Notes 18, 19, and 23)	**248,388,355**	256,614,538	268,022,014
Provision for (benefit from) income tax	**127,383,518**	(15,431,070)	12,063,298
Interest income (see Notes 5, 6, 10 and 23)	**(41,198,965)**	(18,288,499)	(37,529,266)
Equity in net losses (earnings) of associates and joint venture (see Note 13)	**(18,810,890)**	(15,161,635)	12,001,488
Foreign exchange gain – net	**(17,258,550)**	(2,455,546)	(45,835,048)

(Forward)

	Year Ended June 30		
	2024	2023	2022
Gain on early extinguishment of loan (see Note 18)	**(₱3,076,465)**	₱–	₱–
Fair value loss on equity instruments at FVPL (see Note 9)	**852,500**	620,000	387,500
Gain on settlement of receivables (see Notes 10 and 12) [2]	**–**	–	(10,832,534)
Income on rent concessions [3] (see Note 29)	**–**	–	(6,054,606)
Consolidated EBITDA	**₱1,992,058,511**	₱1,248,675,261	₱868,421,984

[1] *Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*

[2] *Net of provision for impairment of noncurrent asset held for sale*

[3] *Presented as part of "Other income (expenses) - net"*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information for the years ended June 30, 2024, 2023 and 2022, and certain assets and liabilities information as at June 30, 2024, 2023 and 2022 regarding geographical segments:

	For the year ended June 30, 2024					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱2,094,904,112**	**₱287,297,914**	**₱1,165,127,321**	**₱71,242,354**	**₱77,826,832**	**₱3,696,398,533**
Results						
Income before other income (expenses) and income tax	**₱738,693,241**	**₱110,244,141**	**₱588,827,547**	**₱15,664,471**	**₱21,787,571**	**₱1,475,216,971**
Equity in net earnings of associates and joint venture	**18,810,890**	**–**	**–**	**–**	**–**	**18,810,890**
Interest expense	**(256,039,688)**	**(3,719,018)**	**(6,390,653)**	**(1,313,970)**	**(2,448,259)**	**(269,911,588)**
Interest income	**38,086,493**	**26,102**	**3,074,077**	**5,500**	**6,793**	**41,198,965**
Other income[(a)]	**134,439,231**	**349,570**	**2,618,648**	**117,058**	**336,552**	**137,861,059**
Provision for income tax	**(120,020,582)**	**(2,212,353)**	**(5,150,583)**	**–**	**–**	**(127,383,518)**
Net Income	**₱553,969,585**	**₱104,688,442**	**₱582,979,036**	**₱14,473,059**	**₱19,682,657**	**₱1,275,792,779**
EBITDA						**₱1,992,058,511**

	As at June 30, 2024					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(b)]	**₱7,794,234,323**	**₱682,262,822**	**₱1,792,286,647**	**₱113,698,314**	**₱71,579,918**	**₱10,454,062,024**
Goodwill (see Note 16)	**236,629,190**	**–**	**–**	**–**	**–**	**236,629,190**
Investments in and advances to associates and joint venture (see Note 13)	**496,276,072**	**–**	**–**	**–**	**–**	**496,276,072**
Deferred tax assets - net (see Note 30)	**16,642,597**	**2,797,372**	**12,557,491**	**690,949**	**1,296,597**	**33,985,006**
Total Assets	**₱8,543,782,182**	**₱685,060,194**	**₱1,804,844,138**	**₱114,389,263**	**₱72,876,515**	**₱11,220,952,292**
Segment liabilities[(c)]	**₱595,636,209**	**₱57,008,678**	**₱251,954,267**	**₱11,789,034**	**₱25,101,760**	**₱941,489,948**
Interest-bearing loans and borrowings (see Note 18)	**2,086,114,412**	**–**	**–**	**–**	**–**	**2,086,114,412**
Bonds payable (see Note 19)	**814,967,275**	**–**	**–**	**–**	**–**	**814,967,275**
Pension liabilities (see Note 28)	**44,008,750**	**5,921,760**	**13,681,541**	**1,616,515**	**1,430,678**	**66,659,244**
Lease liabilities (see Note 29)	**122,808,579**	**42,466,080**	**101,690,258**	**18,828,574**	**29,240,581**	**315,034,072**
Total Liabilities	**₱3,663,535,225**	**₱105,396,518**	**₱367,326,066**	**₱32,234,123**	**₱55,773,019**	**₱4,224,264,951**
Other Segment Information						
Capital expenditures for property and equipment						**₱643,537,486**
Depreciation and amortization[(d)]						**419,986,229**
Noncash expenses other than depreciation and amortization						**76,190,964**

[(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, 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	140,619,765
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.*

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 and ensure operational continuity. These measures primarily affected SY 2020-2021 through the first term of SY 2022-2023.

Management has considered the impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates during the aforementioned school years and there are no changes to the significant judgments and estimates in the June 30, 2024 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. This approach reflects the principle that revenue should be recognized as the Group satisfies its performance obligations in rendering its services to students and franchisees. Since the students and franchisees receive and consume the benefits of the services as they are provided, there is no need for another entity to re-perform the services that the Group has provided to date. This demonstrates that students and franchisees simultaneously receive and consume the benefits of the Group's performance as it is performed.

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 is obliged to pay for the asset without any further conditions or actions and the Group has transferred physical possession of the asset.

Asset Acquisition. On June 20, 2024, STI ESG and TCAMI, a related party, executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of TCAMI's wholly owned subsidiary, CHI. Management considered the substance of the assets and activities of the acquired entity and assessed that the acquisition of a subsidiary does not represent a business, but rather an acquisition of the land, the primary asset of the subsidiary at the date of acquisition. The cost of the acquisition is allocated to the assets acquired based upon their relative fair values and no goodwill or deferred tax is recognized (see Notes 11 and 39).

Determination of Control Arising from a Management Contract. The Parent Company has a 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 was 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 the Pasig Property as noncurrent asset held for sale, STI ESG ceased accounting for it 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.

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, particularly receivables from students which were primarily affected from SY 2020-2021 through the first term of SY 2022-2023. 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 ₱24.6 million, ₱60.8 million and ₱114.4 million for the years ended June 30, 2024, 2023 and 2022, respectively. Allowance for ECL on receivables amounted to ₱155.6 million and ₱290.3 million as at June 30, 2024 and 2023, respectively. The carrying amounts of receivables as at June 30, 2024 and 2023 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.

Noncurrent asset held for sale as of June 30, 2022 amounting to ₱19.0 million, 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.

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, 2024 and 2023. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2024	2023
Property and equipment (see Note 11)	**₱4,819,682,065**	₱4,973,070,115
Investment properties (see Note 12)	**444,705,388**	470,511,995
Intangible assets (see Note 16)	**31,192,337**	32,667,775

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 associates and joint venture, intangible assets and other noncurrent assets are disclosed in Notes 11, 12, 13, 14 and 16, respectively.

STI ESG recognized a provision for impairment of its investment in a joint venture amounting to ₱1.7 million for the year ended June 30, 2024. No impairment was recognized for the years ended June 30, 2023 and 2022. As at June 30, 2024 and 2023, the carrying value of the investments in and advances to associates and joint venture amounted to ₱496.3 million and ₱494.0 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 of 13.20% and 10.18% were used as at June 30, 2024 and 2023, 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 showed that the CGUs' recoverable amounts were greater than their carrying amounts, except for NPIM (2024) and STI Iloilo (2022). The Group recognized a provision for impairment of goodwill amounting to ₱14.3 million and ₱3.8 million for the years ended June 30, 2024 and 2022, respectively. No impairment was recognized for the year ended June 30, 2023. Goodwill amounted to ₱236.6 million and ₱250.9 million as at June 30, 2024 and 2023, respectively; while intangible assets with indefinite useful life amounted to ₱27.6 million as at June 30, 2024 and 2023 (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, 2024 and 2023 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, 2024 and 2023 are disclosed in Note 29 to the consolidated financial statements.

Determining Pension Liabilities. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions 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 net pension liabilities as at June 30, 2024 and 2023 are disclosed in Note 28 to the consolidated financial statements.

5. Cash and Cash Equivalents

This account consists of:

	2024	2023
Cash on hand and in banks	**₱860,566,343**	₱751,428,149
Cash equivalents	**331,150,502**	820,309,484
	₱1,191,716,845	₱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 ₱34.8 million, ₱12.5 million and ₱2.6 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 23).

6. Receivables

This account consists of:

	2024	2023
Tuition and other school fees	**₱347,101,878**	₱471,046,281
Educational services and sale of educational materials and supplies	**61,260,086**	63,793,857
Rent, utilities, and other related receivables (see Note 29)	**48,762,757**	56,455,263
Advances to officers and employees (see Note 31)	**25,125,248**	23,348,967
Others	**20,565,060**	17,715,312
	502,815,029	632,359,680
Less allowance for expected credit losses	**155,582,995**	290,348,725
	₱347,232,034	₱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 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, SY 2022-2023 and SY 2023-2024. Receivables from DBP amounted to ₱2.2 million and ₱1.6 million as at June 30, 2024 and 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 next fiscal year.

b. Educational services receivables pertain to receivables from franchisees and other related parties 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 ₱6.4 million, ₱5.8 million and ₱2.0 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 23).

c. Rent, utilities and other related receivables are normally collected within the next fiscal year (see Note 29).

d. Advances to officers and employees substantially 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 (see Note 31).

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.3 million, ₱6.5 million and ₱7.1 million, respectively, as at June 2024 and amounting to ₱1.6 million, ₱6.5 million and ₱5.2 million, respectively, as at June 2023. These receivables are expected to be collected within the next fiscal year.

The movements in allowance for expected credit losses are as follows:

	2024		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱278,670,843**	**₱11,677,882**	**₱290,348,725**
Provisions (reversal) - net [see Note 26]	**24,801,048**	**(206,178)**	**24,594,870**
Write-off	**(156,299,373)**	**(3,061,227)**	**(159,360,600)**
Balance at end of year	**₱147,172,518**	**₱8,410,477**	**₱155,582,995**

	2023		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱228,495,114	₱16,188,663	₱244,683,777
Provisions (reversal) - net [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

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱5.8 million, ₱10.1 million and ₱9.2 million for the years ended June 30, 2024, 2023 and 2022, respectively.

7. Inventories

This account consists of:

	2024	2023
At cost:		
Educational materials:		
Uniforms	**₱112,263,734**	₱95,765,980
Textbooks and other education-related materials	**7,250,240**	9,574,986
	119,513,974	105,340,966
Promotional materials:		
Proware materials	**19,100,179**	13,621,873
Marketing materials	**1,199,015**	428,244
	20,299,194	14,050,117
School materials and supplies	**7,608,101**	5,836,165
	₱147,421,269	₱125,227,248

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Accordingly, the carrying value of these inventories at net realizable value is nil as at June 30, 2024 and 2023. Allowance for inventory obsolescence amounted to ₱25.1 million and ₱24.1 million as at June 30, 2024 and 2023, 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, 2024, 2023 and 2022 amounted to ₱1.0 million, ₱5.6 million and ₱2.0 million, respectively (see Note 26).

Inventories charged to cost of educational materials and supplies sold amounted to ₱96.0 million, ₱83.1 million and ₱23.8 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 25).

8. **Prepaid Expenses and Other Current Assets**

This account consists of:

	2024	2023
Input VAT - net	**₱49,124,164**	₱24,862,201
Prepaid taxes	**18,166,248**	55,039,332
Prepaid subscriptions and licenses	**14,745,516**	12,292,941
Advances to suppliers	**13,317,682**	18,245,027
Prepaid insurance	**1,044,188**	736,637
Software maintenance cost	**984,218**	1,480,531
Others	**1,408,970**	2,195,644
	₱98,790,986	₱114,852,313

Net input VAT represents the remaining balance after application against output VAT and is recoverable in future periods. As at June 30, 2024, the balance includes the input VAT related to the acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City amounting to ₱24.7 million (see Note 16). As at June 30, 2023, input VAT 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.

Prepaid taxes primarily pertain to prepayments for creditable withholding taxes, business and real property taxes. Prepayments for business and real property taxes are recognized as expense over the applicable period, typically within 12 months ending December of every year. Excess prior year credits and a substantial portion of creditable withholding taxes as at June 30, 2023 were applied against income tax due in 2024.

Prepaid subscriptions and licenses as at June 30, 2024 substantially pertain to Microsoft license and eLMS subscriptions which were paid in advance in preparation for the succeeding school year. The balance as at June 30, 2023 includes the prepaid subscription for firewall services to protect the Group's systems from unauthorized access, cyber threats, and data breaches, among others. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Advances to suppliers primarily relate to prepayments for the procurement of students' school uniforms. This account also includes advances for expenses related to commencement exercises, repairs, and maintenance expenses.

Prepaid insurance primarily represents comprehensive general liability, fire and other risks insurance coverage on buildings, and health insurance for employees, which were paid in advance and are recognized as expense over the period of coverage which is within the next fiscal year.

Software maintenance costs as at June 30, 2024 substantially pertain to the annual support and maintenance charges for the use of STI ESG's accounting system. The balance as at June 30, 2023 includes the annual support and maintenance charges for the use of the Group's enrollment system. These software maintenance costs are recognized as expense over time in accordance with the terms of the respective agreements.

Other prepaid expenses mainly include advance payments made for the use of a recruitment platform, club membership fees, association dues, and annual monitoring fee for STI ESG's bond issue.

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

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱8.1 million and ₱9.0 million as at June 30, 2024 and 2023, 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 ₱0.9 million, ₱0.6 million and ₱0.4 million for the years ended June 30, 2024, 2023 and 2022, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.6 million for the years ended June 30, 2024 and 2023 and ₱0.4 million for the year ended June 30 2022.

10. Noncurrent Asset Held for Sale

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.

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).

11. Property and Equipment

The rollforward analyses of this account are as follows:

2024

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Renewable Energy Equipment	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	**₱2,496,599,185**	**₱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	**182,873,095**	**116,782,420**	**29,495,843**	**14,735,296**	**10,168,642**	**2,427,000**	**44,505,257**	**517,679**	**10,554,665**	**231,477,589**	**–**	**38,590,106**	**5,080,982**	**687,208,574**
Disposal	**–**	**–**	**(23,416)**	**(36)**	**–**	**–**	**(129)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,581)**
Reclassification	**–**	**30,541,347**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,541,347)**	**–**	**–**	**–**	**–**
Reclassification to investment properties (see Note 12)	**(187,440,604)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(187,440,604)**
Depreciation and amortization (see Notes 24 and 26)	**–**	**(283,155,911)**	**(48,330,971)**	**(14,563,309)**	**(10,441,864)**	**(497,834)**	**(30,511,745)**	**(2,678,367)**	**(1,310,027)**	**–**	**(8,079,494)**	**(47,963,019)**	**(9,231,165)**	**(456,763,706)**
Balance at end of year	**₱2,492,031,676**	**₱4,358,612,598**	**₱91,355,509**	**₱27,851,333**	**₱13,461,185**	**₱3,382,861**	**₱56,417,937**	**₱9,916,121**	**₱9,244,638**	**₱236,931,831**	**₱106,374,068**	**₱134,466,916**	**₱8,598,899**	**₱7,548,645,572**
At June 30, 2024														
Cost	**₱2,492,031,676**	**₱6,685,558,712**	**₱803,587,678**	**₱338,149,146**	**₱208,972,459**	**₱12,259,517**	**₱464,038,221**	**₱133,638,561**	**₱10,554,666**	**₱236,931,831**	**₱148,107,223**	**₱279,564,030**	**₱59,287,044**	**₱11,872,680,764**
Accumulated depreciation and amortization	**–**	**(2,326,946,114)**	**(712,232,169)**	**(310,297,813)**	**(195,511,274)**	**(8,876,656)**	**(407,620,284)**	**(123,722,440)**	**(1,310,028)**	**–**	**(41,733,155)**	**(145,097,114)**	**(50,688,145)**	**(4,324,035,192)**
Net book value	**₱2,492,031,676**	**₱4,358,612,598**	**₱91,355,509**	**₱27,851,333**	**₱13,461,185**	**₱3,382,861**	**₱56,417,937**	**₱9,916,121**	**₱9,244,638**	**₱236,931,831**	**₱106,374,068**	**₱134,466,916**	**₱8,598,899**	**₱7,548,645,572**

2023

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Renewable Energy Equipment	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

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,649.3 million and ₱1,369.4 million as at June 30, 2024 and 2023, respectively. There were no idle property and equipment as at June 30, 2024 and 2023.

Additions

Land Acquired through Acquisition of Shares. On June 20, 2024, STI ESG and TCAMI, a related party, executed a Deed of Absolute Sale for the acquisition of 76.0 million common shares, each with a par value of ₱1.0, representing 100% of the total issued and outstanding capital stock of CHI, for ₱180.0 million. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. The land was valued at ₱182.9 million, following the allocation of the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million (see Note 39).

Solar Project. STI ESG likewise conducted roof deck waterproofing activities and subsequently installed solar panels at its head office building located in the STI Ortigas-Cainta campus during the fiscal year ended June 30, 2024. The solar panels have a total capacity of 212 kilowatts and have yielded cost savings for both administrative and school energy consumption for the year ended June 30, 2024. The associated contract cost for the solar panel project is ₱10.6 million, while the roof deck waterproofing activities have a total project cost of ₱6.1 million. The roof deck waterproofing works and design and installation of solar power system for the STI Ortigas-Cainta campus were completed in November 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 Notes 1, 10 and 12).

Property and Equipment under Construction. In preparation for SY 2023-2024, several wholly owned schools of STI ESG have undergone exterior and interior renovation projects with a total project cost amounting to ₱55.5 million. As at June 30, 2023, the remaining construction-in-progress related to these projects amounted to ₱20.6 million. These projects have been completed within the first semester of SY 2023-2024. As at June 30, 2023, the construction in progress account likewise includes the canteen area and basketball court roofing project for STI Legazpi amounting to ₱1.1 million. This project has a total cost of ₱25.7 million and was completed in February 2024.

As at June 30, 2024, the Group reported costs of construction-in-progress aggregating to ₱236.9 million mainly pertaining to (1) construction of the new building in STI Ortigas-Cainta campus, (2) class room expansion projects (3) renovation and rehabilitation project of STI ESG’s Tanay property, (4) construction of a three-storey building at STI Lipa, (5) roof deck waterproofing activities and installation of solar panels, and (6) renovation and rehabilitation projects. The classroom expansion projects, roof deck waterproofing efforts, solar panel installations, and renovation and rehabilitation initiatives, are currently in progress for several wholly owned schools.

The school building under construction at the STI Ortigas-Cainta campus has a total project cost of ₱217.3 million and is expected to accommodate an additional 4,500 students beginning SY 2024-2025. The first and second floors of the building were completed in September 2024 and are now being used for SY 2024-2025. The rest of the building is scheduled for completion by the end of December 2024.

The Group, in anticipation of a growing student population, has undertaken classroom expansion projects for several schools, namely, STI Las Piñas, STI Cubao, STI Sta Mesa, STI Caloocan, STI Lucena, STI San Jose del Monte, and STI Lipa. These expansion projects, mainly involving the partitioning of vacant or multi-purpose areas, have a total cost of ₱105.0 million and are expected to be fully completed by the end of November 2024. These additional classrooms can accommodate approximately 10,000 students.

STI ESG has undertaken renovation works at its Tanay property. The initial phase, which addressed exterior facilities, has a total contract cost of ₱14.5 million and was completed in January 2024. The subsequent phase, which focused on interior improvements, has a total project cost of ₱14.6 million, and was completed in August 2024.

The design and construction of a three-storey building at STI Lipa has a total contract amount of ₱40.0 million, which includes all costs of materials, labor, tools, equipment, and incidental expenses to be incurred for the completion of the project. This project is expected to be completed in October 2024.

The construction-in-progress account as at June 30, 2024 also includes the ongoing installation of solar panels in several wholly-owned schools of STI ESG. These projects have an aggregate cost of ₱23.0 million and were all completed as at September 30, 2024.

Moreover, some of STI ESG's wholly-owned schools have also undergone various renovation and rehabilitation projects in preparation for the next school year. As at June 30, 2024, most of these projects with a combined cost of ₱6.2 million were completed as at July 31, 2024 while one project with a total cost of ₱8.4 million is expected to be completed by end of October 2024.

Collaterals

Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at June 30, 2024 and 2023 (see Note 29). The net book value of these equipment amounted to ₱8.6 million and ₱12.7 million as at June 30, 2024 and 2023, respectively.

12. Investment Properties

The roll forward analyses of this account are as follows:

	2024			
	Land	**Condominium Units**	**Construction-in-Progress**	**Total**
Cost:				
Balance at beginning of year	**₱204,626,879**	**₱779,564,396**	**₱–**	**₱984,191,275**
Additions	**–**	**742,694**	**–**	**742,694**
Reclassification from property and equipment (see Note 11)	**187,440,604**	**–**	**–**	**187,440,604**
Balance at end of year	**392,067,483**	**780,307,090**	**–**	**1,172,374,573**
Accumulated Depreciation:				
Balance at beginning of year	**–**	**309,052,401**	**–**	**309,052,401**
Depreciation (see Note 26)	**–**	**26,549,301**	**–**	**26,549,301**
Balance at end of year	**–**	**335,601,702**	**–**	**335,601,702**
Net book value	**₱392,067,483**	**₱444,705,388**	**₱–**	**₱836,772,871**

	2023			
	Land	Condominium Units	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 Note 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

As at June 30, 2024 and 2023, investment properties primarily include 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, 2024 and 2023, the following shows the valuation technique used in measuring the fair value of the land, as well as the significant unobservable inputs used:

	2024	2023
Fair value	**₱667,106,385**	₱484,056,385
Valuation Date	**June 2023/May 2022**	June 2023/May 2022
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
Level 3 fair values of condominium units have also been derived using the market approach.

Using the latest available valuation report as at June 30, 2024 and 2023, the following table shows the valuation technique used in measuring the fair value of the condominium units, as well as the significant unobservable inputs used:

Fair value	₱1,597,923,000
Valuation Date	June 2023/May 2022
Valuation technique	Market approach
Unobservable input	Net price per square meter
Relationship of unobservable inputs	The higher the price per square meter, the higher the fair value

The highest and best use of the condominium units 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 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, with one remaining active lease as at the reporting date set to expire in 2025.

Reclassification from Property and Equipment. In 2024, STI ESG reclassified the vacant lot located on Diversion Road, Brgy. San Rafael, Mandurriao, Iloilo City to "Investment properties" following the cessation of STI Iloilo's operations in the area. The carrying value of the property at the time of reclassification is at ₱187.4 million. 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. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2026 up to 2029 (see Note 11).

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 as at June 30, 2023, inclusive of materials, cost of labor and overhead and all other costs for the fit-out requirements of the lessee. The renovation works for the said office condominium units were completed in August 2022, with variation orders on mechanical works amounting to ₱0.7 million completed in December 2023.

Rental

Rental income earned from investment properties amounted to ₱96.9 million, ₱110.4 million and ₱50.1 million for the years ended June 30, 2024, 2023 and 2022, 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 ₱10.3 million, ₱6.8 million and ₱5.6 million for the years ended June 30, 2024, 2023 and 2022, respectively.

13. Investments in and Advances to Associates and Joint Venture

The details and movements of this account are as follows:

	2024	2023
Investments		
Acquisition costs	**₱549,760,826**	₱549,760,826
Accumulated equity in net losses:		
Balance at beginning of year	**(55,896,436)**	(63,551,578)
Equity in net earnings of associates and joint venture	**18,810,890**	15,161,635
Dividends received	**(15,012,987)**	(7,506,493)
Balance at end of year	**(52,098,533)**	(55,896,436)
Accumulated share in associates’ other comprehensive income:		
Balance at beginning of year	**124,308**	750,782
Remeasurement gain (loss) on pension liability	**135,616**	(633,603)
Unrealized fair value adjustment on equity instruments designated at FVOCI	**4,195**	7,129
	264,119	124,308
	497,926,412	493,988,698
Less allowance for impairment loss (see Note 14)	**1,650,340**	–
	496,276,072	493,988,698
Advances (see Note 31)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱496,276,072	₱493,988,698

The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	2024	2023
Associates (see Note 31):		
STI Holdings	**₱475,167,393**	₱473,239,081
STI Accent*	**48,134,540**	48,134,540
GROW	**18,814,679**	16,733,574
Joint venture - PHEI	**3,944,340**	4,016,043
	546,060,952	542,123,238
Allowance for impairment loss	**(49,784,880)**	(48,134,540)
	₱496,276,072	₱493,988,698

**The share in equity of STI Accent for the years ended June 30, 2024 and 2023 is not material to the consolidated financial statements.*

As at June 30, 2024 and 2023, the carrying amount of investments in STI Marikina and STI Accent amounted to nil.

Provision for impairment on investment in joint venture for the year ended June 30, 2024 amounted to ₱1.7 million (see Note 26). 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.

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:

	2024	2023	2022
Current assets	**₱3,679,207,879**	₱3,781,571,176	₱3,421,552,726
Noncurrent assets	**11,762,613,967**	11,301,610,127	11,156,370,777
Current liabilities	**(1,770,507,834)**	(3,451,887,036)	(1,201,849,385)
Noncurrent liabilities	**(3,098,938,003)**	(2,421,483,768)	(4,881,109,476)
Total equity	**10,572,376,009**	9,209,810,499	8,494,964,642
Equity attributable to holders of non-controlling interests	**(90,813,426)**	(81,940,509)	(81,371,202)
STI ESG's cumulative total comprehensive income taken up by STI Holdings	**(5,938,875,118)**	(4,299,486,544)	(3,679,664,034)
Total equity, net of cumulative total comprehensive income taken up by STI Holdings	**4,542,687,465**	4,828,383,446	4,733,929,406
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Equity attributable to equity holders of the Parent Company	**245,761,676**	243,833,364	239,063,435
Excess of acquisition cost over carrying value of net assets	**229,405,717**	229,405,717	229,405,717
Carrying amount of investment	**₱475,167,393**	₱473,239,081	₱468,469,152

	2024	2023	2022
Revenues	**₱4,700,323,668**	₱3,405,467,953	₱2,677,631,893
Expenses	**(3,091,972,670)**	(2,531,633,670)	(2,261,388,500)
Income from operations	**1,608,350,998**	873,834,283	416,243,393
Other comprehensive income (loss)	**44,703,772**	(15,035,026)	9,597,622
Total comprehensive income	**1,653,054,770**	858,799,257	425,841,015
Comprehensive loss (income) attributable to equity holders of non-controlling interest	**17,159,815**	(3,565,879)	(2,214,959)
STI ESG's total comprehensive income taken up by STI Holdings	**(1,337,671,868)**	(599,853,370)	(260,522,183)
Total comprehensive income attributable to equity holders of the parent company net of STI ESG's total comprehensive income taken up by STI Holdings	**332,542,717**	255,380,008	163,103,873
Proportion of the Group's ownership	**5.05%**	5.05%	5.05%
Share in total comprehensive income	**₱16,801,488**	₱12,902,896	₱8,240,709

In August and September 2024, STI ESG sold a portion of its investment in STI Holdings for a total consideration of ₱25.0 million, reducing its shareholding by 23.0 million shares, from 500.4 million shares to 477.4 million shares. As a result, STI ESG's ownership interest in STI Holdings decreased from 5.05% to 4.82%, respectively, as at October 11, 2024.

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, 2024 and 2023, allowance for impairment loss on the Parent Company's investment in STI Accent and related advances amounted to ₱48.1 million.

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:

	2024	2023	2022
Current assets	**₱188,843,745**	₱51,770,628	₱192,276,126
Noncurrent assets	**36,129,515**	62,726,577	40,302,973
Current liabilities	**(101,648,317)**	(68,142,818)	(201,489,565)
Noncurrent liabilities	**(12,207,467)**	(1,590,507)	(16,855,871)
	₱111,117,476	₱44,763,880	₱14,233,663

	2024	2023	2022
Revenues	**₱389,594,161**	₱313,535,150	₱286,407,241
Expenses	**(377,531,625)**	(299,621,317)	(316,911,622)
Total comprehensive income (loss)	**12,062,536**	13,913,833	(30,504,381)
Share in comprehensive income (loss)	**₱2,009,402**	₱2,258,739	(₱20,242,197)

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 were 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 iACADEMY, Inc. (iACADEMY) (Formerly: Information and Communications Technology Academy, Inc.) 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.

On October 2, 2023, the BOD of PHEI approved the cessation of its school operations effective December 31, 2023.

The BOD of STI ESG, in its February 27, 2024 meeting, approved the termination of the Joint Venture Agreement (JVA) between STI ESG and the University of Makati. This JVA, which was signed in March 2004, caused the establishment of PHEI. In the same board meeting, the BOD also directed the amendment of the AOI of PHEI for the purpose of shortening the corporate life of PHEI.

In a meeting of the BOD of PHEI held on March 26, 2024, the BOD of PHEI agreed to call for a special stockholders' meeting for the purpose of amending its AOI to shorten its corporate life to March 31, 2025.

STI ESG recognized a provision for impairment of its investment in a joint venture amounting to ₱1.7 million for the year ended June 30, 2024 (nil for the years ended June 30, 2023 and 2022). The cost of STI ESG's investment in PHEI amounted to ₱5.0 million while its carrying value amounted to ₱2.3 million and ₱4.0 million as at June 30, 2024 and 2023, respectively.

The Group's share in the net losses of its joint venture amounted to ₱0.1 million, ₱0.2 million and ₱0.05 million for the years ended June 30, 2024, 2023 and 2022, respectively.

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

This account consists of:

	2024	2023
Quoted equity shares	**₱9,574,560**	₱5,639,840
Unquoted equity shares	**66,452,669**	65,861,392
	₱76,027,229	₱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 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 ₱32.3 million and ₱31.0 million as at June 30, 2024 and 2023.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱1.1 million, ₱1.8 million, and ₱0.8 million for the years ended June 30, 2024, 2023, and 2022, respectively.

The roll forward 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:

	2024	2023
Balance at beginning of year	**₱15,008,758**	₱13,277,006
Unrealized fair value adjustment on equity instruments at FVOCI	**5,232,161**	1,731,752
Balance at end of year	**₱20,240,919**	₱15,008,758

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

This account consists of:

	2024	2023
Goodwill	**₱236,629,190**	₱250,898,081
Deposit for purchase of shares	**60,484,800**	–
Advances to suppliers	**60,000,697**	20,130,653
Intangible assets	**31,192,337**	32,667,775
Rental and utility deposits (see Note 29)	**24,404,273**	25,254,523
Deposit for asset acquisition	**20,412,500**	–
Others	**2,823,111**	2,213,950
	₱435,946,908	₱331,164,982

Goodwill
As at June 30, 2024 and 2023, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs.

	2024	2023
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Alabang (see Note 39)	**23,023,960**	23,023,960
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches	**21,803,322**	21,803,322
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
NAMEI	**6,962,343**	6,962,343
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	**1,325,721**	1,325,721
STI Dumaguete	**604,237**	604,237
NPIM	**–**	14,268,891
	₱236,629,190	₱250,898,081

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 of 13.20% and 10.18% in June 2024 and 2023, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. Management used forecasted revenue increase ranging from 0.33% to 56.62% and 0.02% to 66.10% in June 2024 and 2023, respectively, for the next five years. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 2024 and 2023. The Group recognized a provision for impairment on goodwill amounting to ₱14.3 million and ₱3.8 million for the years ended June 30, 2024 and 2022, respectively (see Note 26). No impairment was recognized for the year ended June 30, 2023.

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. The 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
Regarding 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.

Deposit for Purchase of Shares
On June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement for STI ESG's acquisition of 190.0 million common shares with par value of ₱1.0 per share, representing 100% of the total issued and outstanding capital stock (Subject Shares) of TCAMI's wholly owned subsidiary, Phosphene Holdings, Inc. (PHI), for ₱403.2 million. A 15% deposit, equivalent to ₱60.5 million, has been paid upon the effective date of the Share Purchase Agreement. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement.

The agreement grants STI ESG the right to cancel the purchase of the Subject Shares at any time within the three-year period. If STI ESG opts to cancel, PHI shall refund the deposit within thirty (30) days from receipt of the written notice of cancellation. The transfer of the shares shall take place on the third anniversary of the Share Purchase Agreement's effective date or at an earlier date mutually agreed upon by the Parties.

PHI owns a 25,202-square-meter parcel of land located at President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas.

Advances to Suppliers
Advances to suppliers as at June 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas Cainta, (2) learning classroom expansion project in certain wholly owned schools (3) acquisition of equipment and furniture, and (4) various ongoing major renovation and rehabilitation 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.

Advances to suppliers as at June 30, 2023 relate to payments made in advance for several transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi, (2) renovation of STI ESG's property in Tanay, Rizal, (3) acquisition of equipment and furniture, (4) various projects of the other schools owned and operated by STI ESG, and (5) design and set-up of the new enrollment system. All projects were completed as at June 30, 2024 except for the design and set-up of STI ESG's new enrollment system, which remains ongoing as at report date. The related costs for these projects were recognized as "Property and equipment" when the goods were received, or the services were completely rendered while the related cost for the new enrollment system will be recognized as "Intangible assets" upon completion of the project.

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, 2024 and 2023.

This account also includes the Group's accounting and payroll software which are being amortized over their estimated useful lives.

The roll forward analyses of this account follow:

	2024	2023
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱32,667,775**	₱33,126,676
Additions	**471,462**	78,400
Amortization (see Notes 24 and 26)	**(1,946,900)**	(537,301)
Balance at end of year	**₱31,192,337**	₱32,667,775
Cost	**₱73,095,036**	₱72,623,574
Accumulated amortization	**(41,902,699)**	(39,955,799)
Net carrying amount	**₱31,192,337**	₱32,667,775

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.

Deposit for Asset Acquisition
On June 10, 2024, STI ESG and Avida Land Corp. (Avida) executed a contract to sell for STI ESG's acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million, inclusive of taxes. The purchase price is payable in three installments (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million shall be paid by STI ESG upon the execution of the Deed of Sale on Installments (the Deed); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed.

On September 30, 2024, STI ESG and Avida executed the Deed. On the same date, STI ESG settled the second installment amounting to ₱81.6 million. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale. STI ESG shall be entitled to the physical possession and control over the lot upon execution of the Deed. Similarly, the Deed also provided that STI ESG should start the construction within two years from the execution of the Deed.

This lot will be the future site of the new STI Academic Center Alabang.

17. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2024	2023
Accounts payable (see Note 31)	**₱328,455,254**	₱323,655,444
Accrued expenses:		
School activities, programs and other related expenses	**60,271,156**	48,556,774
Contracted Services	**37,376,939**	41,214,856
Interest	**49,507,925**	21,499,453
Salaries, wages and benefits	**40,047,307**	25,188,663
Utilities	**17,794,644**	7,731,670
Advertising and promotion	**3,058,569**	3,268,457
Rent (see Note 29)	**515,965**	2,366,145
Others	**829,914**	1,728,669
Due to an affiliate (see Note 31)	**59,511,839**	–
Network events fund	**25,393,943**	18,927,070
Student organization fund	**24,876,697**	20,793,423
Statutory payables	**24,171,235**	22,924,438
Dividends payable (see Note 21)	**18,000,539**	15,161,749
Current portion of advance rent (see Note 20)	**11,181,883**	74,400
Current portion of refundable deposits (see Note 20)	**8,418,007**	3,925,833
Others	**5,511,539**	3,913,686
	₱714,923,355	₱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 fiscal year.

c. Due to an affiliate is noninterest-bearing and is expected to be settled within the next fiscal year. Terms and conditions of payables to related parties are disclosed in Note 31 to the consolidated financial statements.

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

e. Dividends payable pertain to dividends declared which are unclaimed as at report date and are due on demand.

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

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

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

This account consists of:

	2024	2023
Term loans[(a)]	**₱2,086,114,412**	₱715,342,511
Corporate notes[(b)]	**–**	213,518,516
LandBank ACADEME Program[(c)]	**–**	3,042,274
	2,086,114,412	931,903,301
Less current portion	**536,274,021**	183,042,276
Noncurrent portion	**₱1,549,840,391**	₱748,861,025

[(a)]Net of unamortized debt issuance costs of ₱13.9 million and ₱4.7 million as at June 30, 2024 and 2023, respectively.
[(b)]Inclusive of unamortized premium on corporate notes of ₱3.5 million as at June 30, 2023
[c)]Net of unamortized debt issuance costs of ₱7.9 thousand as at June 30, 2023.

Term Loan Agreement with Bank of the Philippine Islands (BPI)
On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement providing for a credit facility of up to the amount of ₱1,000.0 million. The credit facility is unsecured and is available and ending on the earliest of (i) December 31, 2024 (ii) the date the total facility is fully drawn by STI ESG, and (iii) the date the total facility is terminated or cancelled in accordance with the terms of the Term Loan Agreement. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) and for other general corporate requirements.

On March 18, 2024, STI ESG availed a ₱500.0 million loan from this facility at an interest rate of 8.4211% per annum. The proceeds from this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

Principal repayments shall be in ten (10) equal installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of initial borrowing until the maturity date. Interest and principal payment for the succeeding borrowings shall coincide with that of the initial borrowing.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis equivalent to higher of (i) the base rate-floating plus margin; and (ii) the applicable Bangko Sentral ng Pilipinas (BSP) Target Reverse Repurchase Rate (TRRP) plus margin, payable and repriceable semi-annually. Base Rate means the PHP Bloomberg Valuation (BVAL) or PHP BVAL Reference Rates (or in the event of its elimination or discontinuance, its replacement as may be determined by the Bankers' Association of the Philippines (BAP) or BSP, as displayed on Bloomberg (or such applicable platform) at approximately 5:00 PM on the relevant Interest Rate Setting Date or Interest Rate Repricing Date. BSP TRRP means the monetary policy interest rate of the BSP as published daily in the BSP website. On May 10, 2024, BPI agreed to STI ESG's request to amend the Term Loan Agreement with respect to the basis of floating interest rate at each drawdown equivalent to the higher of (i) the base rate-floating plus margin; and (ii) the applicable BSP TRRP plus 50 basis points, payable and repriceable semi-annually. This will take effect on the next drawdown or the next repricing date, whichever comes first, subject to execution of the amended Term Loan Agreement.

Interest Period commences on the date of the Borrowing and having a duration of six (6) months and each six (6)-month period thereafter commencing upon the expiry of the immediately preceding Interest Period; provided that, in case of multiple Borrowings, for each Borrowing subsequent to the initial Borrowing, the first Interest Period for that subsequent Borrowing shall commence on the date of such

Borrowing and shall end on the last day of the current Interest Period for the initial Borrowing as established above in order to synchronize the interest periods of all Borrowings. Interest Rate Setting Date means, two (2) Business Days prior to each Borrowing Date or, if that is not a Business Day, on the immediately preceding Business Day. Interest Rate Repricing Date shall mean two (2) Business Days prior to each semi-annual date coinciding with the Interest Payment Date. Interest rate for the Term Loan Facility with BPI was repriced at the rate of 7.8735% per annum effective September 18, 2024.

STI ESG shall have the option to prepay the loan, wholly or partially, at any time during the term of the loan. Each partial prepayment shall be in integral multiples of ₱10.0 million. The amount payable in respect of any prepayment of the loan shall comprise of (i) any accrued interest on the principal amount of the loan to be prepaid; and (ii) the principal amount of the Loan to be prepaid; and (iii) prepayment penalty equivalent to 1% of the amount prepaid when the prepayment is done on any date other than the Interest Rate Setting Date.

The embedded floating interest rate and prepayment option on the loan drawdown with BPI was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

Fiscal Year	Amount
2025	₱100,000,000
2026	100,000,000
2027	100,000,000
2028	100,000,000
2029	100,000,000
	₱500,000,000

Breakdown of the STI ESG's Term Loan with BPI as of June 30, 2024 follows:

	Amount
Balance at beginning of year	₱–
Proceeds	500,000,000
Balance at end of year	500,000,000
Deferred finance cost	(3,536,184)
Balance at end of year	496,463,816
Less current portion	99,249,589
Balance classified as noncurrent	₱397,214,227

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with BPI amounting to ₱50.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year:

1. Debt-to-equity (D/E) ratio not exceeding than 2.5:1, computed by dividing Total Debt over total Equity of STI ESG

2. Debt Service Cover Ratio (DSCR) of at least 1.05x, which is the ratio between (a) the EBITDA based on the latest Financial Statements, and (b) Debt Service.

The term "Total Debt" means the aggregate (as of the relevant date for calculation) of all interest bearing Indebtedness of STI ESG, and the term "Equity" means the sum of capital stock (common and preferred stocks), additional paid-in capital, deposit for future subscriptions, retained earnings (appropriated and unappropriated) and shareholders advances that are intended to be infused as capital stock, as shown in the applicable Financial Statements of STI ESG. Provided that preferred stocks shall only be considered as part of capital stock if the said preferred stocks do not earn interest.

Debt Service means the principal amortizations, interest payments and financing fees and charges falling due for the next twelve (12) months following the end of STI ESG's fiscal year. Debt Service and EBITDA shall be based on the latest audited consolidated financial statements.

The Group's D/E ratio and DSCR, as defined in the Term Loan Agreement with BPI, as at June 30, 2024 are as follows:

Total liabilities [(a)]	₱2,901,081,687
Total equity	6,996,687,341
Debt-to-equity ratio	0.41:1.00

[(a)] *Including only all interest-bearing Indebtedness*

EBITDA (see Note 3) [(b)]	₱1,992,058,511
Total interest-bearing liabilities [(c)]	834,054,745
Debt service cover ratio [(d)]	2.39:1.00

[(b)] *EBITDA for the last twelve months*
[(c)] *Total interest-bearing debts and interests due in the next twelve months*
[(d)] *The first drawdown from the BPI loan facility was made on March 18, 2024*

As at June 30, 2024, STI ESG is in compliance with the BPI loan covenants.

Term Loan Agreement with Metropolitan Bank & Trust Company (Metrobank)
On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million. The credit facility is unsecured and is available up to December 31, 2024. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) and for other general corporate requirements. Principal repayments shall be made in equal or nearly equal consecutive ten (10) installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date, with the last installment in an amount sufficient to fully pay the loan. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of borrowing or initial borrowing, until the maturity date. In case there is more than one (1) borrowing, the repayment date shall be adjusted to coincide with the interest payment date occurring in the same calendar month.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis based on the higher of the aggregate of the six (6) month reference rate plus 1.50% per annum, and the aggregate of the BSP TRRP Rate plus 0.50% per annum. Reference rate is defined as the relevant tenor of the Bloomberg Valuation Curve for Philippine government securities, currently referred to as BVIS0923 Index in Bloomberg, as published on the PDS market page and PDS official website.

Interest Period commences on the date of borrowing or initial borrowing, in case there is more than one (1) borrowing, and having a duration of six months and each semi-annual period thereafter commencing upon the expiry of the immediately preceding interest period, provided, that the first interest period with respect to a borrowing subsequent to the initial borrowing shall commence on the date of such subsequent borrowing and shall end on the last day of the current interest period of the initial borrowing within which such subsequent borrowing was made to synchronize all subsequent interest periods. Interest Rate Setting Date is the business day immediately preceding the date of borrowing and each semi-annual period occurring after such business day but coinciding with the interest payment date.

On March 18, 2024, STI ESG made a drawdown amounting to ₱1,000.0 million subject to an interest rate of 7.8503% per annum. Interest rate for the Term Loan Facility with MetroBank was repriced at the rate of 7.8135% per annum effective September 18, 2024. The proceeds of this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

STI ESG may, at its option, prepay the loan in part or in full, together with accrued interest thereon. Each partial prepayment shall be in whole multiples of ₱10.0 million. Each prepayment shall be made on an interest payment date, otherwise prepayment shall be subject to a prepayment penalty of 1% of the amount prepaid.

The embedded floating interest rate and prepayment option on the loan drawdown with Metrobank was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

Fiscal Year	Amount
2025	₱200,000,000
2026	200,000,000
2027	200,000,000
2028	200,000,000
2029	200,000,000
	₱1,000,000,000

Breakdown of the STI ESG's Term Loan with Metrobank as of June 30, 2024 are as follows:

	Amount
Balance at beginning of year	₱–
Proceeds	1,000,000,000
Balance at end of year	1,000,000,000
Deferred finance cost	(7,072,368)
Balance at end of year	992,927,632
Less current portion	198,499,178
Balance classified as noncurrent	₱794,428,454

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with Metrobank amounting to ₱100.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's 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, shall mean the proportion of the Total Debt to Equity, and

2. Debt Service Cover Ratio (DSCR) of at least 1.05x, shall mean the proportion of EBITDA to Debt Service.

The term “Total Debt” shall mean all obligations of STI ESG which, in accordance with generally accepted accounting principles and practices in the Philippines, are required to be included as liabilities of STI ESG in its statement of financial position, including accrued income taxes and other proper accruals, but excluding “Unearned tuition and other school fees” and “Lease liabilities”, as computed based on PFRS 16, and the term “Equity” shall mean the equity interest of the owners of the capital stock of STI ESG computed and determined in accordance with generally accepted accounting principles and practices in the Philippines.

The term “EBITDA” shall mean the net income or net earnings of STI ESG, before deducting interest expense, taxes, depreciation and amortization, and as defined in its Audited Consolidated Financial Statements for the immediately preceding fiscal year, and the term “Debt Service” shall mean the aggregate (as of the relevant date for calculation) of all outstanding interest-bearing debits/obligations of STI ESG that are due/payable in the next fiscal year, computed and determined in accordance with generally accepted accounting principles and practices in the Republic of the Philippines.

The Group’s D/E ratio and DSCR, as defined in the Term Loan Agreement with Metrobank, as at June 30, 2024 are as follows:

Total liabilities [a]	₱3,816,204,623
Total equity	6,996,687,341
Debt-to-equity ratio	0.55:1.00

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

EBITDA (see Note 3) [b]	₱1,992,058,511
Total interest-bearing liabilities [c]	834,054,745
Debt service cover ratio [d]	2.39:1.00

[b] *EBITDA for the last twelve months*
[c] *Total interest-bearing debts and interests due in the next twelve months*
[d] *The first drawdown from the Metrobank loan facility was made on March 18, 2024*

As at June 30, 2024, STI ESG is in compliance with the Metrobank loan covenants.

<u>Term Loan Agreement with China Banking Corporation (Chinabank)</u>
On May 7, 2019, STI ESG and Chinabank 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 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 Chinabank 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 STI ESG 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 STI ESG 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 6.5789% per annum and 8.0472% effective September 19, 2022 and 2023, respectively. Starting from September 19, 2024, the interest rate was adjusted to 7.8749% per annum.

Provided that no event of default has occurred and is continuing, STI ESG may prepay, after the second (2^{nd}) anniversary date of the initial drawdown, all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment. Prepayments shall not be subject to any penalties if made on an interest rate resetting date. Otherwise, STI ESG shall pay the prepayment premium based on the principal amount to be prepaid (i) from the 2^{nd} anniversary date of the Initial Drawdown up to the 5^{th} anniversary date of the Initial Drawdown subject to prepayment penalty at 103%; (ii) After the 5^{th} anniversary date of the Initial Drawdown until one business day before the loan maturity date at 100% of the prepaid amount.

The embedded floating interest rate and prepayment option on the loan drawdown with China Bank was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

	2024	2023
Balance at beginning of year	**₱720,000,000**	₱960,000,000
Repayments	**(120,000,000)**	(240,000,000)
Balance at end of year	**600,000,000**	720,000,000
Deferred finance cost	**(3,277,036)**	(4,657,489)
Balance at end of year	**596,722,964**	715,342,511
Less current portion	**238,525,254**	120,000,000
Balance classified as noncurrent	**₱358,197,710**	₱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, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, Chinabank 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, Chinabank 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 scheduled amortizations due on March 19, 2023 and September 19, 2023. On March 19, 2024 and September 19, 2024, STI ESG settled the principal payments due amounting to ₱120.0 million each under the Term Loan facility with Chinabank.

The revised repayment schedule as at June 30, 2024 are as follows:

Fiscal Year	Amount
2025	₱240,000,000
2026	240,000,000
2027	120,000,000
	₱600,000,000

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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.

"Total Liabilities" shall mean, for purposes of determining STI ESG's compliance with any required Debt to Equity Ratio, the total economic obligations of STI ESG (excluding unearned tuition and other school fees) that are recognized and measured in the fiscal year end audited consolidated financial statements in accordance with PFRS and GAAP, as maybe applicable and un-audited consolidated financial statements ending December 31 of each year, as may be applicable.

"Total Equity" shall mean, for purposes of determining STI ESG's compliance with any required Debt to Equity Ratio, the amount of STI ESG's total stockholders' equity, recognized and measured in the fiscal year-end audited consolidated financial statements in accordance with PFRS and GAAP, as maybe applicable and unaudited consolidated financial statements ending December 31 of each year, as may be applicable.

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. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and 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.

The Group's DSCR, as defined in the Term Loan Agreement of STI ESG with Chinabank, as at June 30, 2024 is 2.39:1.00 while the Group's D/E ratio, as defined on the same loan agreement is 0.59:1.00 as at June 30, 2024. As at June 30, 2024, STI ESG is compliant with the required covenants.

Corporate Notes Facility

On March 20, 2014, STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with Chinabank 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 Chinabank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with Chinabank 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 Chinabank 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 Chinabank 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 Chinabank 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 was fully offset at the end of the loan period. Amortization of loan premium amounting to ₱0.4 million, ₱2.1 million and ₱2.5 million for the years ended June 30, 2024, 2023 and 2022, respectively, were recognized as a reduction of interest expense in the consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of STI ESG's Credit Facility Agreement follows:

	2024	2023
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

In March 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million.

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, Chinabank 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 on the same facility amounting 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 consolidated statement of comprehensive income for the year ended June 30, 2024. The unamortized premium associated with the Corporate Notes Facility amounted to ₱3.5 million as at June 30, 2023 (nil as at June 30, 2024).

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested Chinabank 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, Chinabank approved the waiver of the following covenants:
   - Assignment of revenues/income. STI ESG/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 STI ESG/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 STI ESG/Issuer;

- Encumbrances. STI ESG/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. STI ESG/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, Chinabank 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, Chinabank 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.

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

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 securing this facility was executed by STI Holdings in favor of LandBank. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction 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 up to June 30, 2023 is ₱19.1 million. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan was fully paid on January 31, 2024. The carrying value of the loan amounted to ₱3.0 million as at June 30, 2023 (nil as at June 30, 2024).

<u>Interest Expense</u>
Except for the LandBank loan, the benchmark rate for the loans of STI ESG is the BVAL reference for six months for the BPI and Metrobank Term Loan Facilities and the rate for one-year tenor for the China Bank Term Loan Facility and the Corporate Notes Facility.

Interest incurred on the loans (including amortization of debt issuance costs and premium) amounted to ₱93.0 million, ₱68.4 million and ₱75.9 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 23).

19. Bonds Payable

This account consists of:

	2024	2023
Principal:		
Fixed-rate bonds due 2027	**₱820,000,000**	₱820,000,000
Fixed-rate bonds due 2024	–	2,180,000,000
	820,000,000	3,000,000,000
Less unamortized debt issuance costs	**5,032,725**	11,577,016
Balance at end of year	**814,967,275**	2,988,422,984
Less current portion	–	2,175,083,335
Noncurrent portion	**₱814,967,275**	₱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 Philippine Dealing & Exchange Corp. (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.

On March 23, 2024, the 7-year fixed rate bonds with a principal amount of ₱2,180.0 million matured and were fully redeemed by STI ESG in accordance with terms of the Trust Agreement and the Supplemental Trust Agreement.

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

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value 2024	Carrying Value 2023	Features
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱814,967,275**	₱813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
2017	Quarterly	7 years	5.8085%	2,180,000,000	–	2,175,083,335	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
				₱3,000,000,000	**₱814,967,275**	₱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 its assets. The bonds' Trust Agreement and Supplemental Trust Agreement ("the Bond Trust Agreements") also contain, 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. Testing of compliance with required ratios is done on June 30 and December 31 of each year.

The Group's debt-to-equity (D/E) ratio, as defined in the Trust Agreement, as at June 30, 2024 and 2023 are 0.59:1.00 and 0.79:1.00, respectively.

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).

In April 2024, China Bank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see discussions on the succeeding paragraphs). The Group's ICR as at June 30, 2024 is 9.37:1.00.

As at June 30, 2024 and 2023, STI ESG is compliant with the required covenants.

Supplemental 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.

Second Supplemental Trust Agreement. On April 8, 2024, STI ESG delivered to China Banking Corporation through its Trust and Asset Management Group, the "Trustee" for the Series 10Y Bonds due 2027, the Consent Solicitation Statement and the annexed Consent Form seeking the amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") and Supplemental Trust Agreement dated August 19, 2020 governing the Bonds issued by STI ESG. The proposed amendments are the (i) replacement of the financial covenant on Debt Service Coverage Ratio of not less than 1.05:1.00 with an ICR of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA.

ICR means the EBITDA with reference to STI ESG's audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by the interest due for the next twelve (12) months. The term "EBITDA" shall mean the net income of STI ESG based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of STI ESG, each item determined in accordance with PFRS.

The proposed amendments on the use of the ICR will better reflect the financial capability of STI ESG to service the interest payments on the Bonds and other loans as they fall due and shall also provide STI ESG with operational flexibility. The Proposed Amendment revising the definition of EBITDA will better gauge the core profitability of STI ESG and the cash income it generates year on year.

On April 23, 2024, the Trustee certified that it has obtained the consent of the bondholders as of April 1, 2024 of the Series 10Y Bonds due 2027, holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the said bonds then outstanding, who have validly executed and properly delivered consent forms to the Trustee, in accordance with the terms of the Consent Solicitation Statement.

Thus, on April 26, 2024, pursuant to the Consent Solicitation Statement, STI ESG and China Banking Corporation, through its Trust and Asset Management Group, executed the "Second Supplemental Trust Agreement" to effect the amendments to the Trust Agreement dated March 10, 2017 and Supplemental Trust Agreement dated August 19, 2020.

Following are the amendments made:

Section 7.01(k) of the Amended Trust Agreement shall be amended as set forth below:

"Section 7.01 Affirmative Covenants of the Issuer

The Issuer hereby covenants and agrees that, for as long as the Bonds or any portion thereof remain outstanding, the Issuer shall:

(k) maintain and observe the following financial ratios:

(i) an Interest Coverage Ratio of not less than 3.00:1; and

(ii) a maximum Debt-to-Equity Ratio of 1.5:1.

For purposes of this Section 7.01(k):

(iii) the term "Interest Coverage Ratio" means (a) the Issuer's EBITDA utilizing the Issuer's audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by (b) the interest due for the next twelve (12) months.

(iv) the term "EBITDA" shall mean the net income of the Issuer based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of the Issuer, each item determined in accordance with PFRS."

All references in the Amended Trust Agreement to the defined term "Debt Service Coverage Ratio" or "DSCR" shall be replaced by ICR, as applicable.

The Group's D/E ratio and ICR, as defined on the Second Supplemental Trust Agreement, as at June 30, 2024 are as follows:

Total liabilities [(a)]	₱4,131,238,695
Total equity	6,996,685,045
Debt-to-equity ratio	0.59:1.00

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

EBITDA (see Note 3) [(b)]	₱1,992,058,511
Interest expense [(c)]	212,659,106
Interest coverage ratio	9.37:1.00

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

As at June 30, 2024, STI ESG has complied with the required covenants.

<u>Bond Issuance Cost</u>
STI ESG 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 ₱5.0 million and ₱11.6 million as at June 30, 2024 and 2023, respectively. Amortization of bond issuance costs amounting to ₱6.5 million, ₱7.9 million and ₱7.4 million for the years ended June 30, 2024, 2023 and 2022, respectively, were recognized as part of "Interest expense" account in the consolidated statements of comprehensive income.

<u>Interest Expense</u>
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱151.0 million, ₱186.8 million and ₱186.3 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 23).

20. **Other Noncurrent Liabilities**

	2024	2023
Deposits for future stock subscription	**₱83,000,000**	₱–
Advance rent - net of current portion (see Notes 17 and 29)	**14,053,167**	24,770,387
Refundable deposit - net of current portion (see Notes 17 and 29)	**11,940,857**	17,157,470
Deferred lease liability	**3,073,220**	4,410,236
	₱112,067,244	₱46,338,093

Deposits for future stock subscription represent contributions received by STI ESG's subsidiaries, STI Training Academy and STI Novaliches, amounting to ₱8.0 million and ₱75.0 million, respectively, as advance payments for future subscriptions to their respective companies' shares of stock. As at June 30, 2024, such contributions have been recorded as deposits for future stock subscription under "Other noncurrent liabilities" in the 2024 consolidated statement of financial position, pending the application for the increase in authorized capital stock and/or the completion of the necessary documentation for the capital stock increase and/or subscriptions.

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, 2024 and 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 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, 2024 and 2023 amounted to ₱10.8 million.

Retained Earnings
On December 21, 2023, the Parent Company's BOD approved the cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱616.4 million in favor of all stockholders of record as at January 10, 2024. The dividends were paid on January 12, 2024.

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.

Consolidated retained earnings include retained earnings of subsidiaries amounting to ₱450.3 million and ₱450.2 million as at June 30, 2024 and 2023, 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. 16 of 2023/No. 11 of 2008 amounted to ₱3,072.5 million and ₱2,483.6 million as at June 30, 2024 and 2023, 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 disaggregated revenue information is presented in the consolidated statements of comprehensive income and segment information, as discussed in Note 3 to the consolidated financial statements, in a manner that reflects the various sources and categories of revenues generated by the Group for the years ended June 30, 2024, 2023 and 2022.

Timing of revenue recognition

	2024	2023	2022
Services transferred over time	**₱3,494,897,468**	₱2,412,483,063	₱1,961,722,804
Goods and services transferred at a point in time	**201,501,065**	170,669,024	118,265,964
Total consolidated revenue	**₱3,696,398,533**	₱2,583,152,087	₱2,079,988,768

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. 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, ₱30.6 million and ₱48.7 million for the years ended June 30, 2024, 2023 and 2022, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the years ended June 30, 2024, 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 June 30, 2024 and 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱93.0 million and ₱43.9 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:

	2024	2023	2022
Cash and cash equivalents (see Note 5)	**₱34,757,820**	₱12,467,675	₱2,576,453
Past due receivables (see Notes 6 and 10)	**6,441,145**	5,820,824	34,952,813
	₱41,198,965	₱18,288,499	₱37,529,266

Sources of interest expense are as follows:

	2024	2023	2022
Bonds payable (see Note 19)	**₱150,979,292**	₱186,813,143	₱186,337,411
Interest-bearing loans and borrowings (see Note 18)	**93,019,391**	68,377,453	75,929,406
Lease liabilities (see Note 29)	**21,523,233**	19,304,634	21,214,892
Others	**4,389,672**	1,423,942	5,789,040
	₱269,911,588	₱275,919,172	₱289,270,749

24. Cost of Educational Services

This account consists of:

	2024	2023	2022
Faculty salaries and benefits	**₱407,315,980**	₱304,243,534	₱247,052,729
Depreciation and amortization (see Notes 11 and 16)	**282,218,538**	287,279,220	285,234,668
Student activities, programs and other related expenses	**216,617,040**	128,962,928	83,156,439
Rental (see Note 29)	**28,631,055**	24,214,663	20,852,613
School materials and supplies	**23,939,025**	9,807,567	5,024,170
Software maintenance	**9,609,961**	9,679,327	11,389,142
Courseware development costs	**1,703,088**	3,727,475	997,224
Internet connectivity assistance	**–**	–	69,967,107
Others	**3,518,062**	3,125,503	1,941,408
	₱973,552,749	₱771,040,217	₱725,615,500

25. **Cost of Educational Materials and Supplies Sold**

This account consists of:

	2024	2023	2022
Educational materials and supplies	**₱81,771,119**	₱75,753,803	₱20,645,140
Promotional materials	**14,245,453**	7,306,686	3,172,469
	₱96,016,572	₱83,060,489	₱23,817,609

26. **General and Administrative Expenses**

This account consists of:

	2024	2023	2022
Salaries, wages and benefits	**₱327,518,501**	₱265,556,442	₱220,125,311
Depreciation and amortization (see Notes 11, 12 and 16)	**203,041,369**	195,744,580	195,932,495
Light and water	**₱143,683,158**	₱128,063,208	₱63,440,115
Outside services	**106,992,499**	87,852,741	58,855,722
Professional fees	**97,346,259**	81,350,986	77,405,574
Advertising and promotions	**39,665,248**	29,071,305	33,837,251
Taxes and licenses	**37,084,244**	31,755,619	28,248,990
Transportation	**31,173,751**	26,099,799	23,207,070
Repairs and maintenance	**30,004,374**	29,258,767	19,283,304
Provisions for:			
ECL (see Note 6)	**24,594,870**	60,833,827	114,426,424
Impairment of goodwill (see Note 16)	**14,268,891**	–	3,806,174
Impairment of investments in and advances to associates and joint venture (see Note 13)	**1,650,340**	–	–
Inventory obsolescence (see Note 7)	**1,013,523**	5,601,458	2,018,596
Insurance	**17,042,117**	14,419,572	14,706,199
Meetings and conferences	**17,013,512**	15,701,122	13,502,444
Entertainment, amusement and recreation	**15,452,517**	11,029,291	10,409,743
Rental (see Note 29)	**12,273,334**	10,392,986	8,934,108
Office supplies	**6,336,351**	7,269,743	4,823,049
Communication	**4,939,760**	5,205,403	5,273,853
Association dues	**4,736,978**	991,488	806,086
Software maintenance	**3,328,990**	3,352,505	3,292,977
Payment channels and bank charges	**4,542,655**	2,148,235	1,427,889
Others	**7,909,001**	8,998,992	10,000,252
	₱1,151,612,241	₱1,020,698,068	₱913,763,626

27. **Personnel Cost**

This account consists of:

	2024	2023	2022
Salaries and wages	**₱618,846,256**	₱494,086,044	₱408,181,039
Pension expense (see Note 28)	**34,663,340**	11,188,067	10,673,609
Other employee benefits	**81,324,885**	64,525,865	48,323,391
	₱734,834,481	₱569,799,976	₱467,178,039

28. **Pension Plans**

Defined Benefit Plans

The Group has funded and unfunded, noncontributory, defined benefit pension plans covering substantially all 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.

On June 20, 2024, the BOD of STI ESG approved the "STI Education Services Group, Inc. Multi-Employer Retirement Plan (STI ESG Multi-employer Retirement Plan)". As at October 11, 2024, STI ESG is in the process of completing the necessary requirements to update the retirement plan registered with the BIR.

The following tables summarize the components of the Group's net pension expense recognized in the consolidated statements of comprehensive income for the years ended June 30, 2024, 2023 and 2022 and the pension asset/liability recognized in the consolidated statements of financial position as at June 30, 2024, 2023 and 2022:

	2024	2023	2022
Pension expense (recognized under "Salaries, wages and benefits" account):			
Current service cost	**₱7,790,762**	₱7,286,076	₱8,018,277
Past service cost	**21,903,585**	–	–
Net interest cost	**4,968,993**	3,901,991	2,655,332
	₱34,663,340	₱11,188,067	₱10,673,609

	2024	2023	2022
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱192,512,964**	₱159,147,499	₱140,768,553
Fair value of plan assets	**(125,853,720)**	(79,717,894)	(77,386,521)
	₱66,659,244	₱79,429,605	₱63,382,032

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.

	2024	2023	2022
Changes in the present value of defined benefit obligations:			
Balance at beginning of year	**₱159,147,500**	₱140,768,553	₱140,963,986
Current service cost	**7,790,762**	7,286,076	8,018,277
Past service cost	**21,903,585**		
Actuarial loss (gain) on pension obligation from change in:			
Financial assumptions	**(8,118,040)**	1,802,002	(10,029,428)
Deviations of experience from assumptions	**2,727,248**	3,673,497	2,253,289
Demographic assumptions			–
Benefits paid	**(875,750)**	(3,310,445)	(6,600,402)
Interest cost	**9,937,659**	8,927,816	6,162,831
Balance at end of year	**₱192,512,964**	₱159,147,499	₱140,768,553
Changes in the fair value of plan assets:			
Balance at beginning of year	**₱79,717,894**	₱77,386,521	₱80,621,024
Benefits paid	**(875,750)**	(3,310,445)	(6,600,402)
Interest income	**4,968,666**	5,025,825	3,507,499
Actuarial gain (loss) on plan assets	**35,361,424**	615,993	(2,456,825)
Contributions	**6,681,486**	–	–
Net transfer	**–**	–	2,315,225
Balance at end of year	**₱125,853,720**	₱79,717,894	₱77,386,521
Actual return (loss) on plan assets	**₱40,330,090**	₱5,641,816	(₱2,774,364)

The principal assumptions used in determining defined benefit obligation for the Group's plan as of July 1 are shown below:

	2024	2023	2022
Discount rate	**6.22%**	6.52%	4.36%
Future salary increases	**4.00%**	4.00%	3.00%

As of June 30, 2024, the discount rate and future salary increase rate are 6.69% and 4%, respectively.

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:

	2024	2023
Cash and cash equivalents	**0%**	0%
Short-term fixed income	**49%**	62%
Investments in:		
Equity securities	**50%**	33%
Debt securities	**1%**	5%
	100%	100%

The plan assets of the Group are maintained by the respective Trust Departments of Union Bank of the Philippines and LandBank.

Details of the Group's net assets available for plan benefits and their corresponding market values are as follows:

	2024	2023
Cash and cash equivalents	**₱408,199**	₱265,939
Short-term fixed income	**61,657,215**	49,090,618
Investments in:		
Equity securities	**62,932,774**	26,679,199
Debt securities	**855,532**	3,682,138
	₱125,853,720	₱79,717,894

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 ₱0.90 and ₱0.38 per share as at June 30, 2024 and 2023, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱28.0 million and ₱8.4 million as at June 30, 2024 and 2023, 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, 2024 and bear interest rates ranging from 5.875% to 6.00% per annum. These securities are fully guaranteed by the Government of the Republic of the Philippines.

STI ESG expects to contribute ₱6.8 million to its retirement fund in June 2025.

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, 2024 is 12 years.

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

	2024	2023
Less than one year	**₱83,255,202**	₱47,564,349
More than one year to five years	**42,457,630**	53,350,935
More than five years to 10 years	**94,000,302**	81,302,517
More than 10 years to 15 years	**82,655,743**	78,377,645
More than 15 years to 20 years	**107,038,902**	81,253,730
More than 20 years	**162,774,289**	145,506,049

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		
	2024	2023	2022
Discount rates			
Increase by 1%	**(₱10,451,493)**	(₱8,719,354)	(₱8,513,574)
Decrease by 1%	**11,111,149**	10,352,833	10,047,087
Future salary increases			
Increase by 1%	**11,474,512**	10,490,946	10,187,391
Decrease by 1%	**(10,179,698)**	(9,040,570)	(8,815,426)
Employee turnover			
Increase by 10%	**980,699**	1,465,937	1,466,354
Decrease by 10%	**(980,699)**	(1,465,937)	(1,466,354)

<u>Defined Contribution Plans</u>
Up to May 2022, De Los Santos-STI College and STI Quezon Avenue had a funded, noncontributory defined contribution plan (De Los Santos Plan) covering all regular and permanent employees and had been a participating employer in CEAP Retirement Plan. The De Los Santos Plan had a defined contribution format wherein the obligation is limited to specified contributions to the De Los Santos Plan and the employee's contribution was optional.

De Los Santos-STI College and STI Quezon Avenue's contributions consisted of future service cost and past service cost.

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.

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 ₱111.3 million, ₱122.3 million and ₱55.0 million for the years ended June 30, 2024, 2023 and 2022, 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:

	2024	2023
Within one year	**₱105,679,438**	₱107,321,885
After one year but not more than five years	**210,613,424**	229,547,526
	₱316,292,862	₱336,869,411

In September 2022, STI ESG entered into an agreement to lease a 610-square-meter portion of its STI Academic Center Pasay EDSA property to a third party. STI ESG has advanced the costs to complete the fit-out requirements which the third party agreed to reimburse including 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 ₱40.9 million, ₱34.6 million and ₱29.8 million for the years ended June 30, 2024, 2023 and 2022, 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 Note 16).

The following are the amounts recognized in consolidated statements of comprehensive income:

	2024	2023	2022
Depreciation expense of ROU assets included in property and equipment (see Note 11)	**₱65,273,678**	₱62,181,440	₱58,232,255
Expenses relating to short-term leases (see Notes 24 and 26)	**38,843,077**	32,046,109	28,413,013
Interest expense on lease liabilities (see Note 23)	**21,523,233**	19,304,634	21,214,892
Variable lease payments (see Notes 24 and 26)	**2,061,312**	2,561,540	1,373,708
	₱127,701,300	₱116,093,723	₱109,233,868

During the height of the COVID-19 pandemic, some of the Group's lessors granted rent concessions. For the year ended June 30, 2022, these concessions included 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, recognized under "Other income (expenses) - net" in the 2022 consolidated statement of comprehensive income.

The Group likewise received several rent concessions from lessors, which were accounted as lease modifications, aggregating to ₱1.7 million and ₱4.2 million for the years ended June 30, 2023 and 2022, respectively.

The rollforward analyses of lease liabilities are as follows:

	2024	2023
Beginning balance	**₱335,735,940**	₱317,614,362
Additions (see Note 11)	**41,099,396**	81,338,235
Payments	**(83,324,497)**	(80,779,082)
Interest expense (see Note 23)	**21,523,233**	19,304,634
Lease termination/modification	–	(1,742,209)
Ending balance	**315,034,072**	335,735,940
Less current portion	**62,786,000**	53,358,726
Noncurrent portion	**₱252,248,072**	₱282,377,214

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

	2024	2023
Within one year	**₱81,140,514**	₱75,374,821
After one year but not more than five years	**216,841,141**	209,262,987
More than five years	**137,527,448**	169,324,969
	₱435,509,103	₱453,962,777

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.

Pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act, the following changes in tax rates became effective on July 1, 2023 as outlined in Revenue Memorandum Circular (RMC) 69-2023:

- Minimum corporate income tax (MCIT) rate has reverted to 2% of gross income from a reduced rate of 1% that was in effect from July 1, 2020 to June 30, 2023
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit has reverted to 10% of the taxable income following a temporary reduction to 1% effective July 1, 2020 to June 30, 2023

Consequently, the Group recognized provision for current income tax using preferential income tax rate of 10% (MCIT rate of 2%, as the case may be) in fiscal year 2024 in accordance with RMC 69-2023.

The components of recognized net deferred tax assets are as follows:

	2024	2023
Deferred tax assets:		
Lease liabilities	**₱31,477,895**	₱31,413,721
Allowance for ECL	**15,496,499**	28,952,686
Unearned tuition and other school fees	**9,302,626**	4,394,092
Pension liabilities	**6,658,366**	7,887,171
NOLCO	**4,415,342**	2,414,755
Advance rent	**2,523,505**	2,484,479
Excess of cost over net realizable value of inventories	**2,513,524**	2,412,171
Allowance for impairment of noncurrent asset held for sale	–	1,596,663
Unamortized loan premium	–	351,851
	72,387,757	81,907,589
Deferred tax liabilities:		
Right-of-use assets	**(24,943,264)**	(28,756,321)
Unrealized forex gain	**(5,003,384)**	(4,618,645)
Excess of fair value over derecognized STI Tanay receivables	**(3,042,063)**	(2,036,577)
Intangible assets	**(2,762,187)**	(2,762,187)
Unamortized debt issue costs	**(1,503,786)**	(767,908)
Excess of rental under operating lease computed on a straight-line basis	**(1,148,067)**	(971,059)
	(38,402,751)	(39,912,697)
Net deferred tax assets	**₱33,985,006**	₱41,994,892

Certain deferred tax assets of the Group were not recognized as at June 30, 2024 and 2023 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:

	2024	2023
NOLCO	**₱150,132,573**	₱264,041,170
Allowance for impairment of advances to associate and joint venture	**49,784,880**	48,134,540
	₱199,917,453	₱312,175,710

As at June 30, 2024 and 2023, the Group did not recognize any deferred tax asset on the provision for impairment on investment in associate and joint venture 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 in the taxable years 2024 and 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
2024	2025-2027	₱–	₱29,370,574	₱–	₱–	₱29,370,574
2023	2024-2026	53,811,516	–	1,501,565	–	52,309,951
		₱53,811,516	₱29,370,574	₱1,501,565	₱–	₱81,680,525

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	₱–	₱10,031,593	₱–	₱77,457,338
2021	2022-2026	122,740,723	–	87,592,589	–	35,148,134
		₱210,229,654	₱–	₱97,624,182	₱–	₱112,605,472

The reconciliation of the provision for income tax on income before income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2024	2023	2022
Provision for income tax at statutory income tax rate:	**₱140,317,630**	₱6,065,040	₱2,653,275
Changed in unrecognized deferred tax assets	**(5,539,321)**	817,493	812,411
Interest income already subjected to final tax	**(3,475,782)**	(124,677)	(25,765)
Royalty fees subjected to final tax	**(1,731,496)**	(147,363)	(123,867)
Equity in net losses (earnings) of associates and joint venture	**(1,881,089)**	(151,616)	120,015
Dividend income	**(289,009)**	(24,884)	(11,993)
Provision for impairment of investments in and advances to subsidiaries, associates and joint venture	**(165,034)**	–	–
Nondeductible expenses	**28,224**	37,072	25,375
Nondeductible expense pertaining to provision for impairment of goodwill and equity instruments	**1,426,889**	–	39,062
Difference in income tax rate	**–**	(21,856,656)	8,800,751
Others	**(1,307,494)**	(45,479)	(225,966)
Provision for (benefit from) income tax	**₱127,383,518**	(₱15,431,070)	₱12,063,298

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	**2024**	2023	2022	**2024**	2023	**Terms**	**Conditions**
Associates							
STI Holdings							
Deposit for future stock subscription	**₱75,000,000**	₱–	₱–	**(₱75,000,000)**	₱–	Noninterest-bearing; to be settled upon issuance of shares	Unsecured;
Advisory fees	**14,400,000**	14,400,000	14,400,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividend income	**15,012,987**	7,506,493	5,004,329	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividends paid	**608,124,607**	212,843,613	152,031,152	–	–	Due and demandable; noninterest-bearing	Unsecured
Reimbursement for various expenses and other charges	**13,756**	95,731	27,879	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
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	**888,755**	1,084,704	984,918	**10,209,550**	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**21,166**	–	–	**(119,383)**	(98,217)	Refundable upon end of contract	Unsecured
STI Marikina							
Educational services and sale of educational materials and supplies	**15,336,320**	10,461,238	7,733,087	**892,949**	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang*							
Educational services and sale of educational materials and supplies	**–**	7,668,672	9,757,814	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
TCAMI							
Deposit for purchase of shares of PHI	**60,484,800**	–	–	**60,484,800**	–	15% deposit; balance payable on the third anniversary of the share purchase agreement	Unsecured; no impairment
Purchase of shares of CHI	**180,000,000**	–	–	**–**	–	Full payment upon contract execution	Unsecured; no impairment
STI Diamond							
Reimbursement for various expenses and other charges	**(59,511,839)**	–	–	**(59,511,839)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
GROW VITE							
Janitorial and staffing services	**28,476,623**	23,704,233	13,808,961	**(16,125,194)**	(1,934,655)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**49,959**	–	–	**(421,744)**	(371,785)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses and other charges	**88,675**	932,996	145,938	**157,914**	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other charges	**2,817,347**	1,597,514	1,619,958	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilCare							
Refundable deposits	**–**	–	129,496	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Rental income and other charges	**6,347,448**	13,583,859	12,534,962	**–**	429,817	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,785,790**	9,502,580	795,451	**–**	(4,911)	30 days upon receipt of billings; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions During the Period 2024	2023	2022	Outstanding Receivable (Payable) 2024	2023	Terms	Conditions
Philippines First Condominium Corporation							
Association dues, utilities and other charges	**₱9,876,804**	₱13,380,147	₱9,787,911	**(₱845,606)**	(₱18,940)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife							
Rental income and related charges	**182,342**	12,347,323	12,054,234	**68,953**	273,257	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**790,708**	370,925	558,035	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	129,496	–	(1,950,480)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.							
Insurance	**17,468,318**	15,160,480	13,868,078	**(2,502)**	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Utilities and other charges	**–**	–	14,247	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU							
Educational services and sale of educational materials and supplies	**33,545,445**	15,175,485	17,663,297	**–**	5,288,411	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**7,818,817**	6,257,059	5,332,698	**–**	2,970,677	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	**56,493,766**	43,224,285	10,617,025	**25,125,248**	23,348,967	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Rental and other charges	**–**	343,050	13,181	**653,985**	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
				(₱8,248,809)	₱86,169,200		

** Became a wholly owned subsidiary effective March 16, 2023*
***Affiliates are entities under common control of a majority shareholder*

Related party receivables and payables are generally settled in cash.

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

	2024	2023
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)	**892,949**	8,507,329
Advances to officers and employees (see Note 6)	**25,125,248**	23,348,967
Rent, utilities, and other related receivables (see Note 6)	**11,090,402**	12,509,082
Deposit for purchase of shares (see Note 16)	**60,484,800**	–
Accounts payable (see Note 17)	**(19,464,909)**	(6,330,718)
Due to an affiliate (see note 17)	**(59,511,839)**	–
Deposit for future stock subscription (see Note 20)	**(75,000,000)**	–
	(₱8,248,809)	₱86,169,200

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	**2024**	2023	2022	**2024**	2023	**Terms**	**Conditions**
Subsidiaries							
STI Caloocan							
Reimbursement for various expenses	**₱135,182,027**	₱70,458,393	₱2,895,877	**(₱304,173,866)**	(₱248,802,294)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Lipa							
Educational services, sale of educational materials and supplies,	**57,131,201**	35,772,375	27,059,089	**102,461,498**	82,369,866	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,901,760**	23,507,067	1,451,341	**46,403,812**	48,509,886	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
NAMEI							
Rental income and other related charges	**20,808,000**	20,808,000	24,647,829	**78,812,006**	55,507,046	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,092,171**	14,896,916	9,526,578	**12,436,462**	44,487,892	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies, management fees, and other charges	**18,933,889**	18,934,658	–	**7,151,999**	9,911,953	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Training Academy							
Reimbursement for various expenses	**19,785,620**	5,999,525	19,204,300	**49,634,044**	41,740,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**6,884,073**	6,066,360	4,549,770	**18,470,820**	11,694,173	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Quezon Avenue							
Rental income and other related charges	**10,284,758**	10,284,758	–	**23,037,858**	11,518,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Educational services, sale of educational materials and supplies, management fees, and other charges	**10,558,831**	7,086,708	–	**13,709,103**	4,604,720	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**6,699,542**	7,172,919	–	**13,007,159**	9,386,119	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI De Los Santos College							
Reimbursement for various expenses	**317,165**	–	4,135,364	**(47,155,546)**	(47,472,711)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Alabang*							
Educational services and sale of educational materials and supplies	**12,425,294**	3,958,285	**–**	**38,627,668**	32,660,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**449,768**	3,323,946	**–**	**–**	3,244,656	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
NPIM							
Rental income and other related charges	**117,108**	758,950	17,485,275	**28,710,251**	28,541,216	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,028,379**	917,378	2,563,848	**3,411,862**	546,586	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period 2024	2023	2022	Outstanding Receivable (Payable) 2024	2023	Terms	Conditions
STI Sta. Maria							
Reimbursement for various expenses	**₱5,021,473**	₱1,350,731	₱603,490	**₱19,800,998**	₱35,470,078	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies,	**25,156,744**	20,252,579	15,113,686	**2,051,450**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo							
Reimbursement for various expenses	**71,096**	64	8,566,437	**19,227,538**	19,772,122	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for 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	**70,231**	32,441	–	**3,914,561**	3,917,851	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian							
Reimbursement for various expenses	65,076	–	6,423	**8,986,341**	9,022,882	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
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
STI Batangas							
Reimbursement for various expenses	**8,119,185**	2,001,359	5,638,884	**(9,072,605)**	–	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	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tanauan							
Reimbursement for various expenses	**993,739**	794,954	4,715,381	**5,336,883**	1,532,003	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Novaliches							
Reimbursement for various expenses	**9,172,568**	2,001,813	1,474,714	**3,472,487**	(12,977,576)	30 days from billing or cut-off date; noninterest-bearing	Unsecured

** 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 Notes 18 and 34).

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2024	2023	2022
Short-term employee benefits	**₱52,475,314**	₱46,414,554	₱41,319,996
Post-employment benefits	**2,921,222**	2,644,280	2,457,474
	₱55,396,536	₱49,058,834	₱43,777,470

32. Basic and Diluted Earnings Per Share on Net Income Attributed to Equity Holders of the Parent Company

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

	2024	2023	2022
Net income attributable to equity holders of the Parent Company (a)	**₱1,275,727,684**	₱623,308,931	₱254,674,709
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 per share on net income attributable to equity holders of the Parent Company (a)/(b)	**₱0.41**	₱0.20	₱0.08

The basic and diluted earnings per share are the same for the years ended June 30, 2024, 2023 and 2022 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 11, 2024, 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. *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.

After STI ESG filed its Opposition dated July 14, 2023 to the said Motion for Reconsideration, the Court of Appeals issued its Resolution dated November 6, 2023, which denied the Plaintiffs' Motion for Reconsideration.

On January 8, 2024, STI ESG received the Petition for Review filed by the Plaintiffs before the Supreme Court.

The Supreme Court has yet to issue the appropriate Resolution on the said Petition insofar as whether to dismiss the same or require STI ESG to file a Comment to the Plaintiffs' Petition for Review.

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

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

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration, the Supreme Court denied the same and affirmed with finality the dismissal of its Petition.

As at October 11, 2024, STI ESG has yet to receive a copy of the entry of judgment from the Supreme Court.

c. *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.

d. *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.

e. 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.

f. 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 back wages 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. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction of Landbank. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is the balance outstanding as of June 30, 2023. Of the ₱3.0 million outstanding loan, ₱2.1 million was settled in August 2023 while the balance amounting to ₱0.9 million was fully paid on January 31, 2024.

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2024, 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, 2024 and 2023, there is no outstanding availment from these lines.

b. Capital Commitments

As of June 30, 2024, STI ESG's significant contractual commitments include: (1) construction of the new building in STI Ortigas-Cainta campus, (2) learning classroom expansion for some schools (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of three-storey building at STI Lipa, (5) installation of solar panels and (6) lot acquisition.

STI ESG has an ongoing project to put up a new school building within STI Ortigas-Cainta campus. The total contract for this project amounts to ₱217.3 million, with ₱129.1 million already disbursed as at June 30, 2024.

The learning classroom expansion projects for several schools of STI ESG have a total cost of ₱105.0 million of which payments aggregating to ₱55.9 million have been made as at June 30, 2024.

The renovation and rehabilitation works at STI ESG's Tanay property is also in the works with a total contract cost of ₱29.1 million. STI ESG has total disbursements amounting to ₱21.5 million for this project. The construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱19.3 million have been made as at June 30, 2024.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels, including the roof deck waterproofing activities, at its STI Ortigas-Cainta campus has been completed as at report date. This project has a total cost of ₱16.7 million, of which ₱14.9 million has been paid as at June 30, 2024. The Group also has ongoing solar energy projects on several wholly owned schools with aggregate cost of ₱20.5 million as at June 30, 2024. Of this amount, ₱5.9 million has been paid as at June 30, 2024.

As at June 30, 2024, STI ESG likewise has a contractual commitment with Avida amounting ₱228.8 million, inclusive of VAT, for the parcel of lot located at South Park District, Alabang, Muntinlupa City - the future site of the new STI Academic Center Alabang. Of this amount, ₱45.1 million has been settled as at June 30, 2024.

c. Others

i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG) entered into a memorandum of agreement on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary's educational-related expenses to STI ESG at a special discount rate of 20% of the tuition fee, subject to the terms and conditions of the program as follows:

- Entitled to the discount are Pag-IBIG Fund members and their immediate family members;
- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

ii. 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.

With the onset of the COVID 19 pandemic, this plan was put in abeyance.

After several years, the economic outlook of all parties concerned has changed and this plan is now permanently shelved.

A portion of the property in Tanauan, Batangas intended to be the site of this joint venture activity, has been acquired by STI ESG in June 2024 (see Note 11). The acquired property will be the future site of STI Academic Center Tanauan.

iii. 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.

Based on RA No. 10931, 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.

In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. Qualified student grantees for SY 2021-2022 from private HEIs in cities and municipalities without SUCs or LUCs, shall receive ₱40.0 thousand for the second semester of SY 2022-2023 to cover their full or partial payables for tuition and other school fees. Thereafter, qualified grantees shall be considered as continuing grantees, subject to validation, for the first semester of SY 2023-2024 onwards shall receive a subsidy rate of ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. In case the tuition and other school fees is lower than ₱10.0 thousand per semester, the difference shall be given to the student. Administrative support cost remain at 1% of the total grant. Continuing TES grantees for the second semester of SY 2022-2023 shall receive ₱60.0 thousand per school year or ₱30.0 thousand per semester until they graduate. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱30.0 thousand per school year or ₱15.0 thousand per semester. New TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

The qualified TES graduates for SY 2022-2023 onwards, in courses requiring licensure examinations shall receive a maximum one-time reimbursement of ₱8.0 thousand to cover the full or partial cost of taking the said licensure examinations.

iv. 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 starting SY 2021-2022, SY 2022-2023, and SY 2023-2024.

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, 2024 and 2023, the Group's current assets amounted to ₱1,793.3 million and ₱2,162.8 million respectively, while current liabilities amounted to ₱1,428.5 million and ₱3,016.7 million, respectively. The current liabilities as of June 30, 2023 is higher than the current assets as of the same date with the maturity of STI ESG's 7-year bonds in March 2024.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

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 banks, and the STI ESG bondholders. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR while the second supplemental agreement replaced the DSCR measure with ICR, as discussed in Notes 18 and 19, respectively. 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, 2024 is 2.39:1.00. ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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.

	2024				
	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	**₱1,191,716,845**	**₱–**	**₱–**	**₱–**	**₱1,191,716,845**
Receivables*	**67,094,834**	**138,834,587**	**43,303,836**	**72,873,529**	**322,106,786**
Rental and utility deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**–**	**–**	**–**	**24,404,273**	**24,404,273**
Equity instruments at FVPL	**8,137,500**	**–**	**–**	**–**	**8,137,500**
Equity instruments at FVOCI	**–**	**–**	**–**	**76,027,229**	**76,027,229**
	₱1,266,949,179	**₱138,834,587**	**₱43,303,836**	**₱173,305,031**	**₱1,622,392,633**
Financial Liabilities					
Other financial liabilities:					
Bonds payable					
Principal	**₱–**	**₱–**	**₱–**	**₱ 820,000,000**	**₱820,000,000**
Interest	–	–	**52,279,919**	**139,030,060**	**191,309,979**
Interest-bearing loans and borrowings					
Principal	**–**	**270,000,000**	**270,000,000**	**1,560,000,000**	**2,100,000,000**
Interest	**–**	**85,772,784**	**74,602,069**	**249,599,786**	**409,974,639**
Accounts payable and other current liabilities**	**610,078,510**	**68,974,896**	**516,830**	**–**	**679,570,236**
Lease liabilities	**–**	**16,750,576**	**64,389,938**	**354,368,589**	**435,509,103**
Other noncurrent liabilities***	**–**	**–**	**–**	**94,940,857**	**94,940,857**
	₱610,078,510	**₱441,498,256**	**₱461,788,756**	**₱3,217,939,292**	**₱4,731,304,814**

	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[1]	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[2]	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[3]	–	–	–	17,157,470	17,157,470
	₱501,185,139	₱67,036,989	₱2,593,013,726	₱2,275,197,561	₱5,436,433,414

(1) Excluding advances to officers and employees amounting to ₱25.1 million and ₱23.3 million as at June 30, 2024 and 2023, respectively.
(2) Excluding government and other statutory liabilities amounting to ₱24.2 million and ₱22.9 million as at June 30, 2024 and 2023, respectively.
(3)Excluding advance rent and deferred lease liability amounting to ₱17.1 million and ₱29.2 million as at June 30, 2024 and 2023, respectively.

The Group's current ratios are as follows:

	2024	20232
Current assets	**₱1,793,298,634**	₱2,162,818,149
Current liabilities	**1,428,482,725**	3,016,732,528
Current ratios	**1.26:1.00**	0.72:1.00

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, 2024 and 2023, 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:

	2024		2023	
	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[3]	**₱1,190,866,990**	**₱1,169,866,990**	₱1,570,916,041	₱1,549,916,041
Receivables[4]	**477,689,781**	**477,689,781**	609,010,712	609,010,712
Rental deposits[5]	**24,404,273**	**24,404,273**	25,254,523	25,254,523
	₱1,692,961,044	**₱1,671,961,044**	₱2,205,181,276	₱2,184,181,276

(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.
(3) Excluding cash on hand
(4) Excluding advances to officers and employees amounting to ₱25.1 million and ₱23.3 million as at June 30, 2024 and 2023, respectively.
(5) Included as part of "Goodwill, intangible and other noncurrent assets" account.

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, 2024 and 2023:

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,211,819,628**	**₱232,915,311**	**₱–**	**₱1,444,734,939**
Class B	–	**260,829,220**	–	**260,829,220**
Class C	–	**64,000,992**	**8,410,477**	**72,411,469**
Gross carrying amount	**1,211,819,628**	**557,745,523**	**8,410,477**	**1,777,975,628**
ECL	–	**147,172,518**	**8,410,477**	**155,582,995**
Carrying amount	**₱1,211,819,628**	**₱410,573,005**	**₱–**	**₱1,622,392,633**

	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

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**
2024	**₱171,655,225**	**₱43,305,972**	**₱471,503**	**₱63,529,489**	**(₱147,172,518)**	**₱131,789,671**
2023	₱170,945,421	₱39,482,547	₱735,963	₱208,418,235	(₱278,670,843)	₱140,911,322

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 debts have floating interest rates repriced in various periods from 6 months to one year, thus minimizing the exposure to market changes in interest rates. The Parent Company's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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, 2024, 2023 and 2022:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2024**	2023	2022
+100 bps	**(₱29,433,333)**	(₱39,433,927)	(₱42,259,660)
-100 bps	**29,433,333**	39,433,927	42,259,660

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 banks 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.

	2024	2023
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)	**3,524,679,379**	2,865,327,141
	₱6,999,425,301	₱6,340,073,063

The Group's debt-to-equity ratios are as follows:

	2024	2023
Total liabilities*	**₱4,131,238,695**	₱4,943,137,190
Total equity	**6,996,687,341**	6,295,193,602
Debt-to-equity ratio	**0.59:1.00**	0.79:1.00

**Excluding unearned tuition and other school fees*

The Group's asset-to-equity ratios are as follows:

	2024	2023
Total assets	**₱11,220,952,292**	₱11,282,271,716
Total equity	**6,996,687,341**	6,295,193,602
Asset-to-equity ratio	**1.60:1.00**	1.79:1.00

No changes were made in the objectives, policies or processes during the years ended June 30, 2024, 2023 and 2022.

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, 2024 and 2023. There are no material unrecognized financial assets and liabilities as at June 30, 2024 and 2023.

	2024				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost:					
Rental and utility deposits	**₱24,404,273**	**₱24,404,273**	**₱–**	**₱–**	**₱24,404,273**
Equity instruments at FVOCI	**76,027,229**	**76,027,229**	**9,574,560**	**56,452,669**	**10,000,000**
	₱100,431,502	**₱100,431,502**	**₱9,574,560**	**₱56,452,669**	**₱34,404,273**
Financial Liabilities					
Other financial liabilities at amortized cost:					
Refundable deposits	**₱20,358,864**	**₱15,249,189**	**₱–**	**₱–**	**₱15,249,189**
	₱20,358,864	**₱15,249,189**	**₱–**	**₱–**	**₱15,249,189**

	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

<u>Fair Value of Financial Instruments</u>
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 1.31% to 6.22% and 1.43% to 6.68% as at June 30, 2024 and 2023, 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 and 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 8.05% and 6.58% as at June 30, 2024 and 2023, 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 5.59% to 6.86% and 5.73% to 6.32% as at June 30, 2024 and 2023, 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, 2024 and 2023, 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, 2023	Cash Flows	Gain on Early Extinguishment of Loan	Income on Rent Concessions	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	Reclassified as Current	Effect of Lease Termination/ Modification (see Notes 11 and 29)	New/ Renewed Leases (see Note 29)	June 30, 2024
Current portion of interest-bearing loans and borrowings	₱183,042,276	(₱333,050,203)	₱–	₱–	₱–	₱–	₱686,281,948	₱–	₱–	₱536,274,021
Bonds payable	2,988,422,984	(2,180,000,000)	–	–	6,544,291	–	–	–	–	814,967,275
Interest-bearing loans and borrowings – net of current portion	748,861,025	1,488,750,000	(3,076,465)	–	1,587,779	–	(686,281,948)	–	–	1,549,840,391
Lease liabilities	335,735,940	(83,324,497)	–	–	21,523,233	–	–	–	41,099,396	315,034,072
Dividends payable	15,161,749	(613,536,656)	–	–		616,375,446	–	–	–	18,000,539
Interest payable[a]	21,499,453	(212,247,813)	–	–	240,256,285	–	–	–	–	49,507,925
	₱4,292,723,427	(₱1,933,409,169)	(₱3,076,465)	₱–	₱269,911,588	₱616,375,446	₱–	₱–	₱41,099,396	₱3,283,624,223

	June 30, 2022	Cash Flows	Gain on Early Extinguishment of Loan	Income on Rent Concessions	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	Reclassified as Current	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	Gain on Early Extinguishment of Loan	Income on Rent Concessions	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	Reclassified as Current	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

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 ₱43.6 million, ₱85.3 million, ₱36.8 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱16.2 million and ₱3.6 million as at June 30, 2024 and 2023, 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, 2024 and 2023) (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, 2024 and 2023) (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 amounted to ₱187.4 million and ₱40.5 million for the years ended June 30, 2024 and 2023, respectively; and from investment properties to property and equipment amounted to ₱115.7 million for the year ended June 30, 2023.

f. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounted to ₱12.9 million, ₱4.2 million and ₱28.4 million for the years ended June 30, 2024, 2023 and 2022, respectively.

39. Business Combination and Asset Acquisition

<u>CHI</u>
As discussed in Notes 4 and 11, on June 20, 2024, STI ESG and TCAMI executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of CHI.

The acquisition of CHI is accounted for as an asset acquisition (see Note 4). CHI's assets, which primarily consist of a parcel of land, were assigned their carrying amount based on their relative fair values. The land was valued at ₱182.9 million, after allocating the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million.

<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 based on final purchase price allocation:

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 ended June 30, 2023, the consolidated revenue and consolidated net income would have been ₱2,612.9 million and ₱661.8 million, respectively.

40. Other Matters

a. On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. - Quezon City (PSBA Quezon City) or collectively referred to as "PSBA". The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

   The term sheet and the implementation of the transaction are subject to several conditions including, among others, the execution of mutually acceptable definitive agreements, fulfillment of the conditions precedent, approval of the stockholders of PSBA, and regulatory approvals.

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the “Subject Property”). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that PSBA intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the “PSBA Manila Property”). PSBA Manila is also the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the “School Related Assets”) used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at October 11, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others, (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and nonteaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; (4) apply for and obtains permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26.0% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at October 11, 2024, STI Holdings has yet to receive the reply of PSBA.

b. In a move to contain the COVID-19 outbreak, significant measures were implemented by the Philippine government, aiming to mitigate its spread and impact. On March 13, 2020, the Office of the President issued a Memorandum directive mandating stringent social distancing measures in the National Capital Region (NCR), effective March 15, 2020. Subsequently, on March 16, 2020, Presidential Proclamation No. 929 declared a State of Calamity nationwide for six (6) months, accompanied by Enhanced Community Quarantine (ECQ) measures across Luzon from March 17, 2020, until April 12, 2020. These measures were extended until May 15, 2020, encompassing the NCR and other regions. Furthermore, directives for the classification of cities and municipalities into varying levels of community quarantine have been issued since March 13, 2020. On July 21, 2023, the Office of the President lifted the state of public health emergency throughout the country with Proclamation No. 297.

   Throughout this period, educational institutions within the Group navigated the challenges posed by the pandemic with stringent measures implemented to safeguard the health and well-being of students, faculty, and staff. The Group utilized digital tools and online technology to facilitate online/blended form of education, ensuring continuity in learning amidst the challenges posed by the pandemic. In 2022, limited face-to-face classes commenced gradually, followed by the implementation of a flexible learning modality in the first semester of SY 2022-2023. Full face-to-face classes for tertiary students resumed in the second semester of SY 2022-2023, while SHS and JHS classes transitioned to face-to-face settings since the beginning of SY 2022-2023. For SY 2023-2024, classes for all levels were conducted full face-to-face since the opening of the school year.

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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 consolidated financial statements of STI Education Services Group, Inc. (the Company) as at June 30, 2024 and for the year then ended, on which we have rendered the attached report dated October 11, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the above Company has 47 stockholders owning 100 or more shares each.

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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-145-2024, July 18, 2024, valid until July 17, 2027
PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

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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
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 (the Group) as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024, and have issued our report thereon dated October 11, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza
Partner
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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 (the Group) as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024, and have issued our report thereon dated October 11, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
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PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES

June 30, 2024

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C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
D	Long-term Debt
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I	Map of Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries and Associates
J	Schedule of Financial Soundness Indicators

SCHEDULE A - FINANCIAL ASSETS
June 30, 2024
(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 Statement of Financial Position	Valued Based on Market Quotation at end of Reporting Period	Income Received and Accrued

The Group's financial asset at FVPL is less than 5% of total consolidated current assets as at June 30, 2024, 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, 2024

(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 one million pesos (P1.0 million) or 1% of total consolidated assets, whichever is less as at June 30, 2024.

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2024
(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	Amounts written off	Current	Not Current	Balance at End of Period	Description
Receivable from STI Lipa	₱ 130,879,752	₱ 105,303,941	-₱87,318,383	₱ -	₱ 105,303,941	₱ 43,561,369	₱ 148,865,310	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from NAMEI	109,906,891	42,834,060	(54,340,483)	-	42,834,060	55,566,408	98,400,467	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Training Academy	41,848,424	26,669,693	(413,254)	-	26,669,693	41,435,170	68,104,864	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Quezon Avenue	25,509,768	27,543,131	(3,298,779)	-	27,543,131	22,210,989	49,754,120	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Alabang	35,905,585	12,875,062	(10,152,979)	-	12,875,062	25,752,606	38,627,668	Educational services, school materials sold, other charges
Receivable from NPIM	29,087,802	3,145,487	(111,176)	-	3,145,487	28,976,626	32,122,113	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Sta Maria	35,470,078	30,178,217	(43,795,847)		30,178,217	(8,325,769)	21,852,448	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Iloilo	19,772,122	71,096	(615,680)	-	71,096	19,156,442	19,227,538	Reimbursement for various expenses
Receivable from STI Tuguegarao	17,054,464	70,231	(73,522)	-	70,231	16,980,943	17,051,174	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Pagadian	14,449,326	65,076	(101,617)	-	65,076	14,347,709	14,412,785	Educational services, school materials sold, other charges; Reimbursement for various expenses
Receivable from STI Tanauan	1,532,003	17,159,926	(13,356,436)	-	5,335,492	-	5,335,492	Reimbursement for various expenses
Receivable from (Payable to) STI Novaliches	(12,977,576)	92,000,063	(75,550,000)	-	3,472,487	-	3,472,487	Reimbursement for various expenses
Receivable from (Payable to) STI Batangas	28,117,876	66,004,918	(103,195,399)	-	(9,072,605)	-	(9,072,605)	Educational services, school materials sold, other charges
Payable to DLS College	47,472,711	317,165	-	-	47,155,546	-	47,155,546	Reimbursement for various expenses
Payable to STI Caloocan	248,802,294	291,730,842	(347,102,414)	-	304,173,866	-	304,173,866	Reimbursement for various expenses

SCHEDULE D – LONG-TERM DEBT
June 30, 2024
(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 interest-bearing loans and borrowings" in related Statement of Financial Position	Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position
Metrobank / Term Loan(1) Maturity Date: March 16, 2029 Interest Rate: 7.8503% per annum (reprised at the rate of 7.8135% on September 18, 2024) No. of installment: ten (10) semi-annual installments	₱2,000,000,000 (Amount drawn and balance: ₱1,000,000,000)	₱198,499,178	₱794,428,454
BPI / Term Loan(2) Maturity Date: March 18, 2029 Interest rate: 8.4211% per annum (reprised at the rate of 7.8735% on September 18, 2024) No. of installments: ten (10) semi-annual installments	₱1,000,000,000 (Amount drawn and balance: ₱500,000,000)	99,249,589	397,214,227
China Banking Corporation - Term loan(3) Maturity Date: September 19, 2026 Interest Rate: 5.81% to 8.0472% per annum (reprised at the rate of 7.8749% on September 19, 2024) Remaining no. of installments: five (5) semi-annual installments	₱1,200,000,000 (Amount drawn: ₱1,200,000,000; Balance: ₱600,000,000)	238,525,254	358,197,710
Fixed rate bonds series 10-year (4) Interest rate: 6.3756% per annum Year of maturity: 2027	₱5,000,0000,000 (Amount of bonds issued: 7-year series - ₱2,180,000,000; 10-year series - ₱820,000,00 Balance: ₱820,000,000)	-	814,967,275
		₱536,274,021	₱2,364,807,666

(1) presented net of deferred finance costs of ₱7.1 million
(2) presented net of deferred finance costs of ₱3.5 million
(3) presented net of deferred finance costs of ₱3.3 million
(4) presented net of bond issue cost of ₱5.0 million; In March 2024, fixed rate bonds series 7-year bonds were redeemed in full amounting to ₱2,180 million.

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2024
(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, 2024.

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, 2024.

SCHEDULE G – CAPITAL STOCK
June 30, 2024
(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 as shown under related Statement of Financial Position caption*	Number of Shares Reserved for Options, Warrants, Conversion and Other rights	Number of Shares held by Related Parties	Number of Shares held by Directors, officers and employees	Number of Shares held by Others
Common Stock	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
Total	**15**

** net of treasury shares of 5,952,273 shares*

SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
June 30, 2024
(Amount in Pesos)

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

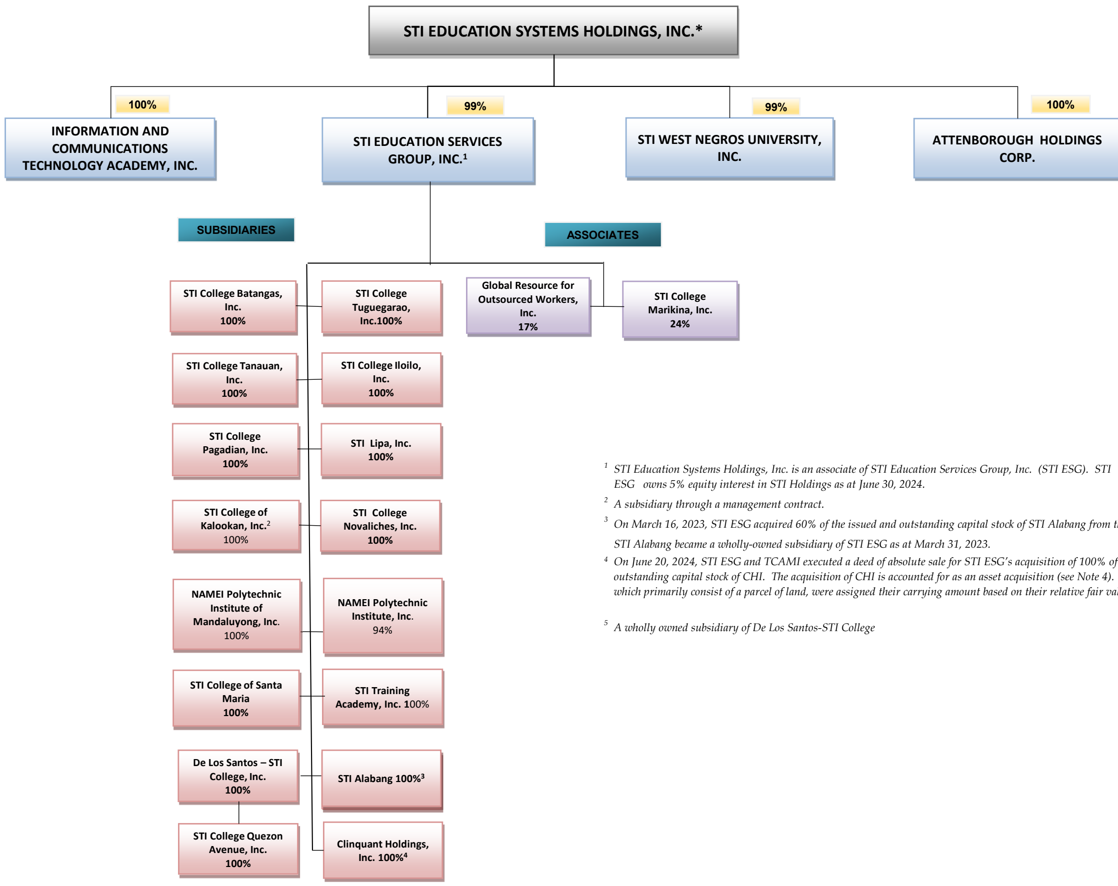
Unappropriated Retained Earnings, beginning of reporting period		**₱ 2,483,621,318**
Add: Category A: Items that are directly credited to unappropriated retained earnings		-
Less: Category B: Items that are directly debited to unappropriated retained earnings -		
Dividend declaration during the reporting period		616,375,446
Unappropriated retained earnings, as adjusted		**1,867,245,872**
Add: Net Income for the current year		1,192,089,448
Less: Category C.1: Unrealized income recognized in profit or loss during the reporting period (net of tax)		
Unrealized fair value adjustments (market-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Add. Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting (net of tax)	-	
Subtotal		-
Adjusted net income		**1,192,089,448**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	-	
Add: Category E: Adjustments related to relief granted by the SEC and BSP	-	
Add/Less: Category F: Other items that should be excluded	-	
from the determination of the amount of available for dividends distribution -		
Net movement in deferred tax assets not considered in the reconciling items under the previous categories	13,420,184	
Net movement in deferred tax assets and deferred tax liabilities related to right-of-use assets and lease liabilities	(264,111)	
Subtotal		**13,156,073**
TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**₱ 3,072,491,393**

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, 2024

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, 2024.*

[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.*

[4] *On June 20, 2024, STI ESG and TCAMI executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of CHI. The acquisition of CHI is accounted for as an asset acquisition (see Note 4). CHI's assets, which primarily consist of a parcel of land, were assigned their carrying amount based on their relative fair values.*

[5] *A wholly owned subsidiary of De Los Santos-STI College*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2024

STI EDUCATION SERVICES GROUP, INC. AND SUBSIDIARIES
STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension,
Cainta, Rizal

	June 2024 (Audited)	June 2023 (Audited)
Liquidity Ratios		
Current ratio [(1)]	1.26	0.72
Acid test ratio [(2)]	1.08	0.64
Solvency ratios		
Debt to equity ratio [(3)]	0.59	0.79
Asset to equity ratio [(4)]	1.60	1.79
Debt service cover ratio [(5)]	2.39	0.47
Interest coverage ratio [(6)]	9.37	3.20
Profitability ratios		
EBITDA margin [(7)]	54%	48%
Net income margin [(8)]	35%	24%
Return on equity [(9)]	19%	10%
Return on assets [(10)]	11%	6%

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

(2) *Acid test ratio is measured as current assets less equity instruments designated at fair value through profit or loss, inventories and prepayments divided by current liabilities.*

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

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

(5) *DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by the total interest-bearing debts and interest due in the next twelve months (see Note 18 of the audited consolidated financial statements).*

(6) *Interest coverage ratio is measured as EBITDA divided by interest due in the next twelve months (see Note 19 of the audited consolidated financial statements).*

(7) *EBITDA margin is measured as EBITDA divided by total revenues. 'EBITDA is 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, gain on foreign exchange differences, fair value loss on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on settlement of receivables (net of provision for impairment of noncurrent asset held for sale), and income on rent concessions.*

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

(9) *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.*

(10) *Return on assets is measured as net income [annualized] divided by average total assets.*

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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") as at June 30, 2024 and 2023 and operating results for the years ended June 30, 2024, 2023, and 2022.

The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as at June 30, 2024 and 2023, and for all the other periods presented.

Financial Condition
June 30, 2024 vs. June 30, 2023

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**Amount**		**Increase (Decrease)**	
	June 30, 2024	**June 30, 2023**	**Amount**	**%**
Consolidated financial position				
Cash and cash equivalents	1,191.7	1,571.7	(380.0)	(24%)
Current assets	1,793.3	2,162.8	(369.5)	(17%)
Total assets	11,221.0	11,282.3	(61.3)	(1%)
Current liabilities	1,428.5	3,016.7	(1,588.2)	(53%)
Total liabilities	4,224.3	4,987.1	(762.8)	(15%)
Equity attributable to equity holders of the parent	6,999.7	6,298.3	701.4	11%
Total equity	6,996.7	6,295.2	701.5	11%
Financial ratios				
Current ratio	1.26	0.72	0.54	75%
Asset-to-equity ratio	1.60	1.79	0.19	(11%)
Debt-to-equity ratio (D/E)*	0.59	0.79	(0.20)	(25%)
Debt service cover ratio (DSCR)**	2.39	0.47	1.92	409%
Interest Cover Ratio (ICR)**	9.37	5.82	3.55	61%

** The Group monitors its D/E ratio in accordance with the financial covenants prescribed in the loan and trust agreements (see Notes 18 and 19 of the Audited Consolidated Financial Statements). As at June 30, 2024 and 2023, STI ESG is compliant with the D/E ratio requirement of all its loan and trust agreements.*

***DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation, and amortization (EBITDA) for the last twelve months divided by the total interest-bearing debts and interest due in the next twelve months. In August 2022, China Banking Corporation (Chinabank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ended December 31, 2023. The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. With the waiver, STI ESG is compliant with the required covenant under the Chinabank Term Loan agreement as at June 30, 2023.*

DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the past twelve months. DSCR under both the Term Loan and Bond Trust Agreements is pegged at 1.05:1.00. STI ESG's DSCR as at June 30, 2023, as defined in the bond trust agreement, is 2.36:1.00. STI ESG is compliant with the required covenants as at June 30, 2023.

The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 18 of the Audited Consolidated Financial Statements).

In April 2024, Chinabank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see Note 19 of the Audited Consolidated Financial Statements). STI ESG is compliant with the ICR requirement, as at June 30, 2024 at 9.37:1.00.

The Group continues to exhibit a strong financial position, with cash and cash equivalents primarily generated from its operational activities. The Group's financial ratios are sound and well within bank covenants.

The Group's consolidated total assets stood at ₱11,221.0 million as at June 30, 2024, compared to ₱11,282.3 million as at June 30, 2023. Current assets amounted to 1,793.3 million from ₱2,162.8 million, a decline by 369.5 million, while non-current assets grew by ₱308.2 million, from ₱9,119.5 million to ₱9,427.7 million. The net decrease in cash and cash equivalents amounting to ₱380.0 million was primarily attributed to STI ESG's investing and financing activities aggregating to ₱2,661.2 million following the net cash generated from its operational activities amounting to ₱2,273.5 million. The net income of the Group, which is more than double that of the previous year, and the more efficient collection of receivables from students, were the key contributors to the increase in net cash generated from operating activities.

Cash and cash equivalents decreased by ₱380.0 million from last year's ₱1,571.7 million to ₱1,191.7 million as at June 30, 2024. The Group generated net cash from operating activities aggregating to ₱2,273.5 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's net cash used for the investing activities during the year ended June 30, 2024 aggregated to ₱727.8 million substantially composed of STI ESG's acquisition of 100% of the total issued and outstanding capital stock of Clinquant Holdings, Inc. (CHI), a company that owns a real estate in Tanauan, Batangas in the amount of ₱180.0 million in June 2024, and the amount of ₱60.5 million representing a 15% deposit to acquire 100% ownership of another company, Phosphene Holdings, Inc. (PHI), which owns the property adjacent to the CHI's property described earlier, and ₱45.1 million downpayment made on June 10, 2024 for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City. These properties are intended to be sites of STI schools. Cash outflow for investing activities likewise include disbursements related to solar panel installation, classroom expansion projects, and recent construction, renovation and rehabilitation projects in the schools.

The Group likewise registered ₱1,933.4 million net cash outflow in financing activities for the year ended June 30, 2024. STI ESG received in March 2024 the loan proceeds from its drawdowns from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI) credit facilities. These loan proceeds were utilized to partially finance the full redemption of STI ESG's series 7-year bonds aggregating to ₱2,180.0 million. In addition, STI ESG reported principal payments of interest-bearing loans and borrowings substantially with Chinabank aggregating to ₱333.0 million, and interests on loans and bond issue aggregating to ₱212.2 million. STI ESG likewise distributed cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱613.5 million to stockholders of record as of January 10, 2024, paid on January 12, 2024.

Receivables increased to ₱347.2 million as at June 30, 2024, representing an increase of ₱5.2 million when compared to the ₱342.0 million balance as at June 30, 2023. 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 ₱139.9 million from ₱275.0 million to ₱414.9 million. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱16.6 million as at June 30, 2024, posting an increase of ₱6.6 million 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 ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

The DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) 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. Receivables related to DBP RISE amounted to ₱2.2 million and ₱1.6 million as at June 30, 2024 and 2023, respectively.

Rent, utilities and other related receivables decreased from ₱56.5 million as at June 30, 2023 to ₱48.8 million as at June 30, 2024 reflecting improved collection efficiency during the year ended June 30, 2024.

STI ESG's allowance for ECL recognized in compliance with the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, declined from ₱290.3 million as at June 30, 2023 to ₱155.6 million as at June 30, 2024 reflecting write-off of receivables during the year ended June 30, 2024 totaling ₱156.3 million. Provision for ECL, net of reversals, for the year ended June 30, 2024 amounted to ₱24.6 million. The receivables which were written-off were associated with tuition and other school fees from students for SYs 2019-2020 to 2021-2022. The Boards of Directors (BODs) of STI Caloocan, STI Batangas, and STI Tanauan approved the write-off of receivables from students aggregating to ₱17.4 million for the year ended June 30, 2023. On the other hand, STI ESG adopted an interim policy to defer the write-off of receivables for the fiscal years ended June 30, 2023, and 2022.

Inventories rose by ₱22.2 million or 18% from ₱125.2 million to ₱147.4 million as at June 30, 2024. The increase is attributed to the receipt of student uniforms during the last quarter of the fiscal year ended June 30, 2024, in preparation for the SY 2024-2025.

Prepaid expenses and other current assets decreased by ₱16.1 million, or 14%, from ₱114.9 million to ₱98.8 million as at June 30, 2024, substantially attributed to utilization of excess prior year's credits and creditable withholding taxes, partially offset by the increase in input VAT. The increase in the Input VAT arose mainly from the acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City, from which STI ESG recognized input VAT amounting to ₱24.7 million. This account also includes input VAT recognized on the purchase of goods and services. STI ESG applied its prior years' excess tax credits and creditable withholding taxes against its income tax due for the year ended June 30, 2024. The current portion of STI ESG's advances to suppliers as at June 30, 2023, were applied against full payment when the orders for uniforms were completed delivered in 2024.

The carrying value of the equity instruments designated at FVPL amounted to ₱5.25 per share or an aggregate of ₱8.1 million as at June 30, 2024 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. STI ESG recognized dividend income from RCR amounting to ₱0.6 million in 2024 and 2023.
Property and equipment increased by ₱42.9 million, net of depreciation expenses aggregating to ₱485.3 million, from ₱7,505.7 million as at June 30, 2023 to ₱7,548.6 million as at June 30, 2024. The increase primarily reflects ongoing capital expenditures, including the construction of a new building in STI Ortigas-Cainta campus, a new three-storey building in STI Lipa, installation of solar panels, classroom expansions, and various renovation and rehabilitation projects in certain wholly-owned schools. Also, STI ESG and Total Consolidated Asset Management Company, Inc. (TCAMI) executed a Deed of Absolute Sale (DOAS) in June 2024, to acquire 76.0 million common shares, with a par value of ₱1.0, representing 100% of the total issued and outstanding capital stock of CHI for ₱180.0 million. The land was valued of ₱182.9 million, following the allocation of the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. 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, 2024, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties increased by ₱161.7 million, net of depreciation expense, from ₱675.1 million as at June 30, 2023 to ₱836.8 million as at June 30, 2024. This increase reflects the carrying value of the land situated on Diversion Road, Brgy. San Rafael, Mandurriao, Iloilo City which was reclassified from "Property and equipment" to "Investment properties" account as at June 30, 2024.

Deferred tax assets (DTA) decreased by ₱8.0 million from ₱42.0 million as at June 30, 2023 to ₱34.0 million as at June 30, 2024, primarily attributed to changes on the temporary differences related to allowance for expected credit losses (ECL) and application of NOLCO against income tax due recognized during the fiscal year ended June 30, 2024. In accordance with PFRS, these temporary differences are accounted for in the calculation of deferred tax assets and liabilities.

Goodwill, intangible, and other noncurrent assets increased by ₱104.7 million from ₱331.2 million to ₱435.9 million as at June 30, 2024 substantially attributed to deposit made by STI ESG for the purchase of the total issued and outstanding capital stock PHI and advances to contractors and/or suppliers for the ongoing construction projects. Goodwill decreased by ₱14.3 million from ₱266.6 million to ₱252.3 million as at June 30, 2023 and 2024, respectively, due to the impairment of goodwill related to NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM), which had ceased operations effective June 30, 2022.

On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱ 81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to the physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will be the future site of the new STI Academic Center Alabang.

Also, on June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement to acquire 190.0 million common shares with par value of ₱1.0 per share or 100% of the total issued and outstanding capital stock PHI for ₱403.2 million. On the same date, STI ESG paid a 15% deposit or ₱60.5 million. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement. The agreement grants STI ESG the right to cancel the purchase of the Subject Shares at any time within the three-year period. If STI ESG opts to cancel, TCAMI shall refund the deposit within thirty (30) days from receipt of the written notice of cancellation. The transfer of the shares shall take place on the third anniversary of the Share Purchase Agreement's effectivity date or at an earlier date as mutually agreed upon by STI ESG and TCAMI. PHI owns a 25,202-square-meter parcel of land, adjacent to the CHI property, located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This lot is likewise planned to be the future site of STI Academic Center Tanauan.

"Goodwill, intangible, and other noncurrent assets" account likewise includes advances to contractors and/or suppliers for the ongoing construction of the new school building at STI Ortigas-Cainta, classroom expansion projects of certain schools, and acquisition of various school equipment and furniture. The related costs of these projects will be recognized to "Property and equipment" upon receipt of goods and/or as services are rendered.

Current portion of interest-bearing loans and borrowings increased by ₱353.3 million from ₱183.0 million as at June 30, 2023 to ₱536.3 million as at June 30, 2024. The balance as at June 30, 2024 represents the current portion of the term loans of STI ESG with Chinabank, BPI, and Metrobank.
Accounts payable and other current liabilities increased by ₱154.0 million from ₱560.9 million as at June 30, 2023 to ₱714.9 million as at June 30, 2024. The increase in accounts payable and other current liabilities is attributed largely to outstanding obligations as at June 30, 2024 related to the on-going construction of STI Ortigas-Cainta new building, recently completed construction projects, and various renovation and rehabilitation projects in several wholly owned schools of STI ESG, and student related activities and programs.

Unearned tuition and other school fees increased by ₱49.1 million from ₱43.9 million as at June 30, 2023 to ₱93.0 million as at June 30, 2024. This account represents advance payments for tuition and other school fees for the school year commencing after the financial reporting date, and will be subsequently recognized as revenues in the related school terms within the next fiscal year.

Current portion of lease liabilities amounted to ₱62.8 million as at June 30, 2024 and ₱53.4 million as at June 30, 2023. Noncurrent lease liabilities decreased by ₱30.1 million from ₱282.4 million as at June 30, 2023 to ₱252.2 million as at June 30, 2024. The decrease, net of new lease obligations, represents payments made during the year ended June 30, 2024. 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.

Income tax payable of ₱21.5 million reflects the income tax obligation of STI ESG and several of its subsidiaries pertaining to their respective taxable income during the fiscal year ended June 30, 2024. The notable increase in income tax payable 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 Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law for proprietary educational institutions, the income tax rate reverted to its previous rate of 10%. STI ESG's income tax obligations for the fiscal year ended June 30, 2023, were fully offset by its tax credits.

Current portion of interest-bearing loans and borrowings increased by ₱353.2 million from ₱183.0 million as at June 30, 2023 to ₱536.3 million as at June 30, 2024. The balance as at June 30, 2024 represents the current portion of STI ESG's term loans with Chinabank, BPI and Metrobank. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with Chinabank amounting to ₱60.0 million and ₱120.0 million, respectively, and the LandBank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to ₱3.0 million. On March 19, 2024, STI ESG settled the amortization due on its Term Loan Facility amounting to ₱120.0 million.

On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement up to the amount of ₱1,000.0 million. Of this amount, ₱500.0 million was drawn on March 18, 2024, subject to an interest rate of 8.4211% per annum. On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million, of which ₱1,000.0 million was drawn on March 18, 2024, subject to an interest rate of 7.8503% per annum. STI ESG has elected to fix the principal repayments in ten (10) equal installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date. The proceeds from these loans were used to partially finance the full redemption of STI ESG's series 7-year bonds amounting to ₱2,180.0 million which matured on March 23, 2024. Non-current portion of interest-bearing loans and borrowings, increased by ₱801.0 million from ₱748.8 million to ₱1,549.8 million, net of deferred finance cost, as at June 30, 2023 and June 30, 2024, respectively. These interest-bearing loans and borrowings is composed of the outstanding loan balances, net of the current portions, related to STI ESG's Term Loan Agreements with BPI, Chinabank, and Metrobank.

On March 23, 2017, STI ESG successfully listed its ₱3.0 billion Series 7-Year Bonds, due in 2024, and Series 10-Year Bonds, due in 2027, on the Philippine Dealing and Exchange Corporation (PDEx) secondary market. 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 ₱815.0 million and ₱2,988.4 million as at June 30, 2024 and 2023, respectively, net of deferred finance charges, representing bond issue costs with carrying values of ₱5.0 million and ₱11.6 million, as at June 30, 2024 and 2023, respectively. The Series 7-Year Bonds amounting to ₱2,180.0 million matured in March 2024. On the other hand, the Series 10-Year Bonds maturing in March 2027 with a carrying value of ₱815.0 million as at June 30, 2024 is reported as "Bonds payable, noncurrent portion" under the "Noncurrent Liabilities" category.

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. In April 2024, Chinabank-Trust and STI ESG signed a second supplemental agreement that changed some financial covenants. The previous DSCR requirement of at least 1.05:1.00 has been replaced with an Interest Coverage Ratio (ICR) requirement of at least 3.00:1.00. Henceforth, STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 computed based on its consolidated financial statements. As at June 30, 2024, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.59:1.00 and ICR at 9.37:1.00.

Pension liabilities decreased by ₱12.7 million from ₱79.4 million to ₱66.7 million as at June 30, 2023 and June 30, 2024, respectively. The Board of STI ESG approved the adoption of a Multi-Employer Retirement Plan for STI ESG and its subsidiaries resulting to recognition of pension expense aggregating to ₱34.7 million for the year ended June 30, 2024. STI ESG recognized remeasurement adjustments attributed to the equity shares forming part of STI ESG's pension assets for the same fiscal year amounting to ₱36.7 million. STI ESG likewise contributed ₱6.7 million to the pension fund on June 20, 2024.

Other noncurrent liabilities increased by ₱65.8 million from ₱46.3 million to ₱112.1 million as at June 30, 2023 and June 30, 2024 attributed to deposits for future stock subscription recognized by STI Novaliches and STI Training Academy. On January 26, 2024, the BOD of STI Training Academy approved a cash call totaling ₱20.0 million to fund the company's capital expenditures and operating expenses. Of this amount, ₱12.0 million was contributed by STI ESG, while an additional ₱8.0 million was provided by another interested party. The latter's contribution was recognized as a "Deposit for future stock subscription" under "Noncurrent Liabilities" as at June 30, 2024. As at October 11, 2024, STI Training Academy is in the process of preparing the necessary documentation for its application to increase its authorized capital stock. On March 19, 2024, the BOD of STI Novaliches approved a resolution to increase STI Novaliches' authorized capital stock from 5 million shares, with a par value of ₱1.0, totaling ₱5.0 million, to 300 million shares or a total of ₱300.0 million. The BOD likewise authorized the subscription of 75 million shares at a subscription price of ₱1.0 per share, equating to ₱75.0 million. On June 4, 2024, STI Novaliches received the full amount of ₱75.0 million from STI Holdings as payment for the subscription to these 75 million shares. Subsequently, on July 15, 2024, STI Novaliches filed an application with the SEC relative to the increase in its authorized capital stock. As at October 11, 2024, STI Novaliches' application for the increase in authorized capital stock remains in process with the SEC.

Cumulative actuarial gain amounted to ₱36.7 million as at June 30, 2024 from ₱2.6 thousand as at June 30, 2023. The increase reflects the changes in the market value of the equity investments held within the pension plan assets of the Group for the year ended June 30, 2024.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱5.2 million from ₱15.0 million to ₱20.2 million as at June 30, 2024. This increase was driven by the fair value adjustments attributed to 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 ₱34.6 thousand and ₱38.8 thousand, as at June 30, 2023 and 2024, 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 stood at ₱3,524.7 million from ₱2,865.3 million or an increase of ₱659.4 million. The Group registered net income amounting to ₱1,275.8 million for the year ended June 30, 2024. STI ESG declared cash dividends on December 21, 2023 amounting to ₱616.4 million which were settled in January 2024.

June 30, 2023 vs. June 30, 2022

(in ₱ millions except financial ratios)	June 30, 2023	June 30, 2022	June 2023 vs June 2022	
	Amount		Increase (Decrease)	
Consolidated financial position				
Cash and cash equivalents	1,571.7	1,242.5	329.2	26%
Current assets	2,162.8	1,936.2	226.6	12%
Total assets	11,282.3	11,089.1	193.2	2%
Current liabilities	3,016.7	816.4	2,200.3	270%
Total liabilities	4,987.1	5,196.8	(209.7)	(4%)
Equity attributable to equity holders of the parent	6,298.3	5,894.0	404.3	7%
Total equity	6,295.2	5,892.3	402.9	7%
Financial ratios				
Current ratio	0.72	2.37	(1.65)	(70%)
Asset-to-equity ratio	1.79	1.91	(0.12)	(6%)
Debt-to-equity ratio (D/E)	0.79	0.88	(0.09)	(10%)
Debt service cover ratio (DSCR)	0.47	1.80	(1.33)	(74%)

The Group's 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 declined by ₱33.4 million, from ₱9,152.9 million to ₱9,119.5 million. 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 for the year ended 2023 which was double that of 2022, 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 DepEd for the SHS vouchers and CHED for the TES. The Group's investing activities for the year ended June 30, 2023 aggregated to ₱266.3 million primarily driven by STI ESG's 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 ₱240.0 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.

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.

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.

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 ₱41.6 million, inclusive of materials, cost of labor and overhead, and cost of money as at June 30, 2024.

STI ESG's allowance for ECL recognized in relation to the adoption of 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, 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 year's credits and creditable taxes that can be applied against future tax liabilities. Business taxes paid to local governments were 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.

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 was 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 ended June 30, 2023, 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, which, as of June 30, 2023, have varying terms expiring between 2024 and 2025. As at report date, only one active lease contract remains, set to expire in July 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" account 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).

DTA, net of 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 June 30, 2023 and were subsequently recognized as revenues during SY 2023-2024.

Income tax payable of ₱0.4 million reflects the income tax obligation of STI ESG's subsidiaries pertaining to their respective taxable income during the year ended June 30, 2023. STI ESG's income tax 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 Chinabank amounting to ₱60.0 million and ₱120.0 million, respectively, and LandBank ACADEME 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 Chinabank 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 Chinabank 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 principal prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment was applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 23, 2022, Chinabank approved STI ESG's request to allow a 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 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. Further, on March 19, 2024, STI ESG settled the amortization due on this Term Loan Facility amounting to ₱120.0 million.

On March 19, 2023, STI ESG made a ₱30.0 million principal payment for its outstanding loan under its Corporate Notes Facility with Chinabank. 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 was 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 was 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 ₱22.1 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 was 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 matured 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 STI ESG's 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. Starting from September 19, 2023, the interest rate for the Term Loan Facility was adjusted to 8.0472% per annum.

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 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 "Retained 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's 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 ₱38.8 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.

Results of Operations

The Consolidated Statements of Comprehensive Income provide insights on the financial performance of the Group for the year ended June 30, 2024. The operating results shown in the Group's consolidated statements of comprehensive income demonstrate recovery from the economic impact of the COVID-19 pandemic and robust 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, 2024, June 30, 2023, and June 30, 2022.

Years ended June 30, 2024, vs June 30, 2023
Enrollment figures of the Group for SY 2023-2024 grew by 27.0% with enrollment of 103,982 for SY 2023-2024 compared to 81,697 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 around 36,000 new students in SY 2022-2023. 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 over 56,000 students. In addition, the retention rate[1] for both years stands at 99%, while the migration rate[2] improved to 94% in SY 2023-2024 from 93% in SY 2022-2023.

The student enrollment across the schools in the STI ESG network at the start of the SY are as follows:

	SY 2023-2024	SY 2022-2023	Increase	
			Enrollees	Percentage
STI Network				
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 classification of students according to the supervising government regulatory agencies is as follows:

- CHED – students under this group are enrolled in tertiary and post-graduate programs;
- Technical Education and Skills Development Authority (TESDA) – students under this group are enrolled in technical-vocational programs; and
- DepEd – students under this group are those enrolled in secondary education - Junior High School (JHS) and SHS.

	SY 2023-2024	%	SY 2022-2023	%
CHED	71,159	68%	56,876	70%
TESDA	1,682	2%	1,447	2%
DEPED[3]	31,141	30%	23,374	28%
TOTAL	**103,982**	100%	**81,697**	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 30,674 SHS students and 467 JHS students for SY 2023-2024, while for SY 2022-2023, count includes 23,077 SHS students and 297 JHS students.

During SY 2022-2023, the Group gradually transitioned from remote learning to full resumption of face-to-face classes, while classes throughout SY 2023-2024 were 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, while classes for the tertiary programs began on September 5, 2022. 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 50% delivered onsite/face-to-face and 50% delivered through asynchronous instruction. 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 and guidance on the conduct of face-to-face classes.

	2024	2023	Increase (Decrease)	YoY Change (%)
Revenues	3,696.4	2,583.2	1,113.2	43%
Costs and expenses	2,221.2	1,874.8	346.4	18%
Income before other income (expenses) and income	**1,475.2**	**708.4**	**766.9**	**108%**
Other income (expenses)	(72.0)	(101.8)	29.8	-29%
Income before income tax	**1,403.2**	**606.5**	**796.7**	**131%**
Provision for (benefit from) income tax	127.4	(15.4)	142.8	-927%
Net income	**1,275.8**	**621.9**	**653.9**	**105%**
Other comprehensive income (loss)	42.1	(3.2)	45.3	-1415%
Total comprehensive income	**1,317.9**	**618.7**	**699.2**	**113%**

The Group recognized consolidated gross revenues amounting to ₱3,696.4 million for the year ended June 30, 2024. This represents a 43% increase from ₱2,583.2 million revenues recognized for the year ended June 30, 2023.

Tuition and other school fees reached ₱3,302.4 million for the year ended June 30, 2024, marking a substantial increase of ₱1,053.7 million or 47% compared to same period of the previous year. This growth is largely driven by the significant increase in the student population for SY 2023-2024. Enrollment for SY 2023-2024 increased by 27%, reaching close to 104,000 students, up from over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED-regulated programs increased by 33% from approximately 22,000 in SY 2022-2023 to over 29,000 students in SY 2023-2024. Furthermore, total enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared to over 56,000 students in the previous year. CHED-regulated programs generate higher revenues per student. The Group likewise implemented an average of 5% tuition fee increase across all tertiary programs.

Revenues from educational services and royalty fees both increased by 17% driven by the growth in student population and improved collection efficiency of the franchised schools for SY 2023-2024. 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 ₱19.5 million, reflecting a remarkable 18% increase compared to the same period in the previous year of ₱106.9 million to ₱126.3 million for the year ended June 30, 2024. This significant growth was primarily driven by increase in sale of uniforms. The cost of educational materials and supplies sold for the year ended June 30, 2024 increased concomitant with the higher sales volume.

Other revenues increased by ₱11.4 million or 18% compared to same period last year from ₱63.8 million to ₱75.2 million for the year ended June 30, 2024 attributed to the higher number of students enrolled in SY 2023-2024.

The cost of educational services increased by ₱202.6 million compared to same period last year, from ₱771.0 million to ₱973.6 million for the years ended June 30, 2023 and 2024, respectively. This increase is primarily attributed to higher instructors' salaries and benefits, an uptick on school materials and supplies expense, as well as the higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱103.1 million from ₱304.2 million to ₱407.3 million, reflecting the cost of a larger faculty roster concomitant with the increase in student population. Also, merit increases and bonuses were distributed to deserving and qualified faculty members, as recognition of their contributions to the positive enrollment outcome for SY 2023-2024, highlighting the Group's appreciation for everyone's dedication and hard work.

Expenses attributed to student activities and programs climbed by ₱87.6 million from ₱129.0 million for the year ended June 30, 2023 to ₱216.6 million during the year ended June 30, 2024. These expenses substantially include the costs of activities and programs to further the development and test the competencies of the students, which include among others, "Local and National Talent Search", "Tagisan ng Talino at Sining" competitions, educational tours, hotel immersion activities, and the National Youth Convention. The related costs were driven by the increase in the number of graduates/participants, as applicable, concomitant with the increase in the student population. The related revenues for these costs of student activities and programs are reported as part of tuition and other school fees. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, Amadeus, which likewise went up due to the increase in the student population.

Rent expense recognized under the cost of educational services increased by ₱4.4 million from ₱24.2 million to ₱28.6 million for the years ended June 30, 2023 and 2024, respectively, representing rent expense recognized during the fiscal year for the building occupied by STI Alabang, which became a wholly-owned subsidiary of STI ESG on March 31, 2023. Similarly, the rent expenses attributed to the general and administrative section also increased due to the same reason.

School materials and supplies increased by ₱14.1 million from ₱9.8 million to ₱23.9 million for the years ended June 30, 2023 and 2024, respectively, attributed to expenses associated with conducting students' assessments and examinations and acquisition of other school learning materials and supplies.

The cost of developing courseware during the fiscal year ended June 30, 2024 decreased by ₱2.0 million from ₱3.7 million for the year ended June 30, 2023 to ₱1.7 million for the year ended June 30, 2024. In 2023, courseware materials for SHS and JHS were developed. STI ESG continuously reviews and updates its courseware materials. The Group closely monitors industry trends and regulatory requirements to align all program curricula and materials with current standards and emerging needs.

Gross profit improved from ₱1,729.1 million to ₱2,626.8 million for the years ended June 30, 2023 and 2024, respectively, primarily due to higher enrollment. Similarly, gross profit margins improved from 67% to 71% year-on-year.

General and administrative expenses increased by 13% or ₱130.9 million, from ₱1,020.7 million to ₱1,151.6 million for the years ended June 30, 2023 and 2024, respectively.

Salaries and benefits are higher by ₱61.9 million, from ₱265.6 million to ₱327.5 million for the years ended June 30, 2023 and 2024, respectively . This increase primarily reflects merit increases and bonuses given to deserving and qualified nonteaching and administrative personnel, underscoring the Group's recognition of their dedication and hard work resulting in the positive enrollment outcome for SY 2023-2024. Also, certain plantilla positions were filled up during the year ended June 30, 2024. This account also includes pension expenses totaling ₱34.7 million for the year ended June 30, 2024, reflecting the cost impact of the adoption of the Multi-Employer Retirement Plan for STI ESG and its subsidiaries. The Multi-Employer Retirement Plan was implemented to ensure consistency and unified management of retirement benefits across the Group. Additionally, the plan offers more comprehensive and wider benefits for all eligible members, resulting in an increase in the Group's pension expense by ₱23.5 million, from ₱11.2 million to ₱34.7 million for the year ended June 30, 2024.

During the first term of SY 2022-2023, tertiary classes were conducted using a flexible learning modality, whereas all classes for SY 2023-2024 were held onsite, alongside an increase in student population. Consequently, consumption for SY 2023-2024 increased leading to higher light and water expenses by ₱15.6 million, from ₱128.1 million for the year ended June 30, 2023, compared to ₱143.7 million for the year ended June 30, 2024. Similarly, costs associated with external services, particularly security and janitorial services, increased by ₱19.1 million from ₱87.9 million to ₱107.0 million for the years ended June 30, 2023 and 2024, respectively. The increase in minimum wage rates and higher premiums charged by government agencies contributed to the higher security and janitorial expenses.

Professional fees are higher by ₱16.0 million amounting to ₱97.3 million for the year ended June 30, 2024 compared to ₱81.3 million for the year ended June 30, 2023 largely attributed to professional fees for external panelists and consultants' fees.

Advertising and promotions expense is higher by ₱10.6 million from ₱29.1 million to ₱39.7 million for the years ended June 30, 2023 and 2024, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2024-2025.

Taxes and licenses expense is higher by ₱5.3 million from ₱31.8 million to ₱37.1 million for the years ended June 30, 2023 and 2024, respectively, reflecting the increase in local taxes concomitant with the increase in revenues.

Other expenses including transportation, meetings and conferences and entertainment, amusement and recreation expenses increased as well for the year ended June 30, 2024. These expenditures are part of the ordinary course of business, and rose attributed to increased mobility and connectivity, to maintain operational efficiency and ensure effective engagement across the various business units while also enhancing engagement with customers, government agencies, and industry partners to foster stronger partnerships.

The Group recognized a provision for ECL, net of reversals, amounting to ₱24.6 million, representing ECLs on outstanding receivables from students' tuition and other school fees for the year ended June 30, 2024. This provision for ECL is lower by ₱36.2 million compared to ₱60.8 million for the year ended June 30, 2023, indicating improved collection efficiencies during the fiscal year ended June 30, 2024. 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 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.

The Group recognized a provision for impairment loss on goodwill amounting to ₱14.3 million representing the impairment of goodwill recognized for NPIM. For SY 2021-2022, NPIM exclusively enrolled students for JHS and SHS. 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, another school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. The cessation of operations of NPIM did not have a material financial impact on the Group.

On October 2, 2023, the BOD of PHEI, a joint venture entity in which STI ESG holds 40% interest, approved the cessation of PHEI's school operations, effective December 31, 2023. The BOD of STI ESG, in its February

27, 2024 meeting, approved the termination of the Joint Venture Agreement (JVA) between STI ESG and another stockholder. This JVA, executed in March 2004, led to the establishment of PHEI. In the same meeting, the BOD authorized an amendment to PHEI's Articles of Incorporation to shorten its corporate life. Consequently, STI ESG recognized a provision for impairment on its investment in PHEI amounting to ₱1.7 million for the fiscal year ended June 30, 2024, reflecting the net impact after accounting for the estimated book value of the investment.

The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and P1.0 million for the years ended June 30, 2023 and 2024, respectively, representing outdated School Materials & Supplies (SMS) and proware items which are deemed obsolete.

Insurance expense increased by ₱2.6 million from ₱14.4 million to ₱17.0 million for the years ended June 30, 2023 and 2024, respectively, reflecting higher premiums paid concomitant with the increase in market values of STI ESG properties.

Association dues increased by ₱3.7 million from ₱1.0 million to ₱4.7 million for the years ended June 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in May 2023.

Expenses related to payment channels and bank charges increased from ₱2.1 million to ₱4.5 million for the years ended June 30, 2023 and 2024, respectively, attributed to service charges on the use of STI ESG's alternative payment channels. This increase is primarily due to service charges incurred from the use of STI ESG's other online and offsite payment channels. This reflects greater awareness and preference on the use of STI ESG's payment gateways by students.

The Group posted an operating income of ₱1,475.2 million for the year ended June 30, 2024, more than double the operating income reported for the year ended June 30, 2023 amounting to ₱708.4 million. The substantial improvement is primarily driven by higher revenues resulting from a larger student population. The operating income margin reached 40% for the year ended June 30, 2024, up from 27% reported for the year ended June 30, 2023. This improvement likewise reflects the Group's optimized operational efficiency, through effective management of the costs of educational services, and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱6.0 million, from ₱275.9 million to ₱269.9 million for the year ended June 30, 2024. This reduction is primarily attributed to principal payments made by STI ESG on its Term Loan Facility with Chinabank amounting to ₱240.0 million in September 2022. The prepayment was applied in the direct order of maturity and as such, applied on scheduled amortizations due on March 19, 2023 and September 19, 2023. STI ESG likewise settled the principal payment on its Term Loan Facility with Chinabank in the amount of ₱120 million in March 2024. Additionally, STI ESG fully settled its Corporate Notes Facility with Chinabank amounting to ₱210.0 million in September 2023 and redeemed its series 7-year bonds in March 2024 aggregating to ₱2,180.0 million. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rate on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively.

Rental income decreased by ₱11.0 million year-on-year from ₱122.3 million to ₱111.3 million representing termination of the lease contracts in one of STI ESG's investment properties.

The Group recorded consolidated interest income of ₱41.2 million for the year ended June 30, 2024 from ₱ 18.3 million for the year ended June 30, 2023, representing an increase of ₱22.9 million attributed to the investments of STI ESG and certain subsidiaries in short-term instruments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱18.8 million for the year ended June 30, 2024, compared to ₱15.2 million for the year ended June 30, 2023.

Gain on disposal of property and equipment amounted to ₱485.3 thousand for the year ended June 30, 2024 compared to ₱134.7 thousand for the year ended June 30, 2023. This represents gain on the disposal of property and equipment that are no longer in use.

The Group recognized as income the recovery of previously written-off accounts amounting to ₱5.8 million for the year ended June 30, 2024 compared to ₱10.1 million for the year ended June 30, 2023.

Dividend income amounted to ₱2.9 million for the year ended June 30, 2024 compared to ₱2.5 million for the year ended June 30, 2023. This represents dividend income of ₱0.6 million from RCR, ₱1.1 million from DLS Medical Center (DLSMC) and ₱1.2 from STI Marikina, an associate, for the year ended June 30, 2024, and dividends from RCR and DLSMC amounting to ₱0.6 million and ₱1.9 million, respectively, for the year ended June 30, 2023.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱7.7 million and ₱2.3 million for the years ended June 30, 2024 and 2023, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱9.6 million and nil for the years ended June 30, 2024 and 2023, respectively.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank 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 audited consolidated statement of comprehensive income for the year ended June 30, 2024.

Fair value losses on equity instruments at FVPL amounting to ₱0.9 million and ₱0.6 million were recognized for the years ended June 30, 2024 and 2023, respectively, representing adjustments in the market value of STI ESG's quoted equity shares.

The Group reported other expenses – net, amounting to ₱2.1 million for the year ended June 30, 2024 and other income – net, amounting ₱3.8 million for the year ended June 30, 2023. STI ESG recognized other income amounting to ₱4.7 million for the year ended June 30, 2023, representing donation from a third-party institution as part of 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 ₱2.5 million and ₱1.0 million for the years ended June 30, 2024 and 2023, respectively, representing maintenance costs associated with STI ESG's bonds issuance.
The Group reported a provision for income tax amounting to ₱127.4 million for the year ended June 30, 2024 compared to benefit from income tax amounting to ₱15.4 million for the year ended June 30, 2023. Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July

1, 2020 up to June 30, 2023. The special tax rate for proprietary educational institutions reverted to 10.0% starting July 1, 2023.

STI ESG reported a net income after income tax of ₱1,275.8 million for the year ended June 30, 2024 compared to ₱621.9 million net income after income tax for the same period last year. Net income margin likewise improved from 24% to 35% year-on-year. The improvement is attributed to the upswing in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement gains, net of taxes, amounting to ₱36.7 million for the year ended June 30, 2024 and remeasurement loss, net of taxes, amounting to ₱4.4 million for the year ended June 30, 2023, 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 ₱5.2 million for the year ended June 30, 2024, compared to ₱1.7 million for the year ended June 30, 2023. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the year ended June 30, 2024 amounted to ₱1,317.9 million compared to ₱618.7 million for the year ended June 30, 2023 attributed to the higher number of enrollees for SY 2023-2024 compared to that of SY 2022-2023.

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, gain on foreign exchange differences, fair value loss on equity instruments at FVPL, and nonrecurring loss (gain) such as gain on early extinguishment of loan, increased from ₱1,248.7 million for the year ended June 30, 2023 to ₱1,992.1 million for the year ended June 30, 2024. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin likewise improved, reaching 54% for the year ended June 30, 2024 compared to 48% for the same period last year 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 ₱1,238.1 million for the year ended June 30, 2024 compared to core income for the same period last year of ₱600.1 million.

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 rate[1] in SYs 2022-2023 and 2021-2022 was maintained at 99%, while the migration rate[2] slightly dipped to 93% in SY 2022-2023 compared to 96% 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 2021-2022	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%**

The classification of students according to the supervising government regulatory agencies is as follows:

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

[1]DepEd count 23,077 SHS students and 297 JHS students for SY 2023-2024, while for SY 2022-2023, count includes 22,497 SHS students and 208 students enrolled in basic education who are enrolled in SY 2021-2022.

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. This model, introduced in SY 2020-2021, continued through SY 2021-2022. STI ESG implemented a flexible learning delivery modality in the first semester of SY 2022-2023.

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 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 has been holding a combination of in-person and online faculty members' training beginning SY 2022-2023. These training programs are conducted to ensure that the faculty members of the Group possess an acceptable level of competencies, 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 school 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 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 IATF, CHED, DepEd, LGUs, and all pertinent agencies that have released information and guidance on the conduct of face-to-face classes.

	2023	**2022**	**Increase (Decrease)**	**YoY Change (%)**
Revenues	2,583.2	2,080.0	503.2	24%
Costs and expenses	1,874.8	1,663.2	211.6	13%
Income before other income (expenses) and income	**708.4**	**416.8**	**291.6**	**70%**
Other income (expenses)	(101.8)	(151.5)	49.7	-33%
Income before income tax	**606.5**	**265.3**	**341.2**	**129%**
Provision for (benefit from) income tax	(15.4)	12.1	(27.5)	-227%
Net income	**621.9**	**253.2**	**368.7**	**146%**
Other comprehensive income (loss)	(3.2)	6.6	(9.8)	-148%
Total comprehensive income	**618.7**	**259.8**	**358.9**	**138%**

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 the year ended June 30, 2022. 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. Further, the Group's enrollment mix improved with 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 year ended June 30, 2022 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 the year ended June 30, 2022 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 from ₱725.6 million to ₱771.0 million for the years ended June 30, 2022 and 2023, respectively, largely 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 in 2022. 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 ended June 30, 2023 improved significantly compared to same period in 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.

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 2022 driven by the resumption of in-person activities and programs.

The Group posted an operating income of ₱708.4 million for the year ended June 30, 2023, marking a significant 70% increase compared to₱416.8 million for the year ended June 30, 2022. 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 in 2022 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 ESG's Term Loan Facility 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 from 5.7895% per annum to 6.5789% per annum effective September 20, 2022.

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 was 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's 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 attributed to STI ESG's dollar-denominated cash and cash equivalents, largely related to the proceeds of the disposal of STI ESG's 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 ₱6.1 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 income (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 fiscal year ended June 30, 2022. 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 year ended June 30, 2022.

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.

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 ₱1,248.7 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 ₱600.1 million for the year ended June 30, 2023 compared to core income for the year ended June 30, 2022 amounting to ₱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 99% compared to 98% in the SY 2020-2021, while the migration rate[2] is up remarkably to 96% in SY 2021-2022 compared to 79% 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%**

The classification of students according to the supervising government regulatory agencies is as follows:

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

[1]DepEd count includes SHS students, 208 JHS in SY 2021-2022 and 201 students of NAMEI who are enrolled in basic education in SY 2020-2021

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.

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.

	2022	2021	Increase (Decrease)	YoY Change (%)
Revenues	2,080.0	1,620.5	459.5	28%
Costs and expenses	1,663.2	1,491.4	171.8	12%
Income before other income (expenses) and income	**416.8**	**129.1**	**287.7**	**223%**
Other income (expenses)	(151.5)	(169.0)	17.5	-10%
Income before income tax	**265.3**	**(39.9)**	**305.2**	**-765%**
Provision for (benefit from) income tax	12.1	20.2	(8.1)	-40%
Net income	**253.2**	**(60.0)**	**313.2**	**-522%**
Other comprehensive income (loss)	6.6	14.0	(7.4)	-53%
Total comprehensive income	**259.8**	**(46.0)**	**305.8**	**-665%**

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% for the year ended June 30, 2021 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 several students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the same 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 was also attributable to the higher number of enrollees in programs regulated by CHED, which was 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 was notably even better than pre-pandemic levels. CHED enrollment comprised 67% of the total student population for SY 2021-2022 compared to 56% for SY 2020-2021.

Revenues from educational services and royalty fees both increased by 17%. This was largely attributed to the increase in the student population of franchised schools for SY 2021-2022.

Other revenues increased by ₱20.5 million or 30% compared to the year ended June 30, 2021 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% from ₱24.0 million for the year ended June 30, 2021 to ₱29.2 million for the year ended 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 was higher by ₱80.5 million 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 were 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, favorable adjustments have been made to the salaries of SHS teachers who passed LET and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. 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 were made available on-demand to foster hands-on digital learning for thousands of STI students nationwide during SY 2021-2022.

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 reported to their respective offices, thus, light and water expense was 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. This amount was higher by ₱65.8 million compared to ₱48.6 million for the year ended June 30, 2021. 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 in 2021 of ₱302.3 million. The decrease was 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 2020.

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 were 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 covered 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 included the interest income on STI ESG's investments 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 for the year ended June 30, 2021.

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 toP45.1 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 preceding 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 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 were 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.

The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱61.4 million, reflecting the difference between the recorded fair value of the investments and the selling price. For tax purposes, however, the gain was ₱306.4 million, reflecting 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.

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

Provision for income tax amounting to ₱12.1 million was recognized for the year ended June 30, 2022 compared to ₱20.2 million which was recognized for the year ended June 30, 2021. 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.

STI ESG reported a net income of ₱253.3 million for the year ended June 30, 2022, a turnaround from the ₱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, representing movements in value of equity shares forming part of pension assets for the year ended June 30, 2022.
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 was 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 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 negative ₱92.4 million for the year ended June 30, 2021.

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 as at June 30, 2024 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 the reporting date. The current liabilities as at June 30, 2023 include STI ESG's series 7-year bonds aggregating to ₱2,180.0 million which matured and was redeemed in full 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 and eighty (180) days.

As at June 30, 2024 and 2023, the Group's current assets amounted to ₱1,793.3 million and ₱2,162.8 million respectively, while current liabilities amounted to ₱1,428.5 million and ₱3,016.7 million, respectively. The current liabilities as of June 30, 2023 is higher than the current assets as of the same date with the maturity of STI ESG's 7-year bonds in March 2024.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

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 banks, and the STI ESG bondholders. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR while the second supplemental agreement replaced the DSCR measure with ICR, as discussed in Notes 18 and 19, respectively. 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, 2024 is 2.39:1.00. ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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 continuously such that exposure to bad debts is not significant.

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating-rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The Parent Company's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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

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 debt-to-equity ratio, which is computed in accordance with the financial covenants prescribed in the loans and trust agreements (see Notes 18 and 19 of the Audited Consolidated Financial Statements). The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender banks, and the STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

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," 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 the 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 in the loan agreements. See Notes 18, 19, and 35 of the Notes to the Audited Consolidated Financial Statements of the Company 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 34 of the Notes to Audited 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 for SY 2023-2024 began in late August 2023 and ended in June 2024. For SY 2022-2023, the academic year started in late August 2022 for JHS and SHS, while the tertiary level, began in September 2022, with all levels having concluded in June 2023. 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 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 19 of Notes to Audited Consolidated Financial Statements). STI ESG redeemed in full its series 7-year bonds in March 2024.

j. On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as "PSBA". The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

   The term sheet and the implementation of the transaction are subject to several conditions including the execution of mutually acceptable definitive agreements, the fulfillment of the conditions precedent, the approval of the stockholders of PSBA, and regulatory approvals.

   On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

   On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that it intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the "PSBA Manila Property"). PSBA Manila is likewise the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

   On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

   As at October 11, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

   On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

   STI ESG shall perform the following obligations, among others: (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and non-teaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; and (4) apply for and obtain permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at October 11, 2024, STI Holdings has yet to receive the reply of PSBA.

k. 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. Prior to this, the following owned schools had 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 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.

In a meeting held on November 29, 2023, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.", (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. As at October 11, 2024, the amendments are pending approval by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd of its proposed amendments in connection with its application with the SEC to amend its Articles of Incorporation and By Laws. As at October 11, 2024, TESDA has provided favorable endorsement while STI Quezon Avenue has yet to receive the responses from CHED and DepEd.

l. The following are the key changes to the Philippine tax law pursuant to the CREATE Law 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 up to June 30, 2023.
The following changes in tax rates became effective on July 1, 2023 as outlined in Revenue Memorandum Circular (RMC) 69-2023:

- Minimum corporate income tax (MCIT) rate has reverted to 2% of gross income from a reduced rate of 1% that was in effect from July 1, 2020 to June 30, 2023

- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit has reverted to 10% of the taxable income following a temporary reduction to 1% effective July 1, 2020 to June 30, 2023

Consequently, the Group recognized provision for current income tax using the preferential income tax rate of 10% (MCIT rate of 2%, as the case may be) in fiscal year 2024 in accordance with RMC 69-2023.

COVER SHEET

SEC Registration Number

0	0	0	0	0	1	1	3	1	5	6

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

(Company's Full Name)

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

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

ARSENIO C. CABRERA JR.

Contact Person

(632) 8813 7111

Company Telephone Number

0	6		3	0

Month *Day*
Fiscal Year

SEC FORM 17-Q For the Three-month Period Ended 30 September 2024

FORM TYPE

1st Thursday of November

Month *Day*
Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

63

Total No. of Stockholders

Total Amount of Borrowings

Php820 million Series 10-year Bonds

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1.	For the three-month period ended	September 30, 2024
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	₱3.0 billion bonds listed; ₱820.0 million outstanding 10-year series

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 19, 2024
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	November 19, 2024
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	November 19, 2024

ANNEX "A"

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2024 AND JUNE 30, 2024

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,340,626,485**	₱1,191,716,845
Receivables (Note 6)	**1,640,379,657**	347,232,034
Inventories (Note 7)	**141,190,867**	147,421,269
Prepaid expenses and other current assets (Note 8)	**108,683,531**	98,790,986
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**9,145,000**	8,137,500
Total Current Assets	**3,240,025,540**	1,793,298,634
Noncurrent Assets		
Property and equipment (Note 10)	**7,847,437,497**	7,548,645,572
Investment properties (Note 11)	**830,132,288**	836,772,871
Investments in and advances to associates and joint venture (Note 12)	**480,805,763**	496,276,072
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**76,116,909**	76,027,229
Deferred tax assets – net (Note 4)	**64,547,442**	33,985,006
Goodwill, intangible and other noncurrent assets (Note 14)	**413,731,995**	435,946,908
Total Noncurrent Assets	**9,712,771,894**	9,427,653,658
TOTAL ASSETS	**₱12,952,797,434**	₱11,220,952,292
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱698,200,852**	₱714,923,355
Current portion of interest-bearing loans and borrowings (Note 16)	**536,228,000**	536,274,021
Unearned tuition and other school fees	**1,815,359,765**	93,026,256
Current portion of lease liabilities	**60,798,940**	62,786,000
Income tax payable	**60,298,906**	21,473,093
Total Current Liabilities	**3,170,886,463**	1,428,482,725
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**1,280,815,033**	1,549,840,391
Bonds payable (Note 17)	**815,391,255**	814,967,275
Lease liabilities - net of current portion	**242,511,811**	252,248,072
Pension liabilities - net	**45,987,643**	66,659,244
Other noncurrent liabilities (Notes 18 and 19)	**131,331,613**	112,067,244
Total Noncurrent Liabilities	**2,516,037,355**	2,795,782,226
Total Liabilities *(Carried Forward)*	**5,686,923,818**	4,224,264,951

	September 30, 2024	June 30, 2024
	(Unaudited)	(Audited)
Total Liabilities *(Brought Forward)*	**₱5,686,923,818**	₱4,224,264,951
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
Capital stock	**3,087,829,443**	3,087,829,443
Deposits for future stock subscriptions (Notes 18 and 19)	**83,000,000**	–
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**58,092,128**	36,707,023
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**20,330,599**	20,240,919
Other equity reserve	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain	**298,698**	298,698
Unrealized fair value loss on equity instruments at FVOCI (Note 12)	**(43,581)**	(34,579)
Retained earnings	**3,689,507,805**	3,524,679,379
Total Equity Attributable to Equity Holders of the Parent Company	**7,268,993,878**	6,999,699,669
Equity Attributable to Non-controlling Interests	**(3,120,262)**	(3,012,328)
Total Equity	**7,265,873,616**	6,996,687,341
TOTAL LIABILITIES AND EQUITY	**₱12,952,797,434**	₱11,220,952,292

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, 2024 AND 2023

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱618,349,362**	₱334,797,240
Educational services	**57,623,808**	45,561,977
Royalty fees	**6,057,514**	4,796,349
Others	**33,168,368**	28,092,808
Sale of goods -		
Sale of educational materials and supplies	**57,397,225**	66,914,740
	772,596,277	480,163,114
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**199,454,569**	156,828,668
Cost of educational materials and supplies sold (Note 22)	**46,430,602**	47,846,352
General and administrative expenses (Note 23)	**328,486,653**	288,827,862
	574,371,824	493,502,882
INCOME(LOSS) BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**198,224,453**	(13,339,768)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 16 and 17)	**(62,891,523)**	(67,711,519)
Rental income	**27,351,923**	28,133,107
Foreign exchange gain (loss) - net	**(5,765,517)**	13,731,097
Interest income (Notes 5 and 6)	**8,341,391**	5,031,107
Gain on:		
Early extinguishment of loan (Note 16)	**-**	3,076,465
Sale of property and equipment	**-**	14,391
Sale of investment in a subsidiary and associates	**3,161,208**	-
Equity in net earnings of associates and joint venture (Note 12)	**6,377,485**	3,049,853
Recovery of accounts written off (Note 6)	**4,017,278**	1,847,192
Fair value gain (loss) on equity instruments at FVPL (Note 9)	**1,007,500**	(1,395,000)
Dividend income (Notes 9 and 13)	**153,760**	151,590
Other income (expenses) – net (Note 4)	**1,967,518**	(226,795)
	(16,278,977)	(14,298,512)
INCOME(LOSS) BEFORE INCOME TAX *(Carried Forward)*	**181,945,476**	(27,638,280)

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	Three months ended September 30	
	2024 (Unaudited)	**2023 (Unaudited)**
INCOME(LOSS) BEFORE INCOME TAX *(Brought Forward)*	**₱181,945,476**	(₱27,638,280)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**50,163,543**	20,588,615
Deferred	**(32,938,559)**	(26,472,765)
	17,224,984	(5,884,150)
NET INCOME(LOSS)	**164,720,492**	(21,754,130)
OTHER COMPREHENSIVE INCOME		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain on pension liabilities	**23,761,228**	2,096,579
Tax effect on remeasurement loss (gain) on pension liabilities	**(2,376,123)**	(209,658)
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**89,680**	1,258,960
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 12)	**(9,002)**	3,145
OTHER COMPREHENSIVE INCOME, NET OF TAX	**21,465,783**	3,149,026
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱186,186,275**	(₱18,605,104)
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱164,828,426**	(₱21,504,598)
Non-controlling interests	**(107,934)**	(249,532)
	₱164,720,492	(₱21,754,130)
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱186,294,209**	(₱18,355,572)
Non-controlling interests	**(107,934)**	(249,532)
	₱186,186,275	(₱18,605,104)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**₱0.05**	(₱0.01)

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, 2024 AND 2023

	Capital Stock (Note 19)	**Additional Paid-in Capital**	**Deposit on stock subscription** (Note 19)	**Treasury Stock** (Note 19)	**Cumulative Actuarial Gain**	**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, 2024	**₱3,087,829,443**	**₱386,916,479**	**₱–**	**(₱10,833,137)**	**₱36,707,023**	**₱20,240,919**	**(₱46,104,556)**	**₱298,698**	**(₱34,579)**	**₱3,524,679,379**	**₱6,999,699,669**	**(₱3,012,328)**	**₱6,996,687,341**
Net Income	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**–**	**164,828,426**	**164,828,426**	**(107,934)**	**164,720,492**
Other comprehensive income	**–**	**–**	**83,000,000**	**–**	**21,385,105**	**89,680**	**–**	**–**	**(9,002)**	**–**	**104,465,783**	**–**	**104,465,783**
Total comprehensive income	**–**	**–**	**83,000,000**	**–**	**21,385,105**	**89,680**	**–**	**–**	**(9,002)**	**164,828,426**	**269,294,209**	**(107,934)**	**269,186,275**
Balance at September 30, 2024	**₱3,087,829,443**	**₱386,916,479**	**₱83,000,000**	**(₱10,833,137)**	**₱58,092,128**	**₱20,330,599**	**(₱46,104,556)**	**₱298,698**	**(₱43,581)**	**₱3,689,507,805**	**₱7,268,993,878**	**(₱3,120,262)**	**₱7,265,873,616**
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**

See accompanying Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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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, 2024 AND 2023

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱181,945,476**	(₱27,638,280)
Adjustments to reconcile income (loss) before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 21 and 23)	**122,369,737**	121,211,314
Interest expense (Notes 16 and 17)	**62,891,523**	67,711,519
Interest income (Notes 5 and 6)	**(8,341,391)**	(5,031,107)
Equity in net earnings of associates and joint venture (Note 12)	**(6,377,485)**	(3,049,853)
Movements in pension	**3,089,628**	3,145,770
Unrealized foreign exchange gain - net	**95,685**	(13,730,837)
Fair value (gain) loss on equity instruments at FVPL (Note 9)	**(1,007,500)**	1,395,000
Dividend income (Notes 9 and 13)	**(153,760)**	(151,590)
Gain on:		
Early extinguishment of loan (Note 16)	–	(3,076,465)
Sale of property and equipment (Note 10)	–	(14,391)
Operating income before working capital changes	**354,511,913**	140,771,080
Decrease in:		
Receivables	**55,438,315**	420,400,053
Inventories	**6,230,402**	5,078,422
Prepaid expenses and other current assets	**(15,297,950)**	4,365,016
Increase (decrease) in:		
Accounts payable and other current liabilities	**(40,902,592)**	(107,292,698)
Unearned tuition and other school fees	**373,991,696**	257,191,866
Other noncurrent liabilities	**264,369**	(73,720)
Net cash generated from operations	**734,236,153**	720,440,019
Interest received	**8,097,266**	5,031,107
Income tax paid	**(5,932,326)**	(376,536)
Net cash provided by operating activities	**736,401,093**	725,094,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(204,369,576)**	(60,974,840)
Proceeds from:		
Sale of shares held in an associate - net (Note 12)	**24,785,625**	–
Redemption of equity instruments at FVOCI (Note 13)	**–**	352,920
Sale of property and equipment (Note 10)	**–**	14,412
Investments in and advances to associates and affiliates	**(2,946,833)**	–
Payments for other noncurrent assets (Note 14)	**(3,594,673)**	(13,729,192)
Dividend received (Notes 9 and 13)	**153,760**	151,590
Net cash used in investing activities	**(185,971,697)**	(74,185,110)

(Forward)

	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term loans (Note 16)	**(₱270,000,000)**	(₱212,095,670)
Interests	**(99,255,371)**	(76,026,559)
Lease liabilities	**(32,115,420)**	(30,440,915)
Dividends	**(53,280)**	–
Net cash used in financing activities	**(401,424,071)**	(318,563,144)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(95,685)**	13,730,837
NET INCREASE IN CASH AND CASH EQUIVALENTS	**148,909,640**	346,077,173
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**1,191,716,845**	1,571,737,633
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,340,626,485**	₱1,917,814,806

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

STI EDUCATION SERVICES GROUP, INC.
(A Private Educational Institution)
AND SUBSIDIARIES
NOTES TO THE 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, 2024 and June 30, 2024, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership			
		2024		2023	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**100**	**–**	100	–
STI College of Kalookan, Inc. (STI Caloocan)[(a)]	Educational Institution	**100**	**–**	100	–
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**100**	**–**	100	–
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**100**	**–**	100	–
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**100**	**–**	100	–
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	**100**	**–**	100	–
STI Lipa, Inc. (STI Lipa)	Educational Institution	**100**	**–**	100	–
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	**100**	**–**	100	–
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**100**	**–**	100	–
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	**100**	**–**	100	–
NAMEI Polytechnic Institute, Inc. (NAMEI)	Educational Institution	**94**	**–**	94	–
NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) [(b)]	Educational Institution	**100**	**–**	100	–
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**100**	**–**	100	–
STI College Quezon Avenue, Inc. (STI Quezon Avenue) [(d)]	Educational Institution	**–**	**100**	–	100
STI Alabang	Educational Institution	**100**	**–**	100	–
Clinquant Holdings, Inc (CHI)[(e)]	Investment Company	**100**	**–**	**–**	**–**

[(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. De Los Santos-STI College has not resumed its school operations as at November 19, 2024.*
[(d)] *A wholly owned subsidiary of De Los Santos-STI College.*
[(e)] *On June 20, 2024, STI ESG and Total Consolidated Asset Management, Inc. (TCAMI) executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of TCAMI's subsidiary, CHI. CHI became a wholly owned subsidiary as at June 30, 2024 (see Notes 10).*

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 on 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. Some 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.

a. 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 19, 2024, 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 Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (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 19, 2024, the Parent Company has not received the CARs from the BIR.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. In a meeting held on November 29, 2022, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.”, (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.,” along with the aforementioned amendments.

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,” 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 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, 2024. 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, *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

  The amendments had no impact on the Group because the Group's accounting policies are aligned with the amendments to PAS 1.

- 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 Group has not entered into any sale and leaseback transactions.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*
  The amendments aim to improve transparency around supplier finance arrangements, helping users of financial statements better understand their nature, timing, and financial effects.

  The amendments require disclosures that provide information on the following, among others:
  - The terms and conditions of supplier finance arrangements.
  - The impact these arrangements have on an entity's working capital, liquidity risk, and financial position.
  - Changes in liabilities arising from supplier finance arrangements as part of the reconciliation of cash flows from financing activities

  The Group has not entered into any supplier finance arrangements.

  Entities need to implement these amendments according to the effective date stipulated by the FRSC, with considerations for any specific transition requirements.

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 2026

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21, *Lack of exchangeability*

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 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, 2024 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle which spans one academic year. The academic cycle for SY 2023-2024 began on August 29, 2023 and ended in June 2024. For SY 2024-2025, the academic year started on August 12, 2024 with all levels concluding in June 2025. Classes for both years were all conducted face-to-face.

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 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.

The Group remains committed to 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.

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 consolidated net income (loss) and EBITDA. EBITDA is 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, loss (gain) on foreign exchange differences, fair value loss (gain) on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease. Depreciation and interest expense 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:

	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)
Consolidated net income (loss)	**₱164,720,492**	(₱21,754,130)
Depreciation and amortization[1]	**105,879,599**	104,780,303
Interest expense[1]	**56,909,772**	62,239,666
Provision for (benefit) from income tax	**17,224,984**	(5,884,150)
Interest income	**(8,341,391)**	(5,031,107)
Equity in net earnings of associates and joint venture	**(6,377,485)**	(3,049,853)
Foreign exchange loss (gain) – net	**5,765,517**	(13,731,097)
Gain on disposal of shares held in an associate[2]	**(3,161,208)**	–
Gain on termination of lease[2]	**(1,575,650)**	–
Fair value loss (gain) on equity instruments at FVPL	**(1,007,500)**	1,395,000
Unrealized gain on short term investment[2]	**(544,653)**	–
Gain on early extinguishment of loan	–	(3,076,465)
Consolidated EBITDA	**₱329,492,477**	₱115,888,167

[1]*Depreciation and interest expense exclude those related to ROU assets and lease liabilities, respectively.*
[2]*Reported as part of "Other income".*

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the three-month periods ended September 30, 2024 and 2023:

	For the three-month period ended September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱460,867,502**	**₱53,556,308**	**₱227,368,093**	**₱15,298,397**	**₱15,505,977**	**₱772,596,277**
Results						
Income before other income (expenses) and income tax	**94,000,568**	**13,783,168**	**86,505,329**	**1,864,689**	**2,070,699**	**198,224,453**
Equity in net earnings of associates and joint venture	**6,377,485**	**–**	**–**	**–**	**–**	**6,377,485**
Interest expense	**(58,950,576)**	**(1,572,072)**	**(1,599,269)**	**(270,183)**	**(499,423)**	**(62,891,523)**
Interest income	**7,291,710**	**7,580**	**1,037,262**	**3,238**	**1,601**	**8,341,391**
Other income[(a)]	**28,221,627**	**1,803,264**	**1,626,556**	**128,215**	**114,008**	**31,893,670**
Benefit from (provision for) income tax	**(17,214,047)**	**(554,505)**	**543,568**	**–**	**–**	**(17,224,984)**
Net Income	**₱59,726,767**	**₱13,467,435**	**₱88,113,446**	**₱1,725,959**	**₱1,686,885**	**₱164,720,492**
EBITDA						**₱329,492,477**

	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

(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, 2024 and June 30, 2024.

	As at September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱8,694,358,464**	**₱822,293,828**	**₱2,388,460,679**	**₱156,178,303**	**₱109,523,765**	**₱12,170,815,039**
Goodwill (see Note 14)	**236,629,190**	**–**	**–**	**–**	**–**	**236,629,190**
Investments in and advances to associates and joint venture (see Note 12)	**480,805,763**	**–**	**–**	**–**	**–**	**480,805,763**
Deferred tax assets - net	**44,128,339**	**3,913,645**	**14,517,912**	**690,949**	**1,296,597**	**64,547,442**
Total Assets	**₱9,455,921,756**	**₱826,207,473**	**₱2,402,978,591**	**₱156,869,252**	**₱110,820,362**	**₱12,952,797,434**
Segment liabilities[(b)]	**₱1,481,500,055**	**₱204,999,054**	**₱899,622,010**	**₱52,543,930**	**₱66,526,087**	**₱2,705,191,136**
Interest-bearing loans and borrowings (see Note 16)	**1,817,043,033**	**–**	**–**	**–**	**–**	**1,817,043,033**
Bonds payable (see Note 17)	**815,391,255**	**–**	**–**	**–**	**–**	**815,391,255**
Pension liabilities	**22,528,456**	**6,114,359**	**14,191,588**	**1,666,296**	**1,486,944**	**45,987,643**
Lease liabilities	**111,682,403**	**52,218,357**	**96,193,198**	**17,028,505**	**26,188,288**	**303,310,751**
Total Liabilities	**₱4,248,145,202**	**₱263,331,770**	**₱1,010,006,796**	**₱71,238,731**	**₱94,201,319**	**₱5,686,923,818**
Other Segment Information						
Capital expenditures for property and equipment						**₱399,618,629**
Depreciation and amortization[(c)]						**105,879,599**
Noncash expenses other than depreciation and amortization						**55,389,353**

	As at June 30, 2024 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱7,794,234,323	₱682,262,822	₱1,792,286,647	₱113,698,314	₱71,579,918	₱10,454,062,024
Goodwill (see Note 14)	236,629,190	–	–	–	–	236,629,190
Investments in and advances to associates and joint venture (see Note 12)	496,276,072	–	–	–	–	496,276,072
Deferred tax assets - net	16,642,597	2,797,372	12,557,491	690,949	1,296,597	33,985,006
Total Assets	₱8,543,782,182	₱685,060,194	₱1,804,844,138	₱114,389,263	₱72,876,515	₱11,220,952,292
Segment liabilities[(b)]	₱595,636,209	₱57,008,678	₱251,954,267	₱11,789,034	₱25,101,760	₱941,489,948
Interest-bearing loans and borrowings (see Note 16)	2,086,114,412	–	–	–	–	2,086,114,412
Bonds payable (see Note 17)	814,967,275	–	–	–	–	814,967,275
Pension liabilities	44,008,750	5,921,760	13,681,541	1,616,515	1,430,678	66,659,244
Lease liabilities	122,808,579	42,466,080	101,690,258	18,828,574	29,240,581	315,034,072
Total Liabilities	₱3,663,535,225	₱105,396,518	₱367,326,066	₱32,234,123	₱55,773,019	₱4,224,264,951
Other Segment Information						
Capital expenditures for property and equipment						643,537,486
Depreciation and amortization[(c)]						419,986,229
Noncash expenses other than depreciation and amortization						76,190,964

[(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, 2024 (Unaudited)	June 30, 2024 (Audited)
Cash on hand and in banks	**₱815,511,090**	₱860,566,343
Cash equivalents	**525,115,395**	331,150,502
	₱1,340,626,485	₱1,191,716,845

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 ₱5.6 million and ₱3.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

6. Receivables

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Tuition and other school fees	**₱1,650,846,693**	₱347,101,878
Educational services and sale of educational materials and supplies (see Note 24)	**103,041,934**	61,260,086
Rent, utilities, and other related receivables	**46,856,434**	48,762,757
Receivables from officers and employees (see Note 24)	**25,747,509**	25,125,248
Others	**21,769,807**	20,565,060
	1,848,262,377	502,815,029
Less allowance for expected credit losses	**207,882,720**	155,582,995
	₱1,640,379,657	₱347,232,034

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, SY 2022-2023 and SY 2023-2024. Receivables from DBP amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, 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 receivables pertain to receivables from franchisees and other affiliates 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 ₱2.7 million and ₱1.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

c. Rent, utilities, and other related receivables are expected to be collected within the fiscal year.

d. Receivables from officers and employees substantially 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 (see Note 24).

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.4 million, ₱6.8 million, and ₱7.2 million, respectively, as at September 30, 2024 and amounting to ₱1.3 million, ₱6.5 million, and ₱7.1 million, respectively, as at June 30, 2024. These receivables are expected to be collected within the fiscal year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱4.0 million and ₱1.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

7. Inventories

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱108,182,354**	₱112,263,734
Textbooks and other education-related materials	**7,572,925**	7,250,240
	115,755,279	119,513,974
Promotional materials:		
Proware materials	**17,716,491**	19,100,179
Marketing materials	**2,438,200**	1,199,015
	20,154,691	20,299,194
School materials and supplies	**5,280,897**	7,608,101
	₱141,190,867	₱147,421,269

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Accordingly, the carrying value of these inventories at net realizable value is nil as at September 30, 2024 and June 30, 2024. Allowance for inventory obsolescence amounted to ₱25.1 million as at September 30, 2024 and June 30, 2024. No provision was recognized for the three-month periods ended September 30, 2024 and 2023.

Inventories charged to cost of educational materials and supplies sold amounted to ₱46.4 million and ₱47.8 million for the three-month periods ended September 30, 2024 and 2023, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Input VAT - net	**₱47,183,805**	₱49,124,164
Prepaid insurance	**17,776,071**	1,044,188
Prepaid taxes	**12,187,694**	18,166,248
Prepaid subscriptions and licenses	**11,930,113**	14,745,516
Advances to suppliers	**9,169,427**	13,317,682
Software maintenance cost	**648,946**	984,218
Others	**9,787,475**	1,408,970
	₱108,683,531	₱98,790,986

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 amounting to ₱24.7 million which was recognized from the acquisition of a parcel of land located at South Park District, Alabang, Muntinlupa City (see Note 10). This account also includes input VAT recognized on the purchase of other goods and services during the three-month period ended September 30, 2024.

Prepaid insurance primarily represents fire insurance coverage on buildings, including equipment and furniture, money, securities and payroll insurance, fidelity insurance, and health and accident insurance coverage for employees. These prepaid insurance premiums were paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Prepaid taxes primarily pertain to creditable withholding taxes, and prepayments for business and real property taxes. Prepayments for business and real property taxes are recognized as expenses over the applicable period, typically within 12 months ending December of every year. Excess prior year credits as at June 30, 2024 and creditable withholding taxes accumulated during the first quarter of FY 2024-2025 were applied against income tax due for the three-month period ended September 30, 2024.

Prepaid subscriptions and licenses substantially pertain to Microsoft license, Adobe Acrobat, and eLMS subscriptions which were paid in advance in preparation for the succeeding school year. The balance as at September 30, 2024 includes prepayment for e-books subscription across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED’s requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Advances to suppliers primarily relate to prepayments for the procurement of students’ school uniforms and advance payments for ongoing repair works in various schools owned and operated by STI ESG. The balance as at June 30, 2024 likewise includes advances for expenses related to commencement exercises for SY2023-2024.

Software maintenance costs substantially pertain to the annual support and maintenance charges for the use of STI ESG's accounting system. These software maintenance costs are recognized as expense over time in accordance with the terms of the respective agreements.

Other prepaid expenses as at September 30, 2024 substantially refer to prepayments for the tickets and venue rental for the National Talent Search competition for the entire network. The balance as at June 30, 2024 mainly includes advance payments made for the use of a recruitment platform, club membership fees, association dues, and annual monitoring fee for STI ESG's bond issue.

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 ₱9.1 million and ₱8.1 million as at September 30, 2024 and June 30, 2024, respectively.

STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share in 2021. STI ESG recognized fair value gain on equity instruments at FVPL amounting to ₱1.0 million for the three months ended September 30, 2024 and fair value loss of ₱1.4 million for the three-month periods ended September 30, 2023.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

10. Property and Equipment

The rollforward analyses of this account are as follows:

	September 30, 2024													
	Land	**Buildings**	**Office and School Equipment**	**Office Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Renewable energy equipment**	**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	**₱2,492,031,676**	**₱4,358,612,598**	**₱91,355,509**	**₱27,851,333**	**₱13,461,185**	**₱3,382,861**	**₱56,417,937**	**₱9,916,121**	**₱9,244,638**	**₱236,931,831**	**₱106,374,068**	**₱134,466,916**	**₱8,598,899**	**₱7,548,645,572**
Additions	**213,310,625**	**1,319,730**	**11,119,078**	**13,572,233**	−	**2,060,001**	**11,886,314**	**74,865**	**687,840**	**145,587,943**	−	**28,217,516**	**81,602**	**427,917,747**
Reclassification	−	**108,167,809**	**1,598,320**	−	−	−	−	−	**15,842,160**	**(125,608,289)**	−	−	−	−
Disposal	−	−	−	−	−	−	−	−	−	−	−	**(13,888,769)**	−	**(13,888,769)**
Depreciation and amortization (see Notes 21 and 23)	−	**(75,179,156)**	**(7,730,016)**	**(2,694,761)**	**(2,450,876)**	**(306,422)**	**(8,884,044)**	**(501,740)**	**(999,900)**	−	**(2,019,875)**	**(12,644,575)**	**(1,825,688)**	**(115,237,053)**
Balance at end of period	**₱2,705,342,301**	**₱4,392,920,981**	**₱96,342,891**	**₱38,728,805**	**₱11,010,309**	**₱5,136,440**	**₱59,420,207**	**₱9,489,246**	**₱24,774,738**	**₱256,911,485**	**₱104,354,193**	**₱136,151,088**	**₱6,854,813**	**₱7,847,437,497**
At September 30, 2024														
Cost	**₱2,705,342,301**	**₱6,795,046,251**	**₱816,305,076**	**₱351,721,379**	**₱ 208,305,499**	**₱ 14,319,518**	**₱475,924,535**	**₱ 133,713,426**	**₱27,084,666**	**₱256,911,485**	**₱148,107,223**	**₱285,944,927**	**₱58,520,246**	**12,277,246,532**
Accumulated depreciation and amortization	−	**(2,402,125,270)**	**(719,962,185)**	**(312,992,574)**	**(197,295,190)**	**(9,183,078)**	**(416,504,328)**	**(124,224,180)**	**(2,309,928)**	−	**(43,753,030)**	**(149,793,839)**	**(51,665,433)**	**(4,429,809,035)**
Net book value	**₱ 2,705,342,301**	**₱4,392,920,981**	**₱96,342,891**	**₱38,728,805**	**₱ 11,010,309**	**₱ 5,136,440**	**₱ 59,420,207**	**₱ 9,489,246**	**₱24,774,738**	**₱256,911,485**	**₱104,354,193**	**₱136,151,088**	**₱6,854,813**	**7,847,437,497**

	June 30, 2024													
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Renewable energy equipment	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	182,873,095	116,782,420	29,495,843	14,735,296	10,168,642	2,427,000	44,505,257	517,679	10,554,665	231,477,589	−	38,590,106	5,080,982	687,208,574
Disposal	−	−	(23,416)	(36)	−	−	(129)	−	−	−	−	−	−	(23,581)
Reclassification	−	30,541,347	−	−	−	−	−	−	−	(30,541,347)	−	−	−	−
Reclassification to investment properties (see Note 11)	(187,440,604)	−	−	−	−	−	−	−	−	−	−	−	−	(187,440,604)
Depreciation and amortization (see Notes 21 and 23)	–	(283,155,911)	(48,330,971)	(14,563,309)	(10,441,864)	(497,834)	(30,511,745)	(2,678,367)	(1,310,027)	−	(8,079,494)	(47,963,019)	(9,231,165)	(456,763,706)
Balance at end of period	₱2,492,031,676	₱4,358,612,598	₱91,355,509	₱27,851,333	₱13,461,185	₱3,382,861	₱56,417,937	₱9,916,121	₱9,244,638	₱236,931,831	₱106,374,068	₱134,466,916	₱8,598,899	₱7,548,645,572
At June 30, 2024														
Cost	₱2,492,031,676	₱6,685,558,712	₱803,587,678	₱338,149,146	₱208,972,459	₱12,259,517	₱464,038,221	₱133,638,561	₱10,554,666	₱236,931,831	₱148,107,223	₱279,564,030	₱59,287,044	₱11,872,680,764
Accumulated depreciation and amortization	–	(2,326,946,114)	(712,232,169)	(310,297,813)	(195,511,274)	(8,876,656)	(407,620,284)	(123,722,440)	(1,310,028)	−	(41,733,155)	(145,097,114)	(50,688,145)	(4,324,035,192)
Net book value	₱2,492,031,676	₱4,358,612,598	₱91,355,509	₱27,851,333	₱13,461,185	₱3,382,861	₱56,417,937	₱9,916,121	₱9,244,638	₱236,931,831	₱106,374,068	₱134,466,916	₱8,598,899	₱7,548,645,572

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,779.2 million and ₱1,649.3 million as at September 30, 2024 and June 30, 2024, respectively. There were no idle properties and equipment as at September 30, 2024 and June 30, 2024.

<u>Additions</u>

Land Acquired via Deed of Sale on Installments. On June 10, 2024, STI ESG and Avida Land Corp. (Avida) executed a contract to sell for STI ESG's acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million, inclusive of taxes. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million shall be paid by STI ESG upon the execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed.

On September 30, 2024, STI ESG and Avida executed the Deed. On the same date, STI ESG settled the second installment amounting to ₱81.6 million. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale. In view of this, STI ESG recognized this acquisition as "Land" under "Property and Equipment" as at September 30, 2024. The related deposits for the asset acquisition were applied to the total purchase price, and STI ESG recognized the liability amounting to ₱102.1 million as a "Other Noncurrent Liability" (see Note 18).

STI ESG is entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed also provided that STI ESG should start the construction within two years from its execution. This lot will be the future site of the new STI Academic Center Alabang (see Notes 14 and 18).

Land Acquired through Acquisition of Shares. On June 20, 2024, STI ESG and TCAMI, a related party, executed a Deed of Absolute Sale for the acquisition of 76.0 million common shares, with a par value of ₱1.0, representing 100% of the total issued and outstanding capital stock of CHI, for ₱180.0 million. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located on President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. The land was valued at ₱182.9 million, following the allocation of the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million.

Solar Project. STI ESG conducted roof deck waterproofing activities and installed solar panels at its head office building located in the STI Ortigas-Cainta campus during the fiscal year ended June 30, 2024. These solar panels have a total capacity of 212 kilowatts and have yielded cost savings for both administrative and school energy consumption. The associated contract cost for the solar panel project is ₱10.6 million, while the roof deck waterproofing activities have a total project cost of ₱6.1 million. These projects were completed in November 2023.

As at September 30, 2024, the Group likewise have completed the solar panel installation projects in several schools owned and operated by STI ESG namely: STI Pasay-EDSA, STI Novaliches, STI Las Piñas, and STI Sta. Mesa. These projects, expected to generate an aggregate 402 kilowatts of electricity, have a combined cost of ₱18.5 million.

Renovation and rehabilitation projects. STI ESG has undertaken renovation works at its Tanay property. The initial phase, which addressed exterior facilities, has a total contract cost of ₱14.5 million and was completed in January 2024. The subsequent phase, which focused on interior improvements, has a total project cost of ₱14.6 million, and was completed in August 2024.

Property and Equipment under Construction.
As at September 30, 2024, the Group reported costs of construction-in-progress aggregating to ₱256.9 million mainly pertaining to (1) construction of the new building in STI Ortigas-Cainta campus, (2) class room expansion projects, and (3) construction of a three-storey building at STI Lipa.

The school building under construction at the STI Ortigas-Cainta campus has a total project cost of ₱217.3 million and is expected to accommodate an additional 4,500 students beginning SY 2024-2025. The first and second floors of the building were completed in September 2024 and are now being used for SY 2024-2025. The rest of the building is scheduled for completion by the end of January 2025.

The Group, in anticipation of a growing student population, has undertaken classroom expansion projects for several schools, namely, STI Las Piñas, STI Cubao, STI Sta Mesa, STI Caloocan, STI Lucena, STI San Jose del Monte, STI Global City, and STI Lipa. These expansion projects primarily involve the partitioning of vacant or multi-purpose areas with total investment of ₱117.6 million and are all, except for STI Lipa, expected to be fully completed by the end of November 2024. The classroom expansion project at STI Lipa is expected to be completed by the end of December 2024. These additional classrooms can accommodate approximately 10,000 students.

The design and construction of a three-storey building at STI Lipa has a total contract amount of ₱40.0 million, which includes all costs of materials, labor, tools, equipment, and incidental expenses to be incurred for the completion of the project. The construction of the new building at STI Lipa is expected to be completed by end of November 2024.

<u>Collaterals</u>
Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at September 30, 2024 and June 30, 2024. The net book value of these equipment amounted to ₱6.9 million and ₱8.6 million as at September 30, 2024 and June 30, 2024, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

		September 30, 2024	
	Land	**Condominium Units**	**Total**
Cost:			
Balance at beginning and end of period	**₱392,067,483**	**₱780,307,090**	**₱1,172,374,573**
Accumulated Depreciation:			
Balance at beginning of period	**–**	**335,601,702**	**335,601,702**
Depreciation (see Note 23)	**–**	**6,640,583**	**6,640,583**
Balance at end of period	**–**	**342,242,285**	**342,242,285**
Net book value	**₱392,067,483**	**₱438,064,805**	**₱830,132,288**

	June 30, 2024		
	Land	Condominium Units	Total
Cost:			
Balance at beginning of period	₱204,626,879	₱779,564,396	₱984,191,275
Additions	–	742,694	742,694
Reclassification from property and equipment (see Note 11)	187,440,604	–	187,440,604
Balance at end of period	392,067,483	780,307,090	1,172,374,573
Accumulated Depreciation:			
Balance at beginning of period	–	309,052,401	309,052,401
Depreciation (see Note 23)	–	26,549,301	26,549,301
Balance at end of period	–	335,601,702	335,601,702
Net book value	₱392,067,483	₱444,705,388	₱836,772,871

As at September 30, 2024 and June 30, 2024, investment properties primarily include condominium units of the Group which are held for office or commercial lease.

12. Investments in and Advances to Associates and Joint Venture

The details and movements of this account are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Investments		
Acquisition costs	**₱549,760,826**	₱549,760,826
Disposal	**(21,838,792)**	–
Balance at end of period	**527,922,034**	549,760,826
Accumulated equity in net losses:		
Balance at beginning of period	**(52,098,533)**	(55,896,436)
Equity in net earnings of associates and joint venture	**6,377,485**	18,810,890
Dividends received	**–**	(15,012,987)
Balance at end of period	**(45,721,048)**	(52,098,533)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**264,119**	124,308
Remeasurement loss on pension liability	**–**	135,616
Unrealized fair value adjustment on equity instruments designated at FVOCI	**(9,002)**	4,195
Balance at end of period	**255,117**	264,119
	482,456,103	497,926,412
Less allowance for impairment loss	**1,650,340**	1,650,340
	480,805,763	496,276,072
Advances (see Note 24)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱480,805,763	₱496,276,072

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, 2024 and June 30, 2024. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Associates (see Note 24):		
STI Holdings	**₱458,056,721**	₱475,167,393
STI Accent*	**48,134,540**	48,134,540
GROW	**20,551,159**	18,814,679
Joint venture - PHEI	**3,848,223**	3,944,340
	530,590,643	546,060,952
Allowance for impairment loss	**(49,784,880)**	(49,784,880)
	₱480,805,763	₱496,276,072

**The share in equity of STI Accent for the period ended September 30, 2024 and year ended June 30, 2024 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, 2024 (Unaudited)	June 30, 2024 (Audited)
Quoted equity shares	**₱9,664,240**	₱9,574,560
Unquoted equity shares	**66,452,669**	66,452,669
	₱76,116,909	₱76,027,229

b. 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.

a. 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 ₱32.3 million as at September 30, 2024 and June 30, 2024.

14. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Goodwill	**₱236,629,190**	₱236,629,190
Deposits for purchase of shares	**60,484,800**	60,484,800
Advances to suppliers	**58,757,519**	60,000,697
Intangible assets	**30,700,236**	31,192,337
Rental and utility deposits	**24,337,139**	24,404,273
Deposits for asset acquisition	**–**	20,412,500
Others	**2,823,111**	2,823,111
	₱413,731,995	₱435,946,908

Goodwill
As at September 30, 2024 and June 30, 2024, 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, 2024 and 2023.

Deposit for Purchase of Shares
On June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement for STI ESG's acquisition of 190.0 million common shares with par value of ₱1.0 per share, representing 100% of the total issued and outstanding capital stock (Subject Shares) of TCAMI's wholly owned subsidiary, Phosphene Holdings, Inc. (PHI), for ₱403.2 million. A 15% deposit, equivalent to ₱60.5 million, has been paid upon the effective date of the Share Purchase Agreement. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement.

The agreement grants STI ESG the right to cancel the purchase of the Subject Shares at any time within the three-year period. If STI ESG opts to cancel, PHI shall refund the deposit within thirty (30) days from receipt of the written notice of cancellation. The transfer of the shares shall take place on the third anniversary of the Share Purchase Agreement's effective date or at an earlier date mutually agreed upon by the Parties.

PHI owns a 25,202-square-meter parcel of land located at President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property is adjacent to the 10,000 sq.m. property owned by CHI (see Note 10).

Advances to Suppliers
Advances to suppliers as at September 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion projects, (3) acquisition of equipment and furniture, and (4) various major renovation and rehabilitation projects in some 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.

Advances to suppliers as at June 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion projects in various schools owned and operated by STI ESG (3) acquisition of equipment and furniture, (4) various ongoing major renovation and rehabilitation projects, and (5) design and set-up of the new enrollment system.
Most of the aforementioned projects, including the first and second floors of the new school building

at STI Ortigas-Cainta campus, were completed in September 2024. The remaining sections of the new building at STI Ortigas-Cainta are expected to be completed by the end of January 2025. The design and set-up of STI ESG's new enrollment system remain ongoing as at November 19, 2024. The related costs for the projects were recognized as "Property and equipment" when the goods were received, or the services were completely rendered. The related costs for the construction of the remaining sections and other capital expenditures for the new school building at STI Ortigas-Cainta will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered while the related cost for the new enrollment system will be recognized as "Intangible assets" upon completion of the project.

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, 2024 and June 30, 2024.

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.

Deposits for Asset Acquisition

In relation to the Deed of Sale on Installments executed by STI ESG and Avida in September 2024 and the settlement of the second installment amounting to ₱81.6 million, STI ESG applied the deposits made to the total purchase price, and recognized the acquisition as "Land" under the "Property and equipment" category and the related liability amounting to ₱102.1 million as a "Other Noncurrent Liability" (see Note 18).

15. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Accounts payable (see Note 24)	**₱340,790,290**	₱328,455,254
Accrued expenses:		
Contracted services	**47,221,278**	37,376,939
School activities, programs and other related expenses	**43,827,441**	60,271,156
Salaries, wages and benefits	**43,784,977**	40,047,307
Utilities	**19,185,926**	17,794,644
Interest	**5,809,725**	49,507,925
Advertising and promotion	**2,225,600**	3,058,569
Rent	**515,965**	515,965
Others	**1,101,209**	829,914
Due to an affiliate (see Note 24)	**59,319,426**	59,511,839
Network events fund	**37,299,167**	25,393,943
Statutory payables	**26,515,789**	24,171,235
Student organization fund	**25,453,491**	24,876,697
Dividends payable (see Note 19)	**17,947,259**	18,000,539
Current portion of advance rent	**11,402,007**	11,181,883
Current portion of refundable deposits	**10,183,478**	8,418,007
Others	**5,617,824**	5,511,539
	₱698,200,852	₱714,923,355

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. Due to an affiliate is noninterest-bearing and is expected to be settled within the fiscal year. Terms and conditions of payables to related parties are disclosed in Note 24 to the unaudited interim condensed consolidated financial statements.

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

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

e. Dividends payable pertain to dividends declared which are unclaimed as at report date and are due on demand.

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

g. Refundable deposits pertain to security deposits received from existing lease agreements and are expected to be settled within the fiscal year.

16. Interest-bearing Loans and Borrowings

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Term loans[(a)]	**₱1,817,043,033**	₱2,086,114,412
Less current portion	**536,228,000**	536,274,021
Noncurrent portion	**₱1,280,815,033**	₱1,549,840,391

[(a)]Net of unamortized debt issuance costs of ₱13.0 million and ₱13.9 million as at September 30, 2024 and June 30, 2024, respectively.

Term Loan Agreement with Bank of the Philippine Islands (BPI)

On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement providing for a credit facility of up to the amount of ₱1,000.0 million. The credit facility is unsecured and is available and ending on the earliest of (i) December 31, 2024 (ii) the date the total facility is fully drawn by STI ESG, and (iii) the date the total facility is terminated or cancelled in accordance with the terms of the Term Loan Agreement. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) and for other general corporate requirements.

On March 18, 2024, STI ESG availed a ₱500.0 million loan from this facility at an interest rate of 8.4211% per annum. The proceeds from this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

Principal repayments are to be made in ten (10) equal installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of initial borrowing until the maturity date. Interest and principal payment for the succeeding borrowings is to be adjusted to coincide with that of the initial borrowing.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis equivalent to higher of (i) the base rate-floating plus margin; and (ii) the applicable Bangko Sentral ng Pilipinas (BSP) Target Reverse Repurchase Rate (TRRP) plus margin, payable and repriceable semi-annually. Base Rate means the PHP Bloomberg Valuation (BVAL) or PHP BVAL Reference Rates (or in the event of its elimination or discontinuance, its replacement as may be determined by the Bankers' Association of the Philippines (BAP) or BSP, as displayed on Bloomberg (or such applicable platform) at approximately 5:00 PM on the relevant Interest Rate Setting Date or Interest Rate Repricing Date. BSP TRRP means the monetary policy interest rate of the BSP as published daily in the BSP website. On May 10, 2024, BPI agreed to STI ESG's request to amend the Term Loan Agreement with respect to the basis of floating interest rate at each drawdown equivalent to the higher of (i) the base rate-floating plus margin; and (ii) the applicable BSP TRRP plus 50 basis points, payable and repriceable semi-annually. The amendment to the Term Loan Agreement was executed on May 17, 2024. The amendment provides that the basis of the floating interest rate will take effect on the next drawdown or on the next repricing date, whichever comes first.

Interest Period commences on the date of the Borrowing and has a duration of six (6) months with each six (6)-month period thereafter commencing upon the expiry of the immediately preceding Interest Period; provided that, in case of multiple Borrowings, for each Borrowing subsequent to the initial Borrowing, the first Interest Period for that subsequent Borrowing shall commence on the date of such Borrowing and shall end on the last day of the current Interest Period for the initial Borrowing as established above in order to synchronize the interest periods of all Borrowings. Interest Rate Setting Date means, two (2) Business Days prior to each Borrowing Date or, if that is not a Business Day, on the immediately preceding Business Day. Interest Rate Repricing Date shall mean two (2) Business Days prior to each semi-annual date coinciding with the Interest Payment Date. Interest rate for the Term Loan Facility with BPI was repriced at the rate of 7.8735% per annum effective September 18, 2024.

STI ESG shall have the option to prepay the loan, wholly or partially, at any time during the term of the loan. Each partial prepayment shall be in integral multiples of ₱10.0 million. The amount payable in respect of any prepayment of the loan, the payment shall comprise of (i) any accrued interest on the principal amount of the loan to be prepaid; and (ii) the principal amount of the Loan to be prepaid; and (iii) prepayment penalty equivalent to 1% of the amount prepaid when the prepayment is done on any date other than the Interest Rate Setting Date.

The embedded floating interest rate and prepayment option on the loan drawdown with BPI was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

Fiscal Year	Amount
2025	₱100,000,000
2026	100,000,000
2027	100,000,000
2028	100,000,000
2029	100,000,000
	₱500,000,000

Breakdown of STI ESG's Term Loan with BPI are as follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱500,000,000**	₱–
Proceeds	–	500,000,000
Payments	**(50,000,000)**	–
Balance at end of period	**450,000,000**	500,000,000
Deferred finance cost	**(3,347,039)**	(3,536,184)
Balance at end of period	**446,652,961**	496,463,816
Less current portion	**99,249,589**	99,249,589
Balance classified as noncurrent	**₱347,403,372**	₱397,214,227

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with BPI amounting to ₱50.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year:

1. Debt-to-equity (D/E) ratio not exceeding than 2.5:1, computed by dividing Total Debt over total Equity of STI ESG

2. Debt Service Cover Ratio (DSCR) of at least 1.05x, which is the ratio between (a) the EBITDA based on the latest Financial Statements, and (b) Debt Service.

The term "Total Debt" means the aggregate (as of the relevant date for calculation) of all interest bearing Indebtedness of STI ESG, and the term "Equity" means the sum of capital stock (common and preferred stocks), additional paid-in capital, deposit for future subscriptions, retained earnings (appropriated and unappropriated) and shareholders advances that are intended to be infused as capital stock, as shown in the applicable Financial Statements of STI ESG. Provided that preferred stocks shall only be considered as part of capital stock if the said preferred stocks do not earn interest.

Debt Service means the principal amortizations, interest payments and financing fees and charges falling due for the next twelve (12) months following the end of STI ESG's fiscal year. Debt Service and EBITDA shall be based on the latest audited consolidated financial statements.

The Group's D/E ratio and DSCR, as defined in the Term Loan Agreement with BPI, as at June 30, 2024 are as follows:

Total liabilities [a]	₱2,901,081,687
Total equity	6,996,687,341
Debt-to-equity ratio	0.41:1.00

[a] *Including only all interest-bearing Indebtedness*

EBITDA (see Note 4) [b]	₱1,992,058,511
Total interest-bearing liabilities [c]	834,054,745
Debt service cover ratio [d]	2.39:1.00

[b] *EBITDA for the last twelve months*
[c] *Total interest-bearing debts and interests due in the next twelve months*
[d] *The first drawdown from the BPI loan facility was made on March 18, 2024*

As at September 30, 2024 and June 30, 2024, STI ESG is in compliance with the BPI loan covenants.

Term Loan Agreement with Metropolitan Bank & Trust Company (Metrobank)
On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million. The credit facility is unsecured and is available up to December 31, 2024. The proceeds of this loan could be used to (i) partially refinance STI ESG's bonds due in March 2024 (ii) finance the campus expansion projects, and (iii) for other general corporate requirements. Principal repayments are to be made in equal or nearly equal consecutive ten (10) installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date, with the last installment in an amount sufficient to fully pay the loan. Each such installment shall be paid by STI ESG on a repayment date occurring semi-annually from the date of borrowing or initial borrowing, until the maturity date. In case there is more than one (1) borrowing, the repayment date is to be adjusted to coincide with the interest payment date occurring in the same calendar month.

STI ESG has elected to fix the interest on each drawdown on semi-annual basis based on the higher of the aggregate of the six (6)-month reference rate plus 1.50% per annum, and the aggregate of the BSP TRRP Rate plus 0.50% per annum. Reference rate is defined as the relevant tenor of the Bloomberg Valuation Curve for Philippine government securities, currently referred to as BVIS0923 Index in Bloomberg, as published on the PDS market page and PDS official website.

Interest Period commences on the date of borrowing or initial borrowing, in case there is more than one (1) borrowing, and having a duration of six months and each semi-annual period thereafter commencing upon the expiry of the immediately preceding interest period, provided, that the first interest period with respect to a borrowing subsequent to the initial borrowing shall commence on the date of such subsequent borrowing and shall end on the last day of the current interest period of the initial borrowing within which such subsequent borrowing was made to synchronize all subsequent interest periods. Interest Rate Setting Date is the business day immediately preceding the date of borrowing and each semi-annual period occurring after such business day but coinciding with the interest payment date.

On March 18, 2024, STI ESG made a drawdown amounting to ₱1,000.0 million subject to an interest rate of 7.8503% per annum. Interest rate for the Term Loan Facility with Metrobank was repriced at the rate of 7.8135% per annum effective September 18, 2024. The proceeds of this loan were used to partially finance the 7-year bonds which were redeemed in full upon maturity on March 23, 2024.

STI ESG may, at its option, prepay the loan in part or in full, together with accrued interest thereon. Each partial prepayment shall be in whole multiples of ₱10.0 million. Each prepayment shall be made on an interest payment date, otherwise prepayment shall be subject to a prepayment penalty of 1% of the amount prepaid.

The embedded floating interest rate and prepayment option on the loan drawdown with Metrobank was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

Fiscal Year	Amount
2025	₱200,000,000
2026	200,000,000
2027	200,000,000
2028	200,000,000
2029	200,000,000
	₱1,000,000,000

Breakdown of the STI ESG's Term Loan with Metrobank follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱1,000,000,000**	₱–
Proceeds	–	1,000,000,000
Payments	**(100,000,000)**	–
Balance at end of period	**900,000,000**	1,000,000,000
Deferred finance cost	**(6,694,079)**	(7,072,368)
Balance at end of period	**893,305,921**	992,927,632
Less current portion	**198,499,178**	198,499,178
Balance classified as noncurrent	**₱694,806,743**	₱794,428,454

On September 18, 2024, STI ESG settled the principal payment due under STI ESG's Term Loan facility with Metrobank amounting to ₱100.0 million.

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed annually based on STI ESG's 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, shall mean the proportion of the Total Debt to Equity, and
2. Debt Service Cover Ratio (DSCR) of at least 1.05x, shall mean the proportion of EBITDA to Debt Service.

The term "Total Debt" shall mean all obligations of STI ESG which, in accordance with generally accepted accounting principles and practices in the Philippines, are required to be included as liabilities of STI ESG in its statement of financial position, including accrued income taxes and other proper accruals, but excluding "Unearned tuition and other school fees" and "Lease liabilities", as computed based on PFRS 16, and the term "Equity" shall mean the equity interest of the owners of the capital stock of STI ESG computed and determined in accordance with generally accepted accounting principles and practices in the Philippines.

The term "EBITDA" shall mean the net income or net earnings of STI ESG before deducting interest expense, taxes, depreciation and amortization, and as defined in its audited consolidated financial statements for the immediately preceding fiscal year, and the term "Debt Service" shall mean the aggregate (as of the relevant date for calculation) of all outstanding interest-bearing debts/obligations of STI ESG that are due/payable in the next fiscal year, computed and determined in accordance with generally accepted accounting principles and practices in the Republic of the Philippines.

The Group's D/E ratio and DSCR, as defined in the Term Loan Agreement with Metrobank, as at June 30, 2024 are as follows:

Total liabilities [a]	₱3,816,204,623
Total equity	6,996,687,341
Debt-to-equity ratio	0.55:1.00

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

EBITDA (see Note 4) [b]	₱1,992,058,511
Total interest-bearing liabilities[c]	834,054,745
Debt service cover ratio[d]	2.39:1.00

[b] *EBITDA for the last twelve months*
[c] *Total interest-bearing debts due in the next twelve months*
[d] *The first drawdown from the Metrobank loan facility was made on March 18, 2024*

As at September 30, 2024 and June 30, 2024, STI ESG is in compliance with the Metrobank loan covenants.

Term Loan Agreement with China Banking Corporation (Chinabank)
On May 7, 2019, STI ESG and Chinabank 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 the 1-year PHP 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 the 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 the 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 Chinabank 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 STI ESG 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 STI ESG 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 6.5789% per annum and 8.0472% effective September 19, 2022 and 2023, respectively. Starting from September 19, 2024, the interest rate was adjusted to 7.8749% per annum.

Provided that no event of default has occurred and is continuing, STI ESG may prepay, after the second (2nd) anniversary date of the initial drawdown, all or part of the loan, together with the accrued interest and other charges accruing thereon up to the date of prepayment. Prepayments shall not be subject to any penalties if made on an interest rate resetting date. Otherwise, STI ESG shall pay the prepayment premium based on the principal amount to be prepaid (i) from the 2nd anniversary date of the Initial Drawdown up to the 5th anniversary date of the Initial Drawdown subject to prepayment penalty at 103%; (ii) After the 5th anniversary date of the Initial Drawdown until one business day before the loan maturity date at 100% of the prepaid amount.

The embedded floating interest rate and prepayment option on the loan drawdown with China Bank was assessed as clearly and closely related to the loan, thus, not for bifurcation.

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

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱600,000,000**	₱720,000,000
Repayments	**(120,000,000)**	(120,000,000)
Balance at end of period	**480,000,000**	600,000,000
Deferred finance cost	**(2,915,849)**	(3,277,036)
Balance at end of period	**477,084,151**	596,722,964
Less current portion	**238,479,233**	238,525,254
Balance classified as noncurrent	**₱238,604,918**	₱358,197,710

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, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, Chinabank 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, Chinabank 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 scheduled amortizations due on March 19, 2023 and September 19, 2023. On March 19, 2024 and September 19, 2024, STI ESG settled the principal payments due amounting to ₱120.0 million each under the Term Loan facility with Chinabank.

The revised repayment schedule as at September 30, 2024 are as follows:

Fiscal Year	Amount
2025	₱120,000,000
2026	240,000,000
2027	120,000,000
	₱480,000,000

Financial Covenants. The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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.

"Total Liabilities" shall mean, for purposes of determining STI ESG's compliance with any required Debt-to-Equity Ratio, the total economic obligations of STI ESG (excluding unearned tuition and other school fees) that are recognized and measured in the fiscal year end audited consolidated financial statements in accordance with PFRS and GAAP, as may be applicable and unaudited consolidated financial statements ending December 31 of each year, as may be applicable. "Total Equity" shall mean, for purposes of determining STI ESG's compliance with any required Debt to Equity Ratio, the amount of STI ESG's total stockholders' equity, recognized and measured in the fiscal year-end audited consolidated financial statements in accordance with PFRS and GAAP, as may be applicable and unaudited consolidated financial statements ending December 31 of each year, as may be applicable.

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. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and 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.

The Group's DSCR, as defined in the Term Loan Agreement of STI ESG with Chinabank, as at June 30, 2024 is 2.39:1.00 while the Group's D/E ratio, as defined in the same loan agreement is 0.59:1.00 as at June 30, 2024. As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the required covenants.

<u>Corporate Notes Facility</u>

STI ESG entered into a Corporate Notes Facility Agreement (Credit Facility Agreement) with Chinabank in 2014, 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 Chinabank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with Chinabank 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 Chinabank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG ₱1,500.0 million.

STI ESG availed a total of ₱1,200.0 million loans in 2015 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 Chinabank 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.

STI ESG and Chinabank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement with an outstanding balance of ₱240.0 million in January 2021. 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 a premium on the 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 was fully offset at the end of the loan period. Amortization of loan premium amounting to ₱0.4 million for the three-month period ended September 30, 2023 (nil in 2024) was recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. The interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

In March 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million.

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, Chinabank 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 on the same facility amounting 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 for the year ended June 30, 2024.

Breakdown of STI ESG's Credit Facility Agreement follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱–**	₱210,000,000
Repayments	–	210,000,000
Balance at end of period	**₱–**	₱–

Waivers of Certain Covenants

a. On June 23, 2020, STI ESG requested Chinabank 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, Chinabank approved the waiver of the following covenants:
   - Assignment of revenues/income. STI ESG/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 STI ESG/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 STI ESG/Issuer;
   - Encumbrances. STI ESG/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. STI ESG/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, Chinabank 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, Chinabank 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. 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 securing this facility was executed by STI Holdings in favor of LandBank. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction 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 up to June 30, 2023 is ₱19.1 million. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan was fully paid on January 31, 2024.

Interest Expense

The benchmark rate for the loans of STI ESG is the BVAL reference for six months for the BPI and Metrobank Term Loan Facilities and the rate for one-year tenor for the China Bank Term Loan Facility and the Corporate Notes Facility.

Interest incurred on the loans (including amortization of debt issuance costs) amounted to ₱43.0 million, and ₱15.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

17. Bonds Payable

This account consists of:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Fixed-rate bonds due 2027	**₱820,000,000**	₱820,000,000
Less unamortized debt issuance costs	**4,608,745**	5,032,725
Balance at end of period	**₱815,391,255**	₱814,967,275

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 Philippine Dealing & Exchange Corp. (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.

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.

On March 23, 2024, the 7-year fixed rate bonds with a principal amount of ₱2,180.0 million matured and were fully redeemed by STI ESG in accordance with terms of the Trust Agreement and the Supplemental Trust Agreement.

The bonds were rated 'PRS A plus' with a Positive Outlook by PhilRatings in November 2024. 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, the obligor's capacity to meet its financial commitments on the obligation is still strong. The "plus" further qualifies the assigned rating. A "Positive Outlook" indicates that there is a potential for the present credit rating to be upgraded in the next 12 months.

A summary of the terms of the Parent Company's issued and outstanding bonds is as follows:

					Carrying Value		Features
Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱815,391,255**	₱814,967,275	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date

<u>Covenants</u>

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all its assets. The bonds' Trust Agreement and Supplemental Trust Agreement (the "Bond Trust Agreements") also contain, 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. Testing of compliance with required ratios is done on June 30 and December 31 of each year.

The Group's debt-to-equity (D/E) ratio, as defined in the Trust Agreement, as at June 30, 2024 is 0.59:1.00.

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).

In April 2024, China Bank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see discussions on the succeeding paragraphs). The Group's ICR as at June 30, 2024 is 9.37:1.00.

As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the required covenants.

Supplemental 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:

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.

Second Supplemental Trust Agreement. On April 8, 2024, STI ESG delivered to China Banking Corporation through its Trust and Asset Management Group, the “Trustee” for the Series 10Y Bonds due 2027, the Consent Solicitation Statement and the annexed Consent Form seeking the amendments to the Trust Agreement dated March 10, 2017 (the “Trust Agreement”) and Supplemental Trust Agreement dated August 19, 2020 governing the Bonds issued by STI ESG. The proposed amendments are the (i) replacement of the financial covenant on Debt Service Coverage Ratio of not less than 1.05:1.00 with an ICR of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA.

ICR means EBITDA with reference to STI ESG’s audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by the interest due for the next twelve (12) months. The term “EBITDA” shall mean the net income of STI ESG based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of STI ESG, each item determined in accordance with PFRS.

The proposed amendments on the use of the ICR will better reflect the financial capability of STI ESG to service the interest payments on the Bonds and other loans as they fall due and shall also provide STI ESG with operational flexibility. The Proposed Amendment revising the definition of EBITDA will better gauge the core profitability of STI ESG and the cash income it generates year on year.

On April 23, 2024, the Trustee certified that it has obtained the consent of the bondholders as of April 1, 2024 of the Series 10Y Bonds due 2027, holding or representing at least fifty percent (50%) plus one peso (Php1.00) of the aggregate principal amount of the said bonds then outstanding, who have validly executed and properly delivered consent forms to the Trustee, in accordance with the terms of the Consent Solicitation Statement.

Thus, on April 26, 2024, pursuant to the Consent Solicitation Statement, STI ESG and China Banking Corporation, through its Trust and Asset Management Group, executed the "Second Supplemental Trust Agreement" to effect the amendments to the Trust Agreement dated March 10, 2017 and Supplemental Trust Agreement dated August 19, 2020.

Following are the amendments made:

Section 7.01(k) of the Amended Trust Agreement shall be amended as set forth below:

"Section 7.01 Affirmative Covenants of the Issuer

The Issuer hereby covenants and agrees that, for as long as the Bonds or any portion thereof remain outstanding, the Issuer shall:

(k) maintain and observe the following financial ratios:
(i) an Interest Coverage Ratio of not less than 3.00:1; and
(ii) a maximum Debt-to-Equity Ratio of 1.5:1.

For purposes of this Section 7.01(k):

(iii) the term "Interest Coverage Ratio" means (a) the Issuer's EBITDA utilizing the Issuer's audited or unaudited, as the case may be, consolidated financial statements for the immediately preceding twelve (12) months, divided by (b) the interest due for the next twelve (12) months.

(iv) the term "EBITDA" shall mean the net income of the Issuer based on the consolidated financial statements for the immediately preceding twelve (12) months for that relevant period after adding back (a) depreciation and amortization, (b) interest and other financial expenses, (c) income tax, and adding back or deducting, as applicable (d) all other items as enumerated in the EBITDA computation shown in the quarterly and annual consolidated financial statements of the Issuer, each item determined in accordance with PFRS."

All references in the Amended Trust Agreement to the defined term "Debt Service Coverage Ratio" or "DSCR" shall be replaced by ICR, as applicable.

The Group's D/E ratio and ICR, as defined on the Second Supplemental Trust Agreement, as at June 30, 2024 are as follows:

Total liabilities [a]	₱4,131,238,695
Total equity	6,996,685,045
Debt-to-equity ratio	0.59:1.00

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

EBITDA (see Note 4) [b]	₱1,992,058,511
Interest expense [c]	212,659,106
Interest coverage ratio	9.37:1.00

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

As at September 30, 2024 and June 30, 2024, STI ESG has complied with the required covenants.

Bond Issuance Cost

STI ESG 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 ₱4.6 million and ₱5.0 million as at September 30, 2024 and June 30, 2024, respectively. Amortization of bond issuance costs amounting to ₱0.4 million, and ₱2.1 million for the three-month periods ended September 30, 2024 and 2023, 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 ₱13.5 million and ₱46.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

18. Other Noncurrent Liabilities

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Payable for acquisition of lot (see Notes 10 and 14)	**₱102,062,500**	₱–
Advance rent - net of current portion (see Note 14)	**14,990,487**	14,053,167
Refundable deposit - net of current portion (see Note 14)	**11,516,756**	11,940,857
Deferred lease liability	**2,761,870**	3,073,220
Deposits for future stock subscriptions (see Note 19)	–	83,000,000
	₱131,331,613	₱112,067,244

STI ESG recognized the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City as "Land" under "Property and Equipment" in September 2024. Previous deposits made for this transaction were applied, and the remaining balance of ₱102.1 million was recognized as "Other Noncurrent Liability" representing the amount due 16 months after the execution of the Deed of Sale on Installments in September 2024.

Deposits for future stock subscriptions represent contributions received by STI ESG's subsidiaries, STI Training Academy and STI Novaliches which were recognized under the "Other noncurrent liabilities" as at June 30, 2024. As at September 30, 2024, such contributions were recorded under the "Equity" section of the unaudited interim condensed consolidated statements of financial position, upon meeting the required criteria for classification under the equity section.

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, 2024 and June 30, 2024 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

Deposits for future stock subscriptions
Deposits for future stock subscriptions represent contributions received by STI Training Academy from a third party and STI Novaliches from STI Holdings, amounting to ₱8.0 million, and ₱75.0 million, respectively, as payments for future subscriptions to the shares of stock of the respective companies (see Note 18).

Treasury Stock
Treasury stock acquired as at September 30, 2024 and June 30, 2024 amounted to ₱10.8 million.

Retained Earnings
On December 21, 2023, the Parent Company's BOD approved the cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱616.4 million in favor of all stockholders of record as at January 10, 2024. The dividends were paid on January 12, 2024.

Policy on Dividend Declaration.
STI ESG follows a dividend declaration policy which was approved by the BOD in September 2017 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 disaggregated revenue information is presented in the unaudited interim condensed consolidated statements of comprehensive income and segment information, as discussed in Note 4 to the unaudited interim condensed consolidated financial statements, in a manner that reflects the various sources and categories of revenues generated by the Group for the three-month periods ended September 30, 2024 and 2023.

Timing of revenue recognition

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Services transferred over time	**₱682,030,684**	₱385,155,566
Goods and services transferred at a point in time	**90,565,593**	95,007,548
Total consolidated revenue	**₱772,596,277**	₱480,163,114

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 SY2024-2025 and SY2023-2024.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱93.0 million and ₱43.9 million for the three-month periods ended September 30, 2024 and 2023, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2024 and 2023.

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, 2024 and June 30, 2024, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱1,815.4 million and ₱93.0 million, respectively. The contract liabilities as at September 30, 2024 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, 2024 represent 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	
	2024 (Unaudited)	2023 (Unaudited)
Faculty salaries and benefits	**₱90,241,151**	₱62,287,150
Depreciation and amortization (see Note 10)	**67,604,230**	62,986,385
Student activities, programs and other related expenses	**23,615,216**	14,590,686
Rental	**7,860,402**	7,144,531
School materials and supplies	**6,460,681**	6,608,931
Software maintenance	**2,556,799**	2,516,679
Courseware development costs	**528,705**	337,822
Others	**587,385**	356,484
	₱199,454,569	₱156,828,668

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Educational materials and supplies	**₱42,827,164**	₱44,635,368
Promotional materials	**3,603,438**	3,210,984
	₱46,430,602	₱47,846,352

23. General and Administrative Expenses

This account consists of:

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Salaries, wages and benefits	**₱77,800,035**	₱69,590,997
Depreciation and amortization (see Notes 10 and 11)	**54,765,507**	58,924,164
Provision for estimated credit losses (ECL) (see Note 6)	**52,299,725**	42,837,782
Light and water	**34,814,794**	26,840,592
Outside services	**28,546,274**	24,415,875
Professional fees	**21,437,123**	18,828,858
Advertising and promotions	**14,285,707**	10,198,615
Taxes and licenses	**9,785,982**	8,494,080
Repairs and maintenance	**8,619,113**	5,674,073
Insurance	**4,764,271**	4,132,655
Transportation	**4,513,393**	4,293,758
Rental	**3,377,708**	3,082,989
Meetings and conferences	**2,997,444**	2,871,876
Office supplies	**2,854,621**	1,281,822
Payment channels and bank charges	**1,671,169**	753,376
Entertainment, amusement and recreation	**1,658,558**	1,580,487
Association dues	**1,385,483**	704,615
Communication	**894,223**	851,498
Software maintenance	**306,207**	925,469
Others	**1,709,316**	2,544,279
	₱328,486,65	₱288,827,862

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, 2024 (Unaudited)**	September 30, 2023 (Unaudited)	**September 30, 2024 (Unaudited)**	June 30, 2024 (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

(Forward)

Related Party	Amount of Transactions During the Period **September 30, 2024 (Unaudited)**	 September 30, 2023 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2024 (Unaudited)**	 June 30, 2024 (Audited)	Terms	Conditions
GROW						
Rental income and other charges	**₱187,602**	₱178,669	**₱10,227,647**	₱10,209,550	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**273,631**	68,496	–	–	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	–	–	**(119,383)**	(119,383)	Refundable upon end of contract	Unsecured
STI Holdings						
Deposit for future stock subscription	–	–	–	(75,000,000)	Noninterest-bearing; to classified under the equity sectioned	Unsecured
Advisory fees	**3,600,000**	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**4,419,822**	3,840,790	**974,688**	892,949	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
TCAMI						
Deposit for purchase of shares of PHI	–	–	**60,484,800**	60,484,800	15% deposit; balance payable on the third anniversary of the share purchase agreement	Unsecured; no impairment
STI Diamond						
Reimbursement for various expenses and other charges	–	–	**(59,319,426)**	(59,511,839)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**6,382,311**	7,578,929	**6,200,262**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,319,417**	1,999,694	**1,319,417**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Phil First Insurance Co., Inc.						
Insurance	**16,736,046**	13,254,707	**(2,883,913)**	(2,502)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilPlans						
Rental income	**2,811,960**	–	**3,036,917**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**937,320**	–	**(937,320)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**425,234**	–	**216,586**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
PhilCare						
Refundable deposits	**–**	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Rental income and other charges	**–**	2,990,790	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**10,714,988**	8,785,790	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
GROW VITE						
Janitorial and Staffing Services	**9,584,409**	5,777,586	**(3,885,474)**	(3,794,549)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits			**(421,744)**	(421,744)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Reimbursement for various expenses and other charges	**250,874**	198,867	**122,870**	157,914	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other charges	**442,831**	421,744	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period September 30, 2024 (Unaudited)	 September 30, 2023 (Unaudited)	Outstanding Receivable (Payable) September 30, 2024 (Unaudited)	 June 30, 2024 (Audited)	Terms	Conditions
PhilLife						
Rental income and related charges	**₱–**	₱113,389	**₱68,593**	₱68,953	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**1,880,937**	2,534,574	**(3,454)**	(845,606)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Officers and employees						
Receivables for various transactions	**10,155,235**	10,684,167	**25,747,509**	₱25,125,248	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental and other charges	–	–	**591,673**	653,985	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱12,604,668	(₱4,081,836)		

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

Related party receivables and payables are generally settled in cash.

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

	September 30, 2024 (Unaudited)	June 30, 2024 (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)	**8,494,367**	892,949
Receivables from officers and employees (see Note 6)	**25,747,509**	25,125,248
Rent, utilities, and other related receivables (see Note 6)	**14,264,646**	11,090,402
Deposit for purchase of shares (see Note 14)	**60,484,800**	60,484,800
Accounts payable (see Note 15)	**(10,201,768)**	(7,134,264)
Due to an affiliate (see note 15)	**(59,319,426)**	(59,511,839)
Deposit for future stock subscription (see Note 18)	**(75,000,000)**	(75,000,000)
	(₱12,604,668)	(₱4,081,836)

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, 2024 (Unaudited)**	September 30, 2023 (Unaudited)	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	**Terms**	**Conditions**
Subsidiaries						
STI Caloocan						
Reimbursement for various expenses	**₱38,100,864**	₱1,578,915	**(₱299,059,605)**	(₱304,173,866)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa						
Educational services, sale of educational materials and supplies,	**10,948,368**	13,699,003	**115,947,910**	102,461,498	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**755,242**	534,802	**45,943,193**	46,403,812	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI De Los Santos College						
Reimbursement for various expenses	**1,708**	–	**(47,153,838)**	(47,155,546)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
NAMEI						
Rental income and other related charges	**5,566,140**	6,218,506	**84,378,146**	78,812,006	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,157,078**	434,704	**8,182,195**	12,436,462	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies,	**6,906,535**	7,223,261	–	7,151,999	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**387,284**	3,187,010	**50,021,328**	49,634,044	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,726,322**	1,516,590	**20,419,448**	18,470,820	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang						
Educational services and sale of educational materials and supplies	**4,097,358**	3,137,400	**43,173,507**	38,627,668	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**264,693**	70,577	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Quezon Avenue						
Rental income and other related charges	**2,571,190**	2,571,190	**25,917,590**	23,037,858	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Educational services, sale of educational materials and supplies, management fees, and other charges	**3,759,286**	2,299,902	**14,469,559**	13,709,103	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,845,967**	1,060,658	**13,619,147**	13,007,159	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Iloilo						
Reimbursement for various expenses	**–**	–	**19,227,538**	19,227,538	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, 2024 (Unaudited)**	September 30, 2023 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	Terms	Conditions
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱40,312,477**	₱13,252,974	**₱15,619,281**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**625,120**	3,405,540	**9,537**	3,472,487	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Sta. Maria						
Reimbursement for various expenses	**533,866**	444,893	**17,031,191**	19,800,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Educational services, sale of educational materials and supplies,	**6,230,867**	6,162,447	**–**	2,051,450	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
NPIM						
Rental income and other related charges	**–**	–	**17,810,251**	28,710,251	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**630**	419	**2,941,481**	3,411,862	30 days upon receipt of billings; 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	–	–	**3,914,561**	3,914,561	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Reimbursement for various expenses	–	–	**8,986,341**	8,986,341	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
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
STI Tanauan						
Educational services, sale of educational materials and supplies,	**5,054,867**	4,472,733	**9,586,121**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**219,916**	260,067	**(1,609)**	5,336,883	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Batangas						
Reimbursement for various expenses	**15,452,143**	450,550	**6,783,525**	(9,072,605)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment

25. Basic and Diluted Earnings (Loss) Per Share (EPS) 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:

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Net income (loss) attributable to equity holders of the Parent Company (a)	**₱164,828,426**	(₱21,504,598)
Common shares outstanding at beginning and end of period (b) (see Note 19)	**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)	**₱0.05**	(₱0.01)

The basic and diluted earnings (loss) per share are the same for the three-month periods ended September 30, 2024 and 2023 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

a. *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.

After STI ESG filed its Opposition dated July 14, 2023 to the said Motion for Reconsideration, the Court of Appeals issued its Resolution dated November 6, 2023, which denied the Plaintiffs' Motion for Reconsideration.

On January 8, 2024, STI ESG received the Petition for Review filed by the Plaintiffs before the Supreme Court.

As at November 19, 2024, the Supreme Court has yet to issue the appropriate Resolution on the said Petition insofar as whether to dismiss the same or require STI ESG to file a Comment to the Plaintiffs' Petition for Review.

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

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

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration, the Supreme Court denied the same and affirmed with finality the dismissal of its Petition.

The Supreme Court issued an Entry of Judgment, which declared the dismissal of the plaintiff's Petition to be final and executory.

On November 4, 2024, STI ESG received a Notice from the Trial Court, which informed the parties that the records of the case have been remanded to said court.

Based on these circumstances, STI ESG will file a Motion for Execution and issuance of Writ of Execution for the Plaintiff to pay the amount of ₱0.3 million as attorney's fees plus cost of suit as provided in the Decision dated January 16, 2020.

c. 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.

d. 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 back wages 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 Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at September 30, 2024 and June 30, 2024, 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 September 30, 2024 and June 30, 2024, there is no outstanding availment from these lines.

b. Capital Commitments

As of September 30, 2024 and June 30, 2024, STI ESG's significant contractual commitments include: (1) construction of the new building in STI Ortigas-Cainta campus, (2) learning classroom expansion for some schools owned and operated by STI ESG, (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of a three-storey building at STI Lipa, (5) installation of solar panels, and (6) lot acquisition.

STI ESG has an ongoing project to put up a new school building within STI Ortigas-Cainta campus. This construction project has a total contract price of ₱217.3 million, with ₱180.4 million and ₱129.1 million already disbursed as at September 30, 2024 and June 30, 2024, respectively.

As at September 30, 2024, the learning classroom expansion projects for several schools of STI ESG have a total cost of ₱117.6 million, of which payments aggregating to ₱87.7 million and ₱55.9 million have been made as at September 30, 2024 and June 30, 2024, respectively.

The renovation and rehabilitation works at STI ESG's Tanay property has a total contract cost of ₱29.1 million. Total disbursements for this project amounted to ₱26.2 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively.

The construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱34.0 million and ₱19.3 million have been made as at September 30, 2024 and June 30, 2024, respectively.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels, including the roof deck waterproofing activities, at its STI Ortigas-Cainta campus has been completed on November 7, 2023. This project has a total cost of ₱16.7 million, of which ₱14.9 million has been paid as at September 30, 2024 and June 30, 2024. As at September 30, 2024, the Group likewise has completed several solar energy projects in various schools owned and operated by STI ESG. These projects have an aggregate cost of ₱18.5 million, of which ₱5.0 million has been paid as at September 30, 2024 and June 30, 2024.

STI ESG likewise has a contractual commitment with Avida amounting to ₱228.8 million, inclusive of ₱24.7 million VAT, for the parcel of lot located at South Park District, Alabang, Muntinlupa City - the future site of the new STI Academic Center Alabang. Of this amount, ₱126.7 million and ₱45.1 million have been settled as at September 30, 2024 and June 30, 2024, respectively. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale in September 2024. The balance of ₱102.1 million is due 16 months after the execution of the Deed of Sale on Installments in September 2024.

c. Others

i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG) entered into a MOA on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary's educational-related expenses to STI ESG at a special discount rate of 20% of the tuition fee, subject to the terms and conditions of the program as follows:

- Entitled to the discount are Pag-IBIG Fund members and their immediate family members;
- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a MOA 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.

Based on RA No. 10931, 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.

In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. Qualified student grantees for SY 2021-2022 from private HEIs in cities and municipalities without SUCs or LUCs, shall receive ₱40.0 thousand for the second semester of SY 2022-2023 to cover their full or partial payables for tuition and other school fees. Thereafter, qualified grantees shall be considered as continuing grantees, subject to validation, for the first semester of SY 2023-2024 onwards shall receive a subsidy rate of ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. In case the tuition and other school fees is lower than ₱10.0 thousand per semester, the difference shall be given to the student. Administrative support cost remain at 1% of the total grant. Continuing TES grantees for the second semester of SY 2022-2023 shall receive ₱60.0 thousand per school year or ₱30.0 thousand per semester until they graduate. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱30.0 thousand per school year or ₱15.0 thousand per semester. New TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are Persons with Disabilities (PWDs) shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

The qualified TES graduates for SY 2022-2023 onwards, in courses requiring licensure examinations shall receive a maximum one-time reimbursement of ₱8.0 thousand to cover the full or partial cost of taking the said licensure examinations.

iii. 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 starting SY 2021-2022, SY 2022-2023, SY 2023-2024.

27. Changes in Liabilities Arising from Financing Activities

	June 30, 2024	**Cash Flows**	**Gain on early extinguishment of loan**	**Interest Expense[1]**	**Reclassified as Current**	**New/Renewed Leases[(b)]**	**September 30, 2024**
Current portion of interest-bearing loans and borrowings	**₱536,274,021**	**(₱270,000,000)**	**₱–**	**₱928,621**	**₱269,025,358**	**₱–**	**₱536,228,000**
Bonds payable	**814,967,275**	**–**	**–**	**423,980**	**–**	**–**	**815,391,255**
Interest-bearing loans and borrowings – net of current portion	**1,549,840,391**	**–**	**–**	**–**	**(269,025,358)**	**–**	**1,280,815,033**
Lease liabilities	**315,034,072**	**(32,115,420)**	**–**	**5,981,751**	**–**	**14,410,348**	**303,310,751**
Dividends payable	**18,000,539**	**(53,280)**	**–**	**–**	**–**	**–**	**17,947,259**
Interest payable[1]	**49,507,925**	**(99,255,371)**	**–**	**55,557,171**	**–**	**–**	**5,809,725**
	₱3,283,624,223	**(₱401,424,071)**	**₱–**	**₱62,891,523**	**₱–**	**₱14,410,348**	**₱2,959,502,026**

[1]*Interest expense is inclusive of amortization of deferred finance charges.*
[2]*Net of lease termination.*

	June 30, 2023	Cash Flows	Gain on early extinguishment of loan	Interest Expense[1]	Reclassified as Current	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[1]	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

[1]*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 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 and reference to the current market value of another instrument which is substantially the same.

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

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

Management believes that the fair values of deposits, bonds payable and other noncurrent liabilities as at September 30, 2024 do not significantly differ from the fair values of these financial instruments as at June 30, 2024.

29. Notes 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 ₱28.3 million and ₱14.6 million for the three-month periods ended September 30, 2024 and 2023, respectively. Termination of lease agreement accounted for under PFRS 16 for one of the schools owned and operated by STI ESG in 2024 resulting in the reversal of ROU asset and lease liability of ₱13.9 million (see Note 10).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱67.9 million and ₱5.8 million as at September 30, 2024 and 2023, respectively (see Notes 10 and 18).

c. Reclassification from “Other noncurrent assets”, pertaining to advances to suppliers, to “Property and equipment” amounted to ₱4.9 million and ₱10.9 million for the three-month periods ended September 30, 2024 and 2023, respectively (see Notes 10 and 14).

d. Reclassification from “Other noncurrent assets”, pertaining to deposit for asset acquisition, to “Property and equipment” amounted to ₱20.4 million for the three-month period ended September 30, 2024 (see Notes 10 and 14).

e. Other Noncurrent Liability amounting to ₱102.1 million represents the outstanding installment balance of STI ESG for the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City. This liability is due 16 months after the Deed of Sale on Installments was executed in September 2024 (see Notes 10 and 18).

30. Other Matters

On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. - Quezon City (PSBA Quezon City) or collectively referred to as “PSBA”. The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the “transaction”).

The term sheet and the implementation of the transaction are subject to several conditions including, among others, the execution of mutually acceptable definitive agreements, fulfillment of the conditions precedent, approval of the stockholders of PSBA, and regulatory approvals.

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the “Subject Property”). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that PSBA intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the “PSBA Manila Property”). PSBA Manila is also the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the “School Related Assets”) used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting

August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others, (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and nonteaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; (4) apply for and obtains permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26.0% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at November 19, 2024, STI Holdings has yet to receive the reply of PSBA.

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

	September 2024 (Unaudited)	June 2024 (Audited)	September 2024 vs June 2024 Amount	%
Condensed Statements of Financial Position				
Total assets	12,952.8	11,221.0	1,731.8	15%
Current assets	3,240.0	1,793.3	1,446.7	81%
Cash and cash equivalents	1,340.6	1,191.7	148.9	12%
Total liabilities	5,686.9	4,224.3	1,462.6	35%
Current liabilities	3,170.9	1,428.5	1,742.4	122%
Total Equity	7,265.9	6,996.7	269.2	4%
Equity attributable to equity holders of the parent company	7,269.0	6,999.7	269.3	4%
Financial Ratios				
Debt to equity ratio [1]	0.53	0.59	(0.06)	-10%
Current ratio [2]	1.02	1.26	(0.24)	-19%
Debt service cover ratio[10]	3.00	2.39	0.61	26%
Interest coverage ratio	11.67	9.37	2.30	25%
Asset to equity ratio [3]	1.78	1.60	0.18	11%

	Three months ended September 30 2024 (Unaudited)	2023 (Unaudited)	2024 vs 2023 Amount	%
Condensed Statements of Income				
Revenues	772.6	480.2	292.4	61%
Direct costs [4]	245.9	204.7	41.2	20%
Gross profit	526.7	275.5	251.2	91%
Operating expenses	328.5	288.8	39.7	14%
Operating income (loss)	198.2	(13.3)	211.5	-1590%
Other expenses - net	(16.3)	(14.3)	(2.0)	14%
Income (loss) before income tax	181.9	(27.6)	209.5	-759%
Net income (loss)	164.7	(21.8)	186.5	-856%
EBITDA [5]	329.5	115.9	213.6	184%
Core Income [6]	157.4	(40.2)	197.6	-492%
Net income (loss) attributble to equity holders of the parent company	164.8	(21.5)	186.3	-867%
Earnings (loss) per share [7]	0.05	(0.01)	0.060	-600%
Financial Soundness Indicators				
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	736.4	725.1	11.3	2%
Net cash provided by (used in) investing activities	(186.0)	(74.2)	(111.8)	151%
Net cash provided by (used in) financing activities	(401.4)	(318.6)	(82.8)	26%
Effect of exchange rate changes on cash and cash equivalents	(0.1)	13.7	(13.8)	-101%

	As at/Three months ended September 30		Increase (Decrease)	
	2024	2023		
	(Unaudited)		Amount	%
Liquidity Ratios				
Current ratio [(2)]	1.02	0.75	0.27	36%
Acid test ratio [(8)]	0.94	0.70	0.24	34%
Cash ratio [(9)]	0.42	0.41	0.01	2%
Solvency ratios				
Debt to equity ratio [(1)]	0.53	0.73	(0.20)	-27%
Asset to equity ratio [(3)]	1.78	2.02	(0.24)	-12%
Debt service cover ratio [(10)]	3.00	0.49	2.51	512%
Interest coverage ratio [(11)]	11.67	7.17	4.50	63%
Profitability ratios				
EBITDA margin [(12)]	43%	24%	0.19	79%
Gross profit margin [(13)]	68%	57%	0.11	19%
Operating profit margin [(14)]	26%	-3%	0.29	-967%
Net income (loss) margin [(15)]	21%	-5%	0.26	-520%
Return on equity[(16)]	10%	0%	0.10	-3125%
Return on assets[(17)]	5%	0%	0.05	-2778%

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

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

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

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

(5) *EBITDA is net income excluding provision for income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures, gain (loss) foreign exchange differences, fair value gain (loss) on equity instruments at FVPL, and nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease.*

(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) *Acid test ratio is measured as current assets less inventories and prepayments divided by current liabilities.*

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

(10) *Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest cover those due for the immediately succeeding twelve months (see Note 16 of the unaudited condensed interim consolidated financial statements).*

(11) *Interest coverage ratio is measured as EBITDA for the last twelve months divided by interests due in the next twelve months.*

(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) [annualized] divided by average total assets.*

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2024

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS
Current receivables	1,640,379,657	1,363,186,152	76,485,549	21,670,175	179,037,781

TYPE OF ACCOUNTS RECEIVABLE	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 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 of Science (BS) 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 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.

In a meeting held on November 29, 2022, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.", (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," along with the aforementioned amendments. .

As at November 19, 2024, 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 146,585 students, with 103,123 pertaining to owned schools and 43,462 for franchised schools.

STUDENT POPULATION

The enrollment figures of the Group in SY 2024-2025 demonstrate a significant increase of 17.0%, with total enrollment reaching 121,374 compared to approximately 104,000 enrollees in SY 2023-2024. The number of new students enrolled in SY 2024-2025 reached nearly 49,000, almost at par with the new student enrollees for SY 2023-2024. Total enrollment in programs regulated by CHED registered a remarkable 21% increase, climbing to over 86,000 students from 71,159 in SY 2023-2024.

The enrollment figures are as follows:

	SY 2024-2025	**SY 2023-2024**	**Increase**	
			Enrollees	**Percentage**
Owned schools	84,122	71,782	12,340	17%
Franchised schools	37,252	32,200	5,052	16%
Total Enrollees	**121,374**	**103,982**	**17,392**	**17%**

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 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 2024-2025	%	**SY 2023-2024**	%
CHED	86,447	71%	71,159	68%
TESDA	1,760	2%	1,682	2%
DepEd*	33,167	27%	31,141	30%
TOTAL	**121,374**	100%	**103,982**	100%

**For SY2024-2025, DepEd count includes 32,501 SHS students and 666 JHS students while for SY2023-2024, count includes 30,674 SHS students and 467 JHS students.*

In SY 2024-2025, classes across all levels started on August 12, 2024 while for SY 2023-2024, classes started on August 29, 2024. Classes are held onsite across all levels for both school years.

The Group continuously ensures adherence to the guidelines set by CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information and guidance 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, 2024 and 2023 and financial condition as at September 30, 2024 and June 30, 2024 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, 2024. All necessary adjustments have been made to present fairly the financial position of the Group as at September 30, 2024 and June 30, 2024 and results of operations and cash flows for the three-month periods ended September 30, 2024 and 2023.

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

<u>Three-month period ended September 30, 2024 vs. three-month period ended September 30, 2023</u>

For the three-month period ended September 30, 2024, the Group generated gross revenues amounting to ₱772.6 million, higher by 61% or ₱292.4 million from ₱480.2 million of the same period of the previous year. The Group recognized earned revenues equivalent to one and a half month for the three-month period ended September 30, 2024 compared to just one month in the prior year as classes for SY 2024-2025 commenced around mid-August, earlier than the end of August start date for SY 2023-2024. The increase likewise was driven by the remarkable increase in the total number of students of the Group for SY 2024-2025. Gross profit likewise increased by 91% or ₱251.2 million year-on-year from ₱275.5 million to ₱526.7 million. Gross profit margin likewise increased from 72% for the three-month period ended September 30, 2023 to 81% for the three-month period ended September 30, 2024.

The Group recorded an operating income for the three-month period ended September 30, 2024 amounting to ₱198.2 million, a turn-around from an operating loss of ₱13.3 million for the same period last year. The Group recognized a net income of ₱164.7 million this quarter, reversing the net loss of ₱21. 7 million for the three-month period ended September 30, 2023.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱329.5 million for the three-months period ended September 30, 2024 compared to ₱115.9 million for the same period last year. EBITDA for the three-month periods ended September 30, 2024 and 2023 is computed as earnings (losses) before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint venture, gain(loss) on foreign exchange differences, fair value gain(loss) on equity instruments at FVPL, nonrecurring gains such as gain on early extinguishment of loan, gain on disposal of shares held in an associate, and gain on termination of lease. Gains recognized from the disposal of shares held in an associate, and termination of lease were reported as part of "Other income". 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, 2024 is 43%, compared to 24% for the same period last year due to reasons cited above.

II. FINANCIAL CONDITION

The Group posted consolidated total assets of ₱12,952.8 million as at September 30, 2024, up from ₱11,221.0 million as at June 30, 2024. This increase was primarily driven by growth in cash and cash equivalents, receivables, and property and equipment.

(Amounts in Peso millions)	**Sept 30, 2024**	**June 30, 2024**	**Increase (Decrease) Amount**	**%**
Total Current Assets	3,240.0	1,793.3	1,446.7	81%
Total Noncurrent Asset	9,712.8	9,427.7	285.1	3%
Total Assets	12,952.8	11,221.0	1,731.8	15%
Total Current Liabilities	3,170.9	1,428.5	1,742.4	122%
Total Noncurrent Liabilities	2,516.0	2,795.8	(279.8)	-10%
Total Liabilities	5,686.9	4,224.3	1,462.6	35%
Total Equity	7,265.9	6,996.7	269.2	4%
Total liabilities and equity	12,952.8	11,221.0	1,731.8	15%

Cash and cash equivalents increased by ₱148.9 million or 13% from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, attributed largely to the tuition and other school fees for SY 2024-2025 collected during the quarter. This reflects the Group's profitable operations and improved collection efficiency.

Total receivables is up by ₱1,293.2 million from ₱347.2 million as at June 30, 2024 to ₱1,640.4 million as at September 30, 2024. This receivables balance consists primarily of amounts expected to be collected from students as payment for tuition and other school fees, as well as from DepEd for the SHS vouchers that are expected to be received during the remaining months of the school year.

Prepaid expenses increased by ₱9.9 million or 10%, from ₱98.8 million to ₱108.7 million as at September 30, 2024. This increase was primarily driven by higher prepaid insurance and other prepaid expenses, which were partially offset by decreases in prepaid subscriptions and licenses, and advances to suppliers.

The carrying value of the equity instruments designated at FVPL amounted to ₱9.1 million as at September 30, 2024 compared to ₱8.1 million as at June 30, 2024. 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.

Property and equipment increased by ₱298.8 million, net of accumulated depreciation, from ₱7,548.6 million as at June 30, 2024 to ₱7,847.4 million as at September 30, 2024, substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

Deferred tax assets (DTA) increased by ₱30.5 million from ₱34.0 million as at June 30, 2024 to ₱64.5 million as at September 30, 2024, largely representing taxes due on tuition and other school fees collected in advance. In accordance with statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Total current liabilities increased by ₱1,742.4 million, from ₱1,428.5 million to ₱3,170.9 million as at June 30, 2024 and September 30, 2024, respectively, mainly due to the increase in unearned tuition and other school fees by ₱1,722.3 million from ₱93.0 million to ₱1,815.3 million as at September 30, 2024. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱279.7 million to ₱2,516.0 million as at September 30, 2024 from ₱2,795.7 million as at June 30, 2024 attributed to the reclassification of a portion of noncurrent interest-bearing loans and borrowings, reflecting the principal amount due within the next twelve months to current interest-bearing loans and borrowings.

Total equity increased from ₱6,996.7 million as at June 30, 2024 to ₱7,265.9 million as at September 30, 2024 reflecting the Group's net income for the three-month period ended September 30, 2024. This includes the deposits for future stock subscription for STI Novaliches and STI Training Academy which were reclassified from liability to equity section upon meeting the required conditions for classification under the equity section.

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		
		2024	**2023**	**Remarks**
EBITDA margin	EBITDA divided by total revenues.	43%	24%	EBITDA margin improved in 2024 as compared to the same period in 2023 mainly due to increase in revenues arising from earlier start of SY 2024-2025 and higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	68%	57%	Gross profit margin improved due to economies of scale, as revenues increased at a faster rate than costs.

		As at/Three-month periods ended September 30		
		2024	2023	Remarks
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	10%	0%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate. Return on Equity (ROE) is expected to be lower in the first quarter of both fiscal years, reflecting the Group's seasonality of operations.
Debt-to-equity ratio (D/E ratio)[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.53	0.73	D/E ratio improved due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
Current ratio	Current assets divided by current liabilities	1.02	0.75	The Group ensures that it has adequate current assets to cover its current obligations. STI ESG's current liabilities as at September 30, 2023 is higher than its current assets for the same period with the maturity of STI ESG's 7-year bonds in March 2024. STI ESG's 7-year bonds were fully redeemed in March 2024 using internally generated funds and long-term borrowings.

The Group likewise monitors its financial covenants in accordance with the provisions under its loans and trust Agreements.

[1] D/E ratio under the Term Loan Agreements with Chinabank, and Metrobank must not exceed 1.5:1, while D/E ratio under the Term Loan Agreement with BPI must not be more than 2.5:1.00.

[2] DSCR under the Term Loan Agreements with Chinabank, BPI and Metrobank must not be lower than 1.05:1.00. For China Bank, DSCR is tested every December 31 and June 30 of each year while for BPI and Metrobank, this is tested on June 30 of each year

[3] ICR under the Trust Agreement must not be lower than 3.00:1.00

		June 2024	Remarks
D/E ratio[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.59	D/E ratio improved from 0.79 in June 2023 due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
DSCR[2]	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	2.39	The minimum DSCR set by management, the lender banks, 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).
ICR	EBITDA for the immediately preceding twelve months divided by interest due in the next twelve months	9.37	ICR is well within the threshold set under the Second Supplemental Trust Agreement.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year.

As at September 30, 2024 and June 30, 2024, STI ESG is compliant with the aforementioned financial covenants, following the respective agreements, (see Notes 16 and 17) of the unaudited interim condensed consolidated financial statements).

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱148.9 million from ₱1,191.7 million to ₱1,340.6 million as at June 30, 2024 and September 30, 2024, respectively, primarily attributable to the Group's profitable operations and improved collection efficiency. The Group generated cash from operating activities aggregating to ₱736.4 million during the three-month period ended

September 30, 2024. The collection of tuition and other school fees during the three-month period ended September 30, 2024 was the primary contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the second installment for the acquisition of a parcel of lot located at South Park District, Alabang, Muntinlupa City, and the contractor for the new building construction at STI Ortigas-Cainta. Cash outflows for investing activities at ₱186.0 million likewise include expenditures related to solar panel installations, classroom expansion projects, and acquisition of various equipment and furniture for the schools owned and operated by STI ESG. The Group registered ₱401.4 million net cash used in financing activities substantially representing scheduled principal payments of STI ESG Term Loans with Chinabank, BPI and Metrobank aggregating to ₱270.0 million. This likewise includes interest payments largely for STI ESG's Term Loans and coupon payments for STI ESG's bond issue aggregating to ₱99.3 million during the three-month period ended September 30, 2024.

Receivables increased to ₱1,640.4 million as at September 30, 2024 or by ₱1,293.1 million, more than threefold of the receivable balance as at June 30, 2024 amounting to ₱347.2 million. Receivables from students rose by ₱895.1 million from ₱279.0 million to ₱1,174.1 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 ₱410.0 million as at September 30, 2024 from ₱16.6 million as at June 30, 2024. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who are enrolled in a "non-DepEd SHS". A non-DepEd SHS refers to an educational provider not directly operated by DepEd but granted by DepEd with a permit or government recognition to operate SHS. This includes private schools, private colleges and universities; state universities and colleges (SUCs), local universities and colleges (LUCs); and technical and vocational institutions offering SHS. A Qualified Voucher Recipient (QVR) in participating private institutions is entitled to a subsidy ranging from ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

Receivables related to DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, respectively. 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.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱1.8 million as at September 30, 2024 from ₱1.4 million as at June 30, 2024. Under the Universal Access to Quality Tertiary Education Act (UAQTEA) or RA No. 10931, and its Implementing Rules and Regulations (IRR), students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous 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. In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. The circular provides, among others, that the new TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are PWDs shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

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 ₱103.0 million as at September 30, 2024, higher by ₱41.7 million from ₱61.3 million as at June 30, 2024. 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 on network charges related to the use of eLearning Management System, Microsoft License subscriptions, among others, and sale of uniforms and prowares during the three-month period ended September 30, 2024. These receivables from franchised schools and an affiliate are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱1.9 million to ₱46.9 million as at September 30, 2024 from ₱48.8 million as at June 30, 2024 representing collection of rentals from various lessees and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2024.

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 ₱155.6 million as at June 30, 2024 to ₱207.9 million as at September 30, 2024. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2024.

Prepaid expenses and other current assets increased by ₱9.9 million or 10% from ₱98.8 million as at June 30, 2024 to ₱108.7 million as at September 30, 2024 which is substantially attributed to the increase in prepaid insurance and other prepaid expenses, partially offset, substantially, by the lower advances to suppliers and prepaid subscriptions and licenses as at September 30, 2024. Prepaid insurance increased by ₱16.7 million from ₱1.0 million to ₱17.7 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money securities 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. Other prepaid expenses as of September 30, 2024, primarily consist of prepayments for tickets and venue rental for the National Talent Search competition, scheduled on November 22, 2024, for the entire network. The decrease in the prepayments for subscriptions and licenses from ₱14.8 million to ₱11.9 million represent the portions which were charged to expense during the three-month period ended September 30, 2024. Advances to suppliers decreased from ₱13.3 million to ₱9.2 million primarily due to the completion of deliveries and full payment of certain purchase orders for student uniforms for SY 2024-2025 during the three-month period ended September 30, 2024.

The carrying value of STI ESG's equity instruments designated at FVPL, particularly, its investment in quoted equity shares of RCR, amounted to ₱5.90 per share or an aggregate of ₱9.1 million as at September 30, 2024 compared to ₱5.25 or an aggregate value of ₱8.1 million as at June 30, 2024. This increase in market value in quoted equity shares of RCR resulted in fair value gain on equity instruments at FVPL amounting to ₱1.0 million for the three-month periods ended September 30, 2024 compared to a fair value loss on the same equity instruments amounting to ₱1.4 million for the three-month periods ended September 30, 2023. Dividends received from this investment amounted to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

Property and equipment increased by ₱298.8 million, net of depreciation, to ₱7,847.4 million as at September 30, 2024 from ₱7,548.6 million June 30, 2024 substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City, and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG.

On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024 (ii) the amount of ₱81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the "Deed"); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will serve as the future site of the new STI Academic Center Alabang.

STI ESG sold a portion of its shares in STI Education Systems Holdings, Inc. (STI Holdings), totaling 23 million shares, during the quarter ending on September 30, 2024, for a total of ₱25.0 million. Consequently, STI ESG's equity interest in STI Holdings has been reduced from 5.05% to 4.82% as at September 30, 2024. This resulted in gain on disposal of shares held in an associate amounting to ₱3.2 million which was reported as part of "Other income" in the three-month period ended September 30, 2024.

Deferred tax assets (DTA) increased by ₱30.6 million from ₱34.0 million to ₱64.6 million as at September 30, 2024, 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 ₱16.7 million from ₱714.9 million as at June 30, 2024 to ₱698.2 million as at September 30, 2024. Accounts payable, which rose by ₱12.3 million to ₱340.8 million as at September 30, 2024, primarily reflect obligations to various suppliers and contractors of recently completed renovation and construction projects. Network events fund also increased by ₱11.9 million to ₱37.3 million as at September 30, 2024. Network events fund refers to fees collected from the students and are used to subsidize the expenses intended for network-wide social, academic, arts, and sports competitions with the objective of enhancing the student development programs of the schools within the network. This fund is expected to be fully utilized within the fiscal year. This increase was offset by the lower interest payable, from ₱49.5 million as at June 30, 2024 to ₱5.8 million as at September 30, 2024, as STI ESG settled its semi-annual coupon and interest on loans in September 2024. Accrued expenses for commencement costs and other student activities, decreased likewise reflecting payments made to suppliers during the three-month period ended September 30, 2024.

Unearned tuition and other school fees increased by ₱1,722.3 million from ₱93.0 million as at June 30, 2024 to ₱1,815.3 million as at September 30, 2024. 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 ₱60.8 million and ₱62.8 million as at September 30, 2024 and June 30, 2024, respectively. Noncurrent lease liabilities declined by ₱9.7 million from ₱252.2 million to ₱242.5 million representing 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 amounted to ₱536.2 million as at September 30, 2024 net of deferred finance charges amounting to ₱3.8 million. The balance as at September 30, 2024 represents the current portion of the Term Loan Facility of STI ESG with Chinabank, BPI and Metrobank amounting to ₱240.0 million, ₱200.0 million, and ₱100.0 million, respectively. On the other hand, the non-current portion of interest-bearing loans and borrowings, decreased by ₱269.0 million from ₱1,549.8 million to ₱1,280.8 million, net of deferred finance cost, as at June 30, 2024 and September 30, 2024, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings that are due in the next twelve months.

Income tax payable amounted to ₱60.3 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively, reflecting the income tax obligation of STI ESG and some of its subsidiaries for their respective taxable income during the three-month period ended September 30, 2024.

Pension liabilities declined by 31% or ₱20.7 million from ₱66.7 million to ₱46.0 million as at June 30, 2024 and September 30, 2024, respectively, representing remeasurement adjustments forming part of STI ESG's pension assets for the three-month period ended September 30, 2024. This decrease was partially offset by the pension expense recognized for the three-month period ended September 30, 2024. Other noncurrent liabilities increased by ₱19.2 million from ₱112.1 million to ₱131.3 million. The balance as at September 30, 2024 substantially pertains to STI ESG's payable for the acquisition of a parcel of lot in Alabang, Muntinlupa City amounting to ₱102.1 million. This amount is due on the 16th month after the execution of the Deed of Sale on Installments in September 2024. This was partially offset by the reclassification of the deposits for future stock subscription which was previously classified under the noncurrent liability section. These deposits for future stock subscription for STI Novaliches and STI Training Academy were reclassified by STI ESG from liability to equity section as both entities met the required conditions for classification under the equity section. As at November 19, 2024, STI Training Academy is awaiting the response of SEC, while STI Novaliches is completing the additional requirements for submission to SEC.

Cumulative actuarial gain amounted to ₱58.1 million as at September 30, 2024 from ₱36.7 million as at June 30, 2024. 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, 2024.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱34. 6 thousand and ₱43.6 thousand, as at June 30, 2024 and September 30, 2024, 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 increased by ₱164.8 million from ₱3,524.7 million to ₱3,689.5 million representing net income recognized for the three-month period ended September 30, 2024.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱772.6 million during the three-month period ended September 30, 2024, an increase of ₱292.4 million from ₱480.2 million of the same period last year.

Condensed Statements of Comprehensive Income

	Three Months Ended September 30			
(Amounts in Peso millions)	**2024**	**2023**	**Increase (Decrease)**	
Revenues	772.6	480.2	292.4	61%
Costs and expenses	574.4	493.5	80.9	16%
Operating income (loss)	**198.2**	**(13.3)**	**211.5**	**-1590%**
Other income (expenses)	(16.3)	(14.3)	(2.0)	14%
Income (Loss) before income tax	**181.9**	**(27.6)**	**209.5**	**-759%**
Provision for (benefit from) income tax	17.2	(5.9)	23.1	-392%
Net income (loss)	**164.7**	**(21.7)**	**186.4**	**-859%**
Other comprehensive income	21.5	3.1	18.4	592%
Total comprehensive income (loss)	**186.2**	**(18.6)**	**204.8**	**-1101%**

Tuition and other school fees amounted to ₱618.3 million for the three-month period ended September 30, 2024, up by ₱283.5 million or 85% from ₱334.8 million of the same period last year. This increase is primarily due to the earlier start of classes for SY2024-2025, which began on August 12, compared to August 29 for the previous year. Consequently, the Group recognized earned revenues equivalent to one and a half month compared to just one month in the prior year. This timing difference has substantially contributed to the higher revenues of the Group for the three-month period ended September 30, 2024. The Group registered a significant enrollment growth of 17% for SY 2024-2025 reaching over 121,000 students up from nearly 104,000 enrollees in SY 2023-2024. New students enrolled in CHED programs increased by 9% from over 29,000 in SY 2023-2024 to approximately 32,000 in SY 2024-2025. Furthermore, enrollment in programs regulated by CHED registered an impressive 21% increase to over 86,000 in SY 2024-2025 compared to enrollment in SY 2023-2024 of over 71,000 students. As CHED programs generate higher revenues per student, this increase further bolsters the Group's financial performance for the period.

Revenues from educational services and royalty fees increased by 26%, primarily attributed to the increase in the student population of franchised schools for SY 2024-2025. 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 ₱5.1 million or 18% from ₱28.1 million for the three-month period ended September 30, 2023 to ₱33.2 million for the three-month period ended September 30, 2024, concomitant with the higher number of students this year. Similarly, the subscription costs for the Microsoft licenses increased due to a change in the subscription package—from Microsoft Office 365 A1 Plus to Microsoft Office 365 A3. This upgrade involves the use of licenses available to a higher-tier plan which provides additional features and capabilities resulting in a higher per-user cost. The related charges for the franchised schools are taken up as part of "Other Revenues" while the related costs are reported as part of "Other Direct Expenses".

The revenues generated from the sale of educational materials and supplies amounted to ₱57.4 million for the three-month period ended September 30, 2024, compared to ₱66.9 million for the same period last year. Sales for both periods were primarily driven by uniform and proware items. The decline is due to timing differences as some of the student uniforms were distributed as early as the last quarter ended June 30, 2024 as opposed to last year wherein some sales transactions were completed during the first quarter of SY 2023-2024. 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 ₱42.7 million, from ₱156.8 million to ₱199.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is primarily attributed to higher instructors' salaries and benefits, as well as higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱26.8 million from ₱62.9 million to ₱89.7 million year-on-year. This is due to the earlier start of classes for SY2024-2025 compared to the previous year, and bigger faculty roster concomitant with the increase in student population.

Expenses attributed to student activities and programs climbed by ₱24.6 million from ₱4.4 million for the quarter ended September 30, 2023 to ₱29.0 million during the quarter ended September 30, 2024 driven by the increase in student population. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, and Amadeus, which likewise went up due to the larger student population. STI ESG also subscribed for access to e-books across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. Other direct expenses also increased, largely attributed to student insurance expense which grew concomitant with the student population.

Gross profit improved from ₱275.5 million to ₱526.7 million for the three-month periods ended September 30, 2023 and 2024, respectively, primarily due to earlier start of classes and higher enrollment. Similarly, gross profit margins improved from 57% to 68% year-on-year.

General and administrative expenses increased by 14% or ₱39.7 million from ₱288.8 million to ₱328.5 million for the three-month periods ended September 30, 2023 and 2024, respectively, largely attributed to expenses related to salaries and benefits, light and water, janitorial and security services, repairs and maintenance, provision for estimated credit losses and advertising and promotion expenses.

Salaries and benefits of ₱77.8 million are higher by ₱8.2 million for the three-month period ended September 30, 2024 compared to same period last year of ₱69.6 million due to salary adjustments granted to deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2024.

The Group recognized a provision for ECL amounting to ₱52.3 million from the three-month period ended September 30, 2024 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2024. This provision for ECL is higher by ₱9.5 million compared to ₱42.8 million for the three-month period ended September 30, 2023. This increase reflects the estimated credit losses on tuition and other school fees for SY 2024-2025. 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.

Light and water expenses are higher by ₱8.0 million from ₱26.8 million to ₱34.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. This increase is net of cost savings from the solar power system installed at STI Ortigas Cainta, which has a total capacity of 212 kilowatts. Similarly, outside services including security and janitorial services are higher by ₱4.1 million from ₱24.4 million to ₱28.5 million for the three-month periods ended September 30, 2023 and 2024, respectively. These increases are primarily attributed to the earlier start of SY 2024-2025 compared to the previous year and likewise due to higher student population. Some schools reported an uptick in the security and janitorial personnel to meet the growing demands, alongside increases in minimum wage rates charged by security and utility service providers.

Advertising and promotions expenses rose by ₱4.1 million from ₱10.2 million to ₱14.3 million for the three-month periods ended September 30, 2023 and 2024, respectively, as online advertisements and promotions were intensified before the start of SY 2024-2025.

Taxes and licenses expense increased by ₱1.3 million from ₱8.5 million to ₱9.8 million for the three-month periods ended September 30, 2023 and 2024, respectively. Local business taxes increased in 2024 concomitant with higher revenues. Additionally, in 2023, STI ESG incurred higher real property taxes due to the voluntary reclassification of one of its properties to the "Investment properties" category, causing the prior exemption from real property taxes to no longer apply.

Repairs and maintenance expenses are higher by ₱2.9 million from ₱5.7 million to ₱8.6 million for the three-month periods ended September 30, 2023 and 2024, respectively, due to refurbishment of school facilities ahead of SY 2024-2025.

Association dues increased by ₱0.7 million from ₱0.7 million to ₱1.4 million for the three-month periods ended September 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in June 2024.

The other general and administrative expenses like professional fees, transportation and travel, meetings and conferences, office supplies, and communication expenses also increased driven by the Group's growing business activities, and student population.

The Group posted an operating income of ₱198.2 million for the three-month period ended September 30, 2024, marking a significant turnaround from an operating loss of ₱13.3 million for the three-month period ended September 30, 2023. The improvement was mainly driven by higher revenues, attributed to the earlier start of SY 2024-2025, and a larger student population. The operating income margin reached 26% for the three-month period ended September 30, 2024, a substantial recovery from operating loss margin of 3% reported for the three-month period ended September 30, 2023. This improvement likewise reflects the Group's optimized operational efficiency, through effective management of the costs of educational services, and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱4.8 million, from ₱67.7 million to ₱62.9 million three-month period ended September 30, 2024. This reduction is primarily attributed to principal payments made by STI ESG on its Term Loan Facility with Chinabank in March 2024 and September 2024, and the full settlement of STI ESG's Corporate Notes Facility with Chinabank in September 2023. STI ESG likewise redeemed in full its series 7-year bonds aggregating to ₱2,180.0 million in March 2024. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rates on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively. The interest rates for these loans of STI ESG with BPI and Metrobank were repriced effective September 18, 2024 with prevailing interest rates set at 7.8735% and 7.8135% per annum, respectively. The interest rate for the Term Loan facility of STI ESG with Chinabank was repriced at 7.8749% per annum effective September 19, 2024.

Interest income increased from ₱5.0 million for the three-month period ended September 30, 2023 to ₱8.3 million for the three-month period ended September 30, 2024 substantially attributed to the investment of STI ESG and some of its subsidiaries in short-term investments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023 reflecting improved results of operations of certain associates of STI ESG.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

STI ESG redeemed and converted substantially all its dollar money market and time deposit placements, respectively, in August 2024 resulting in a realized foreign exchange loss amounting to ₱5.8 million for the three-month period ended September 30, 2024. On the other hand, STI ESG recognized an unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million for the three-month period ended September 30, 2023.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank 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.

Fair value gain on equity instruments at FVPL amounting to ₱1.0 million was recognized for the three-month period ended September 30, 2024, compared to fair value loss amounting to ₱1.4 million for the three-month period ended September 30, 2023, respectively, representing adjustments in the market value of STI ESG's quoted equity shares.

The Group recognized recovery of accounts written-off amounting to ₱4.0 million for the three-month period ended September 30, 2024 compared to ₱1.8 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱6.4 million for the three-month period ended September 30, 2024, compared to ₱3.0 million for the three-month period ended September 2023.

The Group also recognized other income aggregating to ₱2.0 million for the three-month period ended September 30, 2024, substantially attributed to gain recognized on the termination of a former lease agreement which was accounted for under the PFRS 16 and unrealized gain on STI ESG's dollar short term investment as at September 30, 2024. Both periods include amortization of bond issue costs ₱152.8 thousand and ₱226.8 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

The Group recognized "Provision for income tax" amounting to ₱17.2 million for the three-month period ended September 30, 2024, mainly representing taxes due on STI ESG's and some of its subsidiaries' taxable income. On the other hand, the Group recognized "Benefit from income tax" amounting to ₱5.9 million for the three-month period ended September 30, 2023, mainly representing deferred taxes on tuition and other school fees collected in advance.

STI ESG reported a net income ₱164.7 million for the three-month period ended September 30, 2024, a remarkable turnaround from same period last year's net loss of ₱21.7 million. This improvement was driven by increased revenues due to the earlier start of SY 2024-2025 and a larger student population.

STI ESG recognized remeasurement gain, net of taxes, amounted to ₱21.4 million for the three-month periods ended September 30, 2024 compared to remeasurement loss of ₱1.9 million for the three-month periods ended September 30, 2023, 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 ₱0.09 million for the three-month period ended September 30, 2024, compared to ₱1.3 million for the three-month period ended September 30, 2023. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the three-month period ended September 30, 2024 amounted to ₱186.2 million compared to total comprehensive loss of ₱18.6 million for the three-month period ended September 30, 2023.

EBITDA is up from ₱115.9 million for the three-month period ended September 30, 2023 to ₱329.5 million for the three-month period ended September 30, 2024. EBITDA margin is 43% for the three-month period ended September 30, 2024, compared to 24% for the same period last year 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 ₱157.8 million for the three-month period ended September 30, 2024 compared to core income for the same period last year of negative ₱40.2 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 expenditure 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, and current portion of interest-bearing loans and borrowings that are expected to mature within one year after the reporting date. 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 and eighty (180) days.

As at September 30, 2024 and June 30, 2024, the Group's current assets amounted to ₱3,240.0 million and ₱1,793.3 million, respectively, while current liabilities amounted to ₱3,170.9 million and ₱1,428.5 million, respectively. Current liabilities include unearned tuition and other school fees amounting to ₱1,815.4 million and ₱93.0 million as at September 30, 2024 and June 30, 2024, respectively. Unearned tuition and other school fees represent performance obligations related to revenues from tuition and other school fees, which will be satisfied over time as the students receive the services provided by the Group.

As part of the Group's liquidity risk management program, management regularly evaluates the projected and actual cash flow information.

In relation to the Group's interest-bearing loans and borrowings from local banks, 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 banks, and the STI ESG bondholders.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month 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. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 16 of the unaudited interim condensed consolidated financial statements).

The second supplemental agreement replaced the DSCR measure with ICR, as discussed in Note 17, respectively. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. DSCR, as defined in the loan agreement, as at June 30, 2024 is 2.39:1.00. ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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

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

<u>Interest rate risk</u> – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating-rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The Parent Company's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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

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.

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 consolidated financial statements). STI ESG redeemed in full its series 7-year bonds in March 2024.

j. On February 27, 2024, the BOD of STI Holdings ratified the execution of a term sheet between STI Holdings and Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as "PSBA". The term sheet covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

   The term sheet and the implementation of the transaction are subject to several conditions including the execution of mutually acceptable definitive agreements, the fulfillment of the conditions precedent, the approval of the stockholders of PSBA, and regulatory approvals.

   On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

   On May 2, 2024, STI Holdings and PSBA also executed the Right of First Refusal Agreement as STI Holdings has the right of first refusal in the event that it intends to sell the PSBA properties. PSBA Manila is the registered and beneficial owner of a parcel of land, together with the improvement thereon, located at R. Papa St., Manila (the "PSBA Manila Property"). PSBA Manila is likewise the registered and beneficial owner of two parcels of land, together with improvements thereon, located at Aurora Boulevard, Quezon City.

   On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

STI ESG shall perform the following obligations, among others: (1) provide management services including, but not limited to, marketing and advertising efforts, administering teaching and non-teaching staff deployed in each of the PSBA schools, maintaining school records and providing such other administrative and support services required for the effective operations of PSBA schools; (2) enter into contracts for and on behalf of PSBA with third parties without need of consent of PSBA; (3) liaise with local government units and government agencies in relation to the management and operations of PSBA schools; and (4) apply for and obtain permits and licenses for PSBA schools.

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at November 19, 2024, STI Holdings has yet to receive the reply of PSBA.