COVER SHEET

SEC Registration Number

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

(Company's Full Name)

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

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

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

06 / **30**	**SEC FORM 17-Q For the Three-month Period Ended 30 September 2023**	**1st Thursday of November**
Month *Day* Fiscal Year	FORM TYPE	*Month* *Day* Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD	**N/A**
Dept. Requiring this Doc.	Amended Article Number/Section

Total Amount of Borrowings

63	₱3 Billion bonds	**N/A**
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document ID	Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the nine-month period ended	September 30, 2023
2.	SEC Identification Number	113156
3.	BIR Tax Identification Number	000-143-457-000
4.	Exact name of registrant as specified in its charter	STI EDUCATION SERVICES GROUP, INC.
5.	Province, country or other jurisdiction of incorporation or organization	Metro Manila, Philippines
6.	Industry Classification Code (SEC Use Only)	
7.	Address of Principal Office	STI Academic Center Ortigas-Cainta Ortigas Avenue Extension, Cainta, Rizal
8.	Registrant's telephone number (including area code)	(632) 8812-17-84
9.	Former name, former address, former fiscal year, if changed since last report	N/A

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

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

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

Yes [ ] No [√]

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

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

12. Check whether the registrant:

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

    Yes [√] No [ ]

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

    Yes [√] No [ ]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

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

STI EDUCATION SERVICES GROUP, INC.

By:

Signature and Title	**MONICO V. JACOB** Vice Chairman and CEO
Date	November 20, 2023
Signature and Title	**PETER K. FERNANDEZ** President and COO
Date	November 20, 2023
Signature and Title	**YOLANDA M. BAUTISTA** Treasurer
Date	November 20, 2023

ANNEX “A”

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2023 AND JUNE 30, 2023

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,917,814,806**	₱1,571,737,633
Receivables (Note 6)	**1,396,308,527**	342,010,955
Inventories (Note 7)	**120,148,826**	125,227,248
Prepaid expenses and other current assets (Note 8)	**89,899,750**	114,852,313
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**7,595,000**	8,990,000
Total Current Assets	**3,531,766,909**	2,162,818,149
Noncurrent Assets		
Property and equipment (Note 10)	**7,483,392,057**	7,505,664,889
Investment properties (Note 11)	**668,506,110**	675,138,874
Investments in and advances to associates and joint venture (Notes 12)	**497,041,696**	493,988,698
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	**72,407,272**	71,501,232
Deferred tax assets - net	**68,257,999**	41,994,892
Goodwill, intangible and other noncurrent assets (Note 14)	**333,933,313**	331,164,982
Total Noncurrent Assets	**9,123,538,447**	9,119,453,567
TOTAL ASSETS	**₱12,655,305,356**	₱11,282,271,716
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	**₱443,700,186**	₱560,930,731
Current portion of bonds payable (Note 17)	**2,176,741,292**	2,175,083,335
Current portion of interest-bearing loans and borrowings (Note 16)	**240,951,799**	183,042,276
Unearned tuition and other school fees	**1,776,337,243**	43,940,924
Current portion of lease liabilities	**58,367,257**	53,358,726
Income tax payable	**1,068**	376,536
Total Current Liabilities	**4,696,098,845**	3,016,732,528
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	**475,683,514**	748,861,025
Bonds payable - net of current portion (Note 17)	**813,736,535**	813,339,649
Lease liabilities - net of current portion	**266,454,795**	282,377,214
Pension liabilities - net	**80,478,797**	79,429,605
Other noncurrent liabilities (Note 18)	**46,264,372**	46,338,093
Total Noncurrent Liabilities	**1,682,618,013**	1,970,345,586
Total Liabilities *(Carried Forward)*	**6,378,716,858**	4,987,078,114

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total Liabilities *(Brought Forward)*	**₱6,378,716,858**	₱4,987,078,114
Equity Attributable to Equity Holders of the Parent Company (Note 19)		
Capital stock	**3,087,829,443**	3,087,829,443
Additional paid-in capital	**386,916,479**	386,916,479
Treasury stock	**(10,833,137)**	(10,833,137)
Cumulative actuarial gain	**1,889,510**	2,589
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**16,267,718**	15,008,758
Other equity reserve	**(46,104,556)**	(46,104,556)
Share in associates':		
Cumulative actuarial gain	**163,082**	163,082
Unrealized fair value loss on equity instruments at FVOCI (Note 12)	**(35,629)**	(38,774)
Retained earnings	**2,843,822,543**	2,865,327,141
Total Equity Attributable to Equity Holders of the Parent Company	**6,279,915,453**	6,298,271,025
Equity Attributable to Non-controlling Interests	**(3,326,955)**	(3,077,423)
Total Equity	**6,276,588,498**	6,295,193,602
TOTAL LIABILITIES AND EQUITY	**₱12,655,305,356**	₱11,282,271,716

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Three months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
REVENUES (Note 20)		
Sale of services:		
Tuition and other school fees	**₱334,797,240**	₱227,651,035
Educational services	**45,561,977**	37,474,826
Royalty fees	**4,796,349**	3,945,007
Others	**28,092,808**	23,707,435
Sale of goods -		
Sale of educational materials and supplies	**66,914,740**	67,278,569
	480,163,114	360,056,872
COSTS AND EXPENSES		
Cost of educational services (Note 21)	**156,828,668**	127,710,441
Cost of educational materials and supplies sold (Note 22)	**47,846,352**	50,255,334
General and administrative expenses (Note 23)	**288,827,862**	255,442,589
	493,502,882	433,408,364
LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**(13,339,768)**	(73,351,492)
OTHER INCOME (EXPENSES)		
Interest expense (Notes 16 and 17)	**(67,711,519)**	(72,596,805)
Rental income	**28,133,107**	27,827,747
Foreign exchange gain - net	**13,731,097**	26,776,600
Interest income (Notes 5 and 6)	**5,031,107**	2,731,300
Gain on:		
Early extinguishment of loan (Note 16)	**3,076,465**	–
Sale of property and equipment	**14,391**	49,943
Recovery of accounts written off (Note 6)	**1,847,192**	2,561,307
Fair value loss on equity instruments at FVPL (Note 9)	**(1,395,000)**	(1,379,500)
Equity in net earnings of associates and joint venture (Note 12)	**3,049,853**	2,519,384
Dividend income (Notes 9 and 13)	**151,590**	1,077,616
Other income (expenses) - net	**(226,795)**	4,547,432
	(14,298,512)	(5,884,976)
LOSS BEFORE INCOME TAX *(Carried Forward)*	**(27,638,280)**	(79,236,468)

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	Three months ended September 30	
	2023 (Unaudited)	**2023 (Unaudited)**
LOSS BEFORE INCOME TAX *(Brought Forward)*	**(₱27,638,280)**	(₱79,236,468)
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**20,588,615**	1,675,134
Deferred	**(26,472,765)**	(5,115,814)
	(5,884,150)	(3,440,680)
NET LOSS	**(21,754,130)**	(75,795,788)
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain (loss) on pension liabilities	**2,096,579**	(1,048,289)
Tax effect on remeasurement loss (gain) on pension liabilities	**(209,658)**	104,828
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	**1,258,960**	625,416
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 12)	**3,145**	–
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**3,149,026**	(318,045)
TOTAL COMPREHENSIVE LOSS	**(18,605,104)**	(76,113,833)
Net Loss Attributable To		
Equity holders of the Parent Company	**(21,504,598)**	(74,993,684)
Non-controlling interests	**(249,532)**	(802,104)
	(21,754,130))	(75,795,788)
Total Comprehensive Loss Attributable To		
Equity holders of the Parent Company	**(18,355,572)**	(75,311,729)
Non-controlling interests	**(249,532)**	(802,104)
	(₱18,605,104)	(₱76,113,833)
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 25)	**(₱0.01)**	(₱0.02)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Capital Stock (Note 19)	Additional Paid-in Capital	Treasury Stock (Note 19)	Cumulative Actuarial Gain (Loss)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 13)	Other Equity Reserve (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 12)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2023	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱2,589**	**₱15,008,758**	**(₱46,104,556)**	**₱163,082**	**(₱38,774)**	**₱2,865,327,141**	**₱6,298,271,025**	**(₱3,077,423)**	**₱6,295,193,602**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,504,598)**	**(21,504,598)**	**(249,532)**	**(21,754,130)**
Other comprehensive income	**–**	**–**	**–**	**1,886,921**	**1,258,960**	**–**	**–**	**3,145**	**–**	**3,149,026**	**–**	**3,149,026**
Total comprehensive loss	**–**	**–**	**–**	**1,886,921**	**1,258,960**	**–**	**–**	**3,145**	**(21,504,598)**	**(18,355,572)**	**(249,532)**	**(18,605,104)**
Balance at September 30, 2023	**₱3,087,829,443**	**₱386,916,479**	**(₱10,833,137)**	**₱1,889,510**	**₱16,267,718**	**(₱46,104,556)**	**₱163,082**	**(₱35,629)**	**₱2,843,822,543**	**₱6,279,915,453**	**(₱3,326,955)**	**₱6,276,588,498**
Balance at July 1, 2022	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱9,775,594	₱13,277,006	(₱46,104,556)	₱796,685	(₱45,903)	₱2,452,343,935	₱5,893,955,546	(₱1,703,604)	₱5,892,251,942
Net loss	–	–	–	–	–	–	–	–	(74,993,684)	(74,993,684)	(802,104)	(75,795,788)
Other comprehensive income (loss)	–	–	–	(943,461)	625,416	–	–	–	–	(318,045)	–	(318,045)
Total comprehensive loss	–	–	–	(943,461)	625,416	–	–	–	(74,993,684)	(75,311,729)	(802,104)	(76,113,833)
Balance at September 30, 2022	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱8,832,133	₱13,902,422	(₱46,104,556)	₱796,685	(₱45,903)	₱2,377,350,251	₱5,818,643,817	(₱2,505,708)	₱5,816,138,109

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Three months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱27,638,280)**	(₱79,236,468)
Adjustments to reconcile loss before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 21 and 23)	**121,211,314**	119,762,499
Interest expense (Notes 16 and 17)	**67,711,519**	72,596,805
Unrealized foreign exchange gain - net	**(13,730,837)**	(26,776,433)
Interest income (Notes 5 and 6)	**(5,031,107)**	(2,731,300)
Equity in net earnings of associates and joint venture (Note 12)	**(3,049,853)**	(2,519,384)
Dividend income (Notes 9 and 13)	**(151,590)**	(1,077,616)
Fair value loss on equity instruments at FVPL (Note 9)	**1,395,000**	1,379,500
Gain on:		
Early extinguishment of loan (Note 16)	**(3,076,465)**	–
Sale of property and equipment (Note 10)	**(14,391)**	(49,943)
Movements in pension	**3,145,770**	2,331,486
Operating income before working capital changes	**140,771,080**	83,679,146
Decrease in:		
Receivables	**420,400,053**	299,373,004
Inventories	**5,078,422**	33,570,367
Prepaid expenses and other current assets	**4,365,016**	4,064,315
Increase (decrease) in:		
Accounts payable and other current liabilities	**(107,292,698)**	(86,094,941)
Unearned tuition and other school fees	**257,191,866**	225,007,429
Other noncurrent liabilities	**(73,720)**	(3,918)
Net cash generated from operations	**720,440,019**	559,595,402
Interest received	**5,031,107**	2,731,300
Income tax paid	**(376,536)**	–
Net cash provided by operating activities	**725,094,590**	562,326,702
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	**(60,974,840)**	(18,267,266)
Investment properties (Note 11)	**–**	(7,780,093)
Proceeds from:		
Redemption of equity instruments at FVOCI (Note 13)	**352,920**	–
Sale of property and equipment (Note 10)	**14,412**	50,000
Sale of noncurrent asset held for sale	**–**	19,000,000
Dividend received (Notes 9 and 13)	**151,590**	1,077,616
Payments for other noncurrent assets (Note 14)	**(13,729,192)**	(26,620,139)
Net cash used in investing activities	**(74,185,110)**	(32,539,882)

(Forward)

	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interests	**(₱76,026,559)**	(₱85,005,533)
Long-term loans (Note 16)	**(212,095,670)**	(244,012,094)
Lease liabilities	**(30,440,915)**	(29,358,996)
Net cash used in financing activities	**(318,563,144)**	(358,376,623)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**13,730,837**	26,776,433
NET INCREASE IN CASH AND CASH EQUIVALENTS	**346,077,173**	198,186,630
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,571,737,633**	1,242,529,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,917,814,806**	₱1,440,716,095

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

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, 2023 and June 30, 2023, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

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

[(a)] A subsidiary through a management contract
[(b)] STI Iloilo, STI Pagadian and STI Tuguegarao ceased operations effective SY 2020-2021; NPIM ceased operations effective June 30, 2022.
[(c)] In June 2016, De Los Santos-STI College advised the Commission of Higher Education (CHED) of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of the Parent Company effective August 4, 2021. De Los Santos-STI College has not resumed its school operations as at November 20, 2023.
[(d)] On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. STI Alabang became a wholly-owned subsidiary of STI ESG effective March 31, 2023.
[(e)] A wholly-owned subsidiary of De Los Santos-STI College.

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

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

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

b. Merger with several majority and wholly-owned subsidiaries

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

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by the Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 2011, respectively.

- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by the CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.

- Phase 3: On August 30, 2017, the SEC approved the application for merger of STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) with STI ESG as the surviving entity.

On September 25, 2013, STI ESG's Board of Directors (BOD) approved an amendment to the Phases 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at November 20, 2023, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phases 1 and 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, the Parent Company applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As at November 20, 2023, the Parent Company has not received the CARs from the BIR.

For SY 2021-2022, NPIM exclusively enrolled students for Junior High School (JHS) and SHS only. Its former grade school students were advised earlier to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of NPIM did not have a material financial impact on the Group.

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

On March 16, 2023, STI ESG and the majority owners of STI Alabang entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owned 40% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG.

As at September 30, 2023, STI ESG's network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

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

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

Basis of Preparation

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

Statement of Compliance

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS include statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2023. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

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

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

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

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

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

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

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

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

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

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

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its unaudited interim condensed consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective for Fiscal Year 2025

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

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

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

Effective for Fiscal Year 2026

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred effectivity

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

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

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to September 30, 2023 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. **Seasonality of Operations**

The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and September for JHS and SHS, and the tertiary level, respectively, and ends in June of the following year. In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes while classes for SY 2023-2024 are all conducted face-to-face.

Classes of SHS and JHS students for SY 2022-2023 started on August 30, 2022 while classes of tertiary students started on September 5, 2022. Face-to-face classes across all levels for SY 2023-2024 started on August 29, 2023. STI ESG implemented a flexible learning delivery modality in the first semester of SY 2022-2023. For tertiary courses, all professional and identified general education courses were delivered onsite while other general education courses were delivered using blended modality, with a distribution of 50% onsite/face-to-face to 50% asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to higher education institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes for tertiary enrollees starting on second semester of SY 2022-2023. As for SHS and JHS, classes were all conducted face-to-face since the opening of SY 2022-2023.

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

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

4. **Segment Information**

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

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

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

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

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

	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Consolidated net loss	**(₱21,754,130)**	(₱75,795,788)
Depreciation and amortization[1]	**104,780,303**	105,289,318
Interest expense[1]	**62,239,666**	67,445,280
Foreign exchange gain – net	**(13,731,097)**	(26,776,600)
Benefit from income tax	**(5,884,150)**	(3,440,680)
Interest income	**(5,031,107)**	(2,731,300)
Gain on early extinguishment of loan	**(3,076,465)**	–
Equity in net earnings of associates and joint venture	**(3,049,853)**	(2,519,384)
Fair value loss on equity instruments at FVPL	**1,395,000**	1,379,500
Donation income[2]	**–**	(4,744,529)
Consolidated EBITDA	**₱115,888,167**	₱58,105,817

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

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, 2023 and 2022:

	For the three-month period ended September 30, 2023 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱302,883,843**	**₱34,606,891**	**₱126,415,357**	**₱4,350,428**	**₱11,906,595**	**₱480,163,114**
Results						
Income (loss) before other income (expenses) and income tax	**(52,148,572)**	**(4,472,051)**	**48,425,499**	**(1,814,532)**	**(3,330,112)**	**(13,339,768)**
Equity in net earnings of associates and joint venture	**3,049,853**	**–**	**–**	**–**	**–**	**3,049,853**
Interest expense	**(64,169,706)**	**(945,671)**	**(1,603,983)**	**(361,708)**	**(630,451)**	**(67,711,519)**
Interest income	**5,025,436**	**179**	**5,483**	**–**	**9**	**5,031,107**
Other income[(a)]	**44,211,087**	**119,320**	**866,295**	**35,045**	**100,300**	**45,332,047**
Benefit from income tax	**3,268,025**	**889,798**	**1,726,327**	**–**	**–**	**5,884,150**
Net Income (Loss)	**(₱60,763,877)**	**(₱4,408,425)**	**₱49,419,621**	**(₱2,141,195)**	**(₱3,860,254)**	**(₱21,754,130)**
EBITDA						**₱115,888,167**

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

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

The following tables present certain assets and liabilities information regarding geographical segments as at September 30, 2023 and June 30, 2023.

	As at September 30, 2023 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱8,900,956,244**	**₱829,139,179**	**₱1,837,753,093**	**₱89,166,386**	**₱182,092,678**	**₱11,839,107,580**
Goodwill (see Note 14)	**250,898,081**	**–**	**–**	**–**	**–**	**250,898,081**
Investments in and advances to associates and joint venture (see Note 12)	**497,041,696**	**–**	**–**	**–**	**–**	**497,041,696**
Deferred tax assets – net	**56,043,446**	**3,954,911**	**6,522,693**	**41,555**	**1,695,394**	**68,257,999**
Total Assets	**₱9,704,939,467**	**₱833,094,090**	**₱1,844,275,786**	**₱89,207,941**	**₱183,788,072**	**₱12,655,305,356**
Segment liabilities[(b)]	**₱1,137,789,490**	**₱223,967,574**	**₱793,214,497**	**₱28,252,140**	**₱83,079,168**	**₱2,266,302,869**
Interest-bearing loans and borrowings (see Note 16)	**716,635,313**	**–**	**–**	**–**	**–**	**716,635,313**
Bonds payable (see Note 17)	**2,990,477,827**	**–**	**–**	**–**	**–**	**2,990,477,827**
Pension liabilities	**59,126,866**	**5,965,125**	**12,665,197**	**128,691**	**2,592,918**	**80,478,797**
Lease liabilities	**111,179,869**	**54,165,912**	**97,859,277**	**23,702,765**	**37,914,229**	**324,822,052**
Total Liabilities	**₱5,015,209,365**	**₱284,098,611**	**₱903,738,971**	**₱52,083,596**	**₱123,586,315**	**₱6,378,716,858**
Other Segment Information						
Capital expenditures for property and equipment						**₱77,662,246**
Depreciation and amortization[(c)]						**104,780,303**
Noncash expenses other than depreciation and amortization						**45,983,552**

	As at June 30, 2023 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱8,192,277,712	₱717,138,215	₱1,382,644,996	₱77,062,329	₱126,266,793	₱10,495,390,045
Goodwill (see Note 14)	250,898,081	–	–	–	–	250,898,081
Investments in and advances to associates and joint venture (see Note 12)	493,988,698	–	–	–	–	493,988,698
Deferred tax assets - net	32,396,464	3,065,113	4,796,366	41,555	1,695,394	41,994,892
Total Assets	₱8,969,484,059	₱720,203,328	₱1,387,441,362	₱77,103,884	₱127,962,187	₱11,282,271,716
Segment liabilities[(b)]	₱434,942,339	₱59,149,312	₱115,631,192	₱9,274,759	₱32,588,682	₱651,586,284
Interest-bearing loans and borrowings (see Note 16)	931,903,301	–	–	–	–	931,903,301
Bonds payable (see Note 17)	2,988,422,984	–	–	–	–	2,988,422,984
Pension liabilities	58,791,356	5,775,501	12,226,482	116,334	2,519,932	79,429,605
Lease liabilities	120,644,554	57,706,097	103,871,119	25,298,373	28,215,797	335,735,940
Total Liabilities	₱4,534,704,534	₱122,630,910	₱231,728,793	₱34,689,466	63,324,411	₱4,987,078,114
Other Segment Information						
Capital expenditures for property and equipment						₱305,656,075
Depreciation and amortization[(c)]						420,842,361
Noncash expenses other than depreciation and amortization						77,623,352

[(a)] *Segment assets exclude goodwill, investments in and advances to associates and joint venture and net deferred tax assets.*

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

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

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Cash on hand and in banks	**₱956,693,455**	₱751,428,149
Cash equivalents	**961,121,351**	820,309,484
	₱1,917,814,806	₱1,571,737,633

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

Interest earned from cash in banks and cash equivalents amounted to ₱3.5 million and ₱1.2 million for the three-month periods ended September 30, 2023 and 2022, respectively.

6. Receivables

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Tuition and other school fees	**₱1,544,051,104**	₱471,046,281
Educational services and sale of educational materials and supplies (see Note 24)	**93,796,039**	63,793,857
Rent, utilities, and other related receivables	**45,937,181**	56,455,263
Advances to officers and employees (see Note 24)	**25,999,239**	23,348,967
Others	**19,711,471**	17,715,312
	1,729,495,034	632,359,680
Less allowance for expected credit losses	**333,186,507**	290,348,725
	₱1,396,308,527	₱342,010,955

The terms and conditions of the receivables are as follows:

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

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

SY 2021-2022 and SY 2022-2023, respectively. Receivables from DBP amounted to ₱2.3 million and ₱1.6 million as at September 30, 2023 and June 30, 2023, respectively.

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

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

   Interest earned from past due accounts amounted to ₱1.6 million and ₱1.5 million for the three-month periods ended September 30, 2023 and 2022, respectively.

c. Rent, utilities, and other related receivables are normally collected within the next year (see Note 24).

d. Advances to officers and employees represent advances for official business expenses which are necessary and reasonable to carry out the operations of head office and the schools. These advances are normally liquidated within one month from the date the advances were obtained.

e. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.6 million, ₱6.5 million, and ₱5.8 million, respectively, as at September 30, 2023 and amounting to ₱1.6 million, ₱6.5 million, and ₱5.2 million, respectively, as at June 30, 2023. These receivables are expected to be collected within the next fiscal year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱1.8 million and ₱2.6 million for the three-month periods ended September 30, 2023 and 2022, respectively.

7. Inventories

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱92,489,737**	₱95,765,980
Textbooks and other education-related materials	**9,622,338**	9,574,986
	102,112,075	105,340,966
Promotional materials:		
Proware materials	**13,957,768**	13,621,873
Marketing materials	**428,105**	428,244
	14,385,873	14,050,117
School materials and supplies	**3,650,878**	5,836,165
	₱120,148,826	₱125,227,248

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Hence, the carrying value of these inventories at net realizable value is nil as at September 30, 2023 and June 30, 2023. Allowance for inventory obsolescence amounted to ₱24.1 million as at September 30, 2023 and June 30, 2023. No provision was recognized for the three-month periods ended September 30, 2023 and 2022.

Inventories charged to cost of educational materials and supplies sold amounted to ₱47.8 million and ₱50.3 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 22).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Prepaid taxes	**₱36,256,320**	₱55,039,332
Input VAT – net	**20,111,965**	24,862,201
Prepaid insurance	**14,359,900**	736,637
Advances to suppliers	**10,964,615**	18,245,027
Prepaid subscriptions and licenses	**5,633,754**	12,292,941
Software maintenance cost	**1,018,166**	1,480,531
Prepaid internet cost	**87,816**	87,916
Others	**1,467,214**	2,107,728
	₱89,899,750	₱114,852,313

Prepaid taxes represent excess prior year's tax credits and creditable withholding taxes which will be applied against future income tax due. This account also includes prepayments for business taxes and real property taxes which will be recognized as expenses over the period covered.

Net input VAT represents the remaining balance after application against output VAT and is recoverable in future periods. The balance of this account is primarily attributed to input VAT recognized from the acquisition of two parcels of land in Meycauayan City, Bulacan in October 2022 (see Note 11). This account also includes input VAT recognized on the purchase of other goods and services.

Prepaid insurance as at September 30, 2023 primarily represents fire insurance coverage on buildings, including equipment and furniture, money security payroll, fidelity insurance, and health insurance coverage for employees. The balance as at June 30, 2023 primarily represents fire insurance on buildings and vehicle insurance coverage. These insurance premiums were paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Advances to suppliers as at September 30, 2023 and June 30, 2023 primarily relate to advance payments for ongoing repair works in certain wholly-owned schools of STI ESG and initial payments made for the procurement of students' school uniforms for SY 2023-2024.

Prepaid subscriptions and licenses as at September 30, 2023 substantially pertains to Microsoft license and Firewall subscriptions while the balance as at June 30, 2023 includes e-Learning Management System (eLMS) subscriptions which were paid in advance in preparation for the succeeding school year. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Software maintenance costs include annual support and maintenance charges for the use of accounting and enrollment systems which are recognized as expense over time in accordance with the terms of the respective agreements.

Prepaid internet cost represents the remaining funds in the schools' load wallet for data connectivity and is now primarily used for the schools' marketing activities.

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

Equity instruments at FVPL represents the Group's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR) held for trading amounting to ₱7.6 million and ₱9.0 million as at September 30, 2023 and June 30, 2023, respectively.

STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.4 million for the three-month periods ended September 30, 2023 and 2022.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million for the three-month periods ended September 30, 2023 and 2022.

10. Property and Equipment

The rollforward analyses of this account are as follows:

September 30, 2023

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	**₱2,496,599,185**	**₱4,494,444,742**	**₱110,214,053**	**₱27,679,382**	**₱13,734,407**	**₱1,453,695**	**₱42,424,554**	**₱12,076,809**	**₱35,995,589**	**₱114,453,562**	**₱143,839,829**	**₱12,749,082**	**₱7,505,664,889**
Additions	**–**	**10,358,348**	**6,254,659**	**4,684,150**	**1,861,256**	**–**	**22,482,020**	**381,668**	**31,640,144**	**–**	**12,672,676**	**1,889,327**	**92,224,248**
Reclassification	**–**	**21,273,493**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,273,493)**	**–**	**–**	**–**	**–**
Disposal	**–**	**–**	**(8)**	**(10)**		**–**	**(3)**	**–**	**–**	**–**	**–**	**–**	**(21)**
Depreciation and amortization (see Notes 21 and 23)	**–**	**(66,933,950)**	**(14,373,104)**	**(4,119,251)**	**(5,297,066)**	**(111,817)**	**(6,536,804)**	**(694,056)**	**–**	**(2,257,275)**	**(11,836,221)**	**(2,337,515)**	**(114,497,059)**
Balance at end of period	**₱2,496,599,185**	**₱4,459,142,633**	**₱102,095,600**	**₱28,244,271**	**₱10,298,597**	**₱1,341,878**	**₱58,369,767**	**₱11,764,421**	**₱46,362,240**	**₱112,196,287**	**₱144,676,284**	**₱12,300,894**	**₱7,483,392,057**
At September 30, 2023													
Cost	**₱2,496,599,185**	**₱6,591,003,877**	**₱786,887,032**	**₱329,410,518**	**₱182,141,820**	**₱ 9,832,517**	**₱451,024,224**	**₱133,736,742**	**₱46,362,240**	**₱147,669,256**	**₱278,511,317**	**₱58,127,570**	**₱11,511,306,298**
Accumulated depreciation and amortization	**–**	**(2,131,861,244)**	**(684,791,432)**	**(301,166,247)**	**(171,843,223)**	**(8,490,639)**	**(392,654,457)**	**(121,972,321)**	**–**	**(35,472,969)**	**(133,835,033)**	**(45,826,676)**	**(4,027,914,241)**
Net book value	**₱2,496,599,185**	**₱4,459,142,633**	**₱102,095,600**	**₱28,244,271**	**₱10,298,597**	**₱1,341,878**	**₱58,369,767**	**₱11,764,421**	**₱46,362,240**	**₱112,196,287**	**₱144,676,284**	**₱12,300,894**	**₱7,483,392,057**

June 30, 2023

	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	₱2,490,502,923	₱4,657,884,261	₱142,541,856	₱34,076,151	₱22,634,918	₱68,550	₱25,043,203	₱15,152,417	₱5,454,242	₱122,558,699	₱115,584,849	₱12,502,657	₱7,644,004,726
Additions	–	40,732,456	29,885,200	10,421,642	7,190,502	1,599,200	34,547,563	2,738,404	30,541,347	–	75,917,367	9,405,873	242,979,554
Disposal	–	–	(89)	(68)		–	(54)	(46)	–	–	–	–	(257)
Reclassification from investment properties (see Note 11)	46,593,333	69,136,320	–	–	–	–	–	–	–	–	–	–	115,729,653
Reclassification to investment properties (see Note 11)	(40,497,071)	(20)	–	–	–	–	–	–	–	–	–	–	(40,497,091)
Lease termination/modification											(1,156,865)	(1,588,667)	(2,745,532)
Effect of business combination	–	–	123,199	–	40,505	1	1,860,144	139,042	–	–	–	–	2,162,891
Depreciation and amortization (see Notes 21 and 23)	–	(273,308,275)	(62,336,113)	(16,818,343)	(16,131,518)	(214,056)	(19,026,302)	(5,953,008)	–	(8,105,137)	(46,505,522)	(7,570,781)	(455,969,055)
Balance at end of period	₱2,496,599,185	₱4,494,444,742	₱110,214,053	₱27,679,382	₱13,734,407	₱1,453,695	₱42,424,554	₱12,076,809	₱35,995,589	₱114,453,562	₱143,839,829	₱12,749,082	₱7,505,664,889
At June 30, 2023													
Cost	₱2,496,599,185	₱6,556,588,274	₱781,083,400	₱325,556,549	₱183,762,696	₱9,832,517	₱428,742,761	₱132,656,706	₱35,995,589	₱148,128,581	₱290,789,014	₱56,238,544	₱11,445,973,816
Accumulated depreciation and amortization	–	(2,062,143,532)	(670,869,347)	(297,877,167)	(170,028,289)	(8,378,822)	(386,318,207)	(120,579,897)	–	(33,675,019)	(146,949,185)	(43,489,462)	(3,940,308,927)
Net book value	₱2,496,599,185	₱4,494,444,742	₱110,214,053	₱27,679,382	₱13,734,407	₱1,453,695	₱42,424,554	₱12,076,809	₱35,995,589	₱114,453,562	₱143,839,829	₱12,749,082	₱7,505,664,889

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,480.1 million and ₱1,369.4 million as at September 30, 2023 and June 30, 2023, respectively. There were no idle properties and equipment as at September 30, 2023 and June 30, 2023.

Additions

Property and Equipment under Construction. As at June 30, 2023, the remaining construction-in-progress primarily pertains to several exterior and interior renovation projects for certain wholly-owned schools of STI ESG. This is in preparation for SY 2023-2024. The related contract costs for these projects aggregated to ₱55.5 million. Of the ₱55.5 million, several projects aggregating to ₱28.3 million have been completed as at September 30, 2023. As at September 30, 2023, the remaining construction-in-progress aggregating to ₱32.1 million relates substantially to renovation and rehabilitation projects in certain wholly-owned schools of STI ESG. These projects include the ongoing works that the Group initiated during the three-month period ended September 30, 2023 which are all set to be completed by end of 2023.

STI ESG is concurrently engaged in roof deck waterproofing activities at STI Ortigas-Cainta, a branch of STI ESG, in preparation for the installation of solar panels. These projects have an aggregate cost of ₱10.6 million and are expected to be completed by end of 2023.

The construction-in-progress account likewise includes the canteen and basketball court roofing project for STI Legazpi. The associated contract cost for this project is ₱25.7 million, inclusive of materials, cost of labor and overhead and all other costs required for the completion of this project. This project is expected to be completed by end of 2023.

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from "Investment Properties" to "Property and Equipment" in September 2022 upon transfer of STI Quezon Avenue's operations to Tanay, Rizal starting SY 2022-2023 (see Note 1).

Collaterals

Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at September 30, 2023 and June 30, 2023. The net book value of these equipment amounted to ₱12.3 million and ₱12.7 million as at September 30, 2023 and June 30, 2023, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	September 30, 2023			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Cost:				
Balance at beginning and end of period	**204,626,879**	**779,564,396**	**–**	**984,191,275**

	September 30, 2023			
	Land	**Condominium Units and Buildings**	**Construction-in-Progress**	**Total**
Accumulated Depreciation:				
Balance at beginning of year	**–**	**309,052,401**	**–**	**309,052,401**
Depreciation (see Note 23)	**–**	**6,632,764**	**–**	**6,632,764**
Balance at end of period	**–**	**315,685,165**	**–**	**315,685,165**
Net book value	**₱204,626,879**	**₱463,879,231**	**₱–**	**₱668,506,110**

	June 30, 2023			
	Land	Condominium Units and Buildings	Construction- in-Progress	Total
Cost:				
Balance at beginning of year	₱68,002,424	₱703,141,550	₱86,671,554	₱857,815,528
Additions	142,720,717	5,279,044	–	147,999,761
Reclassification of completed construction-in-progress		86,671,554	(86,671,554)	–
Reclassification from property and equipment (see Note 10)	40,497,071	55,298,011	–	95,795,082
Reclassification to property and equipment (see Note 10)	(46,593,333)	(70,825,763)	–	(117,419,096)
Balance at end of year	204,626,879	779,564,396	–	984,191,275
Accumulated Depreciation:				
Balance at beginning of year	–	228,926,408	–	228,926,408
Depreciation (see Note 23)	–	26,517,445	–	26,517,445
Reclassification from property and equipment (see Note 10)	–	55,297,991	–	55,297,991
Reclassification to property and equipment (see Note 10)	–	(1,689,443)	–	(1,689,443)
Balance at end of year	–	309,052,401	–	309,052,401
Net book value	₱204,626,879	₱470,511,995	₱–	₱675,138,874

As at September 30, 2023 and June 30, 2023, investment properties primarily include condominium units and buildings of the Group which are held for office or commercial lease.

Land Acquired through Deed of Absolute Sale. STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters in Meycauayan City, Bulacan, in October 2022, for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees. This property is intended to be the future site of STI Academic Center Meycauayan. The aforementioned property is covered by existing lease agreements with varying terms expiring in 2024 up to 2025.

Reclassification from Property and Equipment. In June 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of "Investment properties". The carrying value at the time of reclassification is ₱40.5 million. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

12. **Investments in and Advances to Associates and Joint Venture**

The details and movements of this account are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Investments		
Acquisition costs	**₱549,867,252**	₱549,867,252
Accumulated equity in net losses:		
Balance at beginning of period	**(56,002,862)**	(63,658,004)
Equity in net earnings of associates and joint venture	**3,049,853**	15,161,635
Dividends received	**–**	(7,506,493)
Balance at end of year	**(52,953,009)**	(56,002,862)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	**124,308**	750,782
Remeasurement loss on pension liability	**–**	(633,603)
Unrealized fair value adjustment on equity instruments designated at FVOCI	**3,145**	7,129
Balance at end of period	**127,453**	124,308
	497,041,696	493,988,698
Advances (see Note 24)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱497,041,696	₱493,988,698

There is no movement in the allowance for impairment in value of investments in and advances to associates and joint ventures for the period ended September 30, 2023 and June 30, 2023. The carrying values of the Group's investments in and advances to associates and joint venture are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Associates (see Note 24):		
STI Holdings	**₱475,451,024**	₱473,239,081
STI Accent*	**48,134,540**	48,134,540
GROW	**17,614,727**	16,733,574
Joint venture - PHEI	**3,975,945**	4,016,043
	545,176,236	542,123,238
Allowance for impairment loss	**48,134,540**	48,134,540
	₱497,041,696	₱493,988,698

**The share in equity of STI Accent for the period ended September 30, 2023 and year ended June 30, 2023 is not material to the unaudited interim condensed consolidated financial statements.*

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

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Quoted equity shares	**₱6,898,800**	₱5,639,840
Unquoted equity shares	**65,508,472**	65,861,392
	₱72,407,272	₱71,501,232

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱31.0 million as at September 30, 2023 and June 30, 2023.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱1.8 million and ₱0.9 million for the three-month periods ended September 30, 2023 and 2022, respectively.

14. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Goodwill	**₱250,898,081**	₱250,898,081
Intangible assets	**32,586,284**	32,667,775
Rental and utility deposits (see Note 18)	**25,385,646**	25,254,523
Advances to suppliers	**23,144,642**	20,130,653
Others	**1,918,660**	2,213,950
	₱333,933,313	₱331,164,982

Goodwill

As at September 30, 2023 and June 30, 2023, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs. Management performs its impairment test at the end of each annual reporting period for all the CGUs. No impairment was recognized for the three-month periods ended September 30, 2023 and 2022.

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired. Such intangible assets with indefinite useful life representing the fair value of the license and agreements amounted to ₱27.6 million as at September 30, 2023 and June 30, 2023.

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

Advances to Suppliers
Advances to suppliers relate to advance payments made for various transactions, including the (1) canteen and basketball court roofing projects at STI Legazpi (2) rehabilitation of sewage treatment plants and various renovation projects for certain wholly-owned schools, (3) installation of solar power panels at STI Ortigas-Cainta, and (4) acquisition of equipment and furniture. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered.

Advances to suppliers likewise include advance payments for the design and set-up of the new enrollment system. The related cost for this project will be recognized as "Intangibles" when the services are completely rendered.

15. Accounts Payable and Other Current Liabilities

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Accounts payable	**₱226,424,814**	₱323,655,444
Accrued expenses:		
Contracted services	**40,786,596**	41,214,857
Salaries, wages and benefits	**28,737,524**	25,188,663
School activities, programs and other related expenses	**22,937,953**	48,556,774
Utilities	**9,855,496**	7,731,670
Interest	**5,753,577**	21,499,453
Rent	**4,390,594**	2,366,145
Advertising and promotion	**3,365,971**	3,268,457
Others	**1,494,461**	1,728,669
Network events fund	**26,016,938**	18,927,070
Student organization fund	**25,624,290**	20,793,423
Statutory payables	**25,417,247**	22,924,438
Dividend payable	**15,161,749**	15,161,749
Current portion of refundable deposits (see Note 18)	**3,999,553**	3,925,833
Current portion of advance rent (see Note 18)	**74,400**	74,400
Others	**3,659,023**	3,913,686
	₱443,701,186	₱560,930,731

The terms and conditions of the liabilities are as follows:

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

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

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

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

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

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

g. Terms and conditions of payables to related parties are disclosed in Note 31 to the unaudited interim condensed consolidated financial statements.

16. Interest-bearing Loans and Borrowings

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Term loans[(a)]	**₱715,683,514**	₱715,342,511
Corporate notes[(b)]	**–**	213,518,516
Landbank ACADEME Program[(c)]	**951,799**	3,042,274
	716,635,313	931,903,301
Less current portion	**240,951,799**	183,042,276
Noncurrent portion	**₱475,683,514**	₱748,861,025

[(a)]Net of unamortized debt issuance costs of ₱4.3 million and ₱4.7 million as at September 30, 2023 and June 30, 2023, respectively.
[(b)]Balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5million
[c)]Net of unamortized debt issuance costs of ₱2.7 thousand and ₱7.9 thousand as at September 30, 2023 and June 30, 2023, respectively.

Term Loan Agreement

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

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP Bloomberg Valuation Services (BVAL) rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate, divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.5% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate, divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility was fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at the rates of 5.7895% per annum and 6.5789% effective September 19, 2021 and 2022, respectively. Starting from September 19, 2023, the interest rate was adjusted to 8.0472% per annum.

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

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

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

The Group's D/E ratios and DSCRs, as defined in the Term Loan Agreement, as at September 30, 2023 and June 30, 2023 are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [a]	**₱4,602,379,615**	₱4,943,137,190
Total equity	**6,276,588,498**	6,295,193,602
Debt-to-equity ratio	**0.73:1.00**	0.79:1.00

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4)[b]	**₱1,306,457,611**	₱1,248,675,261
Total interest-bearing liabilities[c]	**2,661,471,988**	2,631,125,982
Debt service cover ratio	**0.49:1.00**	0.47:1.00

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

On August 15, 2022, China Bank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. The total interest-bearing liabilities of STI ESG due in the next twelve months increased with the reclassification of the 7-year bonds of STI ESG maturing in March 2024 from noncurrent to current liabilities. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at September 30, 2023 and June 30, 2023.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	**₱720,000,000**	₱960,000,000
Repayments	**–**	(240,000,000)
Balance at end of year	**720,000,000**	720,000,000
Deferred finance cost	**(4,316,486)**	(4,657,489)
Balance at end of year	**715,683,514**	715,342,511
Less current portion	**240,000,000**	120,000,000
Balance classified as noncurrent	**₱475,683,514**	₱595,342,511

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

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

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, China Bank reduced the prepayment penalty from 3% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, inclusive of the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022, and September 19, 2022.

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

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

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

Corporate Notes Facility

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

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI West Negros University, Inc. (STI WNU), a company under common control of STI Holdings, and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

On December 19, 2014, STI ESG advised China Bank that it will not be availing of tranche 2 of the Credit Facility Agreement thus limiting the facility available to STI ESG to ₱1,500.0 million.

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

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

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

a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.

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

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

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

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

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

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

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

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

The above modification of terms and conditions resulted in the recognition of premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. The balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5million. Amortization of loan premium amounting to ₱0.4 million and ₱0.6 million for the three-month periods ended September 30, 2023 and 2022, respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of the Group's Credit Facility Agreement follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	**₱210,000,000**	₱240,000,000
Repayments	**(210,000,000)**	30,000,000
	–	210,000,000
Add unamortized premium on corporate notes	**–**	3,518,516
Balance at end of year	**–**	213,518,516
Less current portion	**–**	60,000,000
Noncurrent portion	**₱–**	₱153,518,516

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the January 29, 2021 amendments):

Fiscal Year	Amount
2024	60,000,000
2025	60,000,000
2026	60,000,000
2027	30,000,000
	₱210,000,000

STI ESG is compliant with the required financial ratios under the Corporate Notes Facility as at June 30, 2023. As discussed in a related paragraph on the Term Loan Agreement, China Bank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million. On the same day, STI ESG fully paid the remaining principal amount on the same facility aggregating to ₱180.0 million. In view of this loan being fully paid, the unamortized premium, associated with the Corporate Notes Facility, amounting to ₱3.1 million as at September 19, 2023 was derecognized and taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income of the Group for the three-month period ended September 30, 2023. The unamortized premium associated with the Corporate Notes Facility amounted to ₱3.5 million and nil as at June 30, 2023 and September 30, 2023, respectively.

Waivers of Certain Covenants

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

b. On July 23, 2020, China Bank approved the waiver of the following covenants:
   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
   - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
   - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

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

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

LandBank ACADEME Program
On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parents/benefactors of the students, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free.

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

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement was executed by STI Holdings in favor of LandBank. STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made to date is ₱19.1 million.

The carrying value of the loan amounted to ₱0.9 million and ₱3.0 million as at September 30, 2023 and June 30, 2023, respectively. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan is maturing in January 2024.

Interest Expense
Except for the LandBank loan, the benchmark rate for the loans of STI ESG is the BVAL reference rate for one-year tenor.

Interest incurred on the loans (including amortization of debt issuance costs and premium) amounted to ₱15.5 million and ₱21.4 million for the three-month periods ended September 30, 2023 and 2022, respectively.

17. Bonds Payable

This account consists of:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Principal:		
Fixed-rate bonds due 2024	**₱2,180,000,000**	₱2,180,000,000
Fixed-rate bonds due 2027	**820,000,000**	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	**9,522,173**	11,577,016
Balance at end of year	**2,990,477,827**	2,988,422,984
Less current portion	**2,176,741,292**	2,175,083,335
Noncurrent portion	**₱813,736,535**	₱813,339,649

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

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

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

A summary of the terms of the Parent Company's issued bonds is as follows:

					Carrying Value		Features
Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱2,176,741,292**	₱2,175,083,335	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**813,736,535**	813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱2,990,477,827**	₱2,988,422,984	

Covenants

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

The Group's D/E ratios and DSCRs, as defined on the bond trust agreement, as at September 30, 2023 and June 30, 2023 are as follows:

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [a]	**₱4,602,379,615**	₱4,943,137,190
Total equity	**6,276,588,498**	6,295,193,602
Debt-to-equity ratio	**0.73:1.00**	0.79:1.00

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) [b]	**₱1,306,457,611**	₱1,248,675,261
Total interest-bearing liabilities [c]	**311,001,753**	528,177,322
Debt service cover ratio	**4.20:1.00**	2.36:1.00

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

In August 2020, STI ESG obtained the required consent of the holders of the Bonds (the "Record Bondholders"), which include among others, the waiver of the DSCR requirement up to June 30, 2023 (see Amendments to the Trust Agreement).

As at September 30, 2023 and June 30, 2023, STI ESG has complied with the above covenants.

Amendments to the Trust Agreement

On July 20, 2020, STI ESG delivered to China Banking Corporation – Trust and Asset Management Group, in its capacity as trustee (the "Trustee") for the Series 7Y Bonds due 2024 and the Series 10Y Bonds due 2027 (collectively, the "Bonds") a Consent Solicitation Statement (the "Consent Solicitation Statement") and the annexed Consent Form (the "Consent Form") in connection with the proposed amendments to the Trust Agreement dated March 10, 2017 (the "Trust Agreement") governing the Bonds issued by STI ESG. Pursuant to the Consent Solicitation Statement, STI ESG sought the consent of the Record Bondholders to certain proposed amendments to the Trust Agreement. The Proposed Amendments are (1) the waiver of Section 7.02(a) of the Trust Agreement which prohibits the Issuer from incurring or suffering to exist any Lien upon any assets or revenues, present and future, of the Issuer in relation to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of the Issuer's students in favor of LandBank as security for the ACADEME Lending Program; (2) the waiver of Section 7.02(b) of the Trust Agreement which prohibits the Issuer from incurring Indebtedness or entering into any loan facility agreement secured by or to be secured by a lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer, unless the Issuer has made or will make effective provisions, satisfactory to the Record Bondholders in the latter's absolute discretion, whereby the Lien thereby created will secure, on an equal first ranking and ratable basis, any and all obligations of the Issuer under the Trust Agreement and such other Indebtedness which the Lien purports to secure; (3) the waiver of Section 7.02(f) of the Trust Agreement which prohibits the Issuer from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the subpromissory notes to be executed by the parents or benefactors of STI ESG's students in favor of LandBank as security for the ACADEME Lending Program; and (4) the waiver of the DSCR up to June 30, 2023, as provided under Section 7.01(k) of the Trust Agreement. The Proposed Amendments will not alter the interest rate or maturity date of the Bonds, the Issuer's obligation to make principal and interest payments on the Bonds, or the substantive effect of any other covenant or provision of the Bonds. The Trustee certified as of August 15, 2020, that it has obtained the required consent of the Record Bondholders holding or representing at least fifty percent (50.0%) plus one peso (Php1.00) of the aggregate principal amount of the Bonds to the Proposed Amendments to the Trust Agreement governing the Bonds. On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

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

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

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

- Amendment Relating to DSCR Waiver

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

  (k) maintain and observe the following financial ratios:

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

<u>Bond Issuance Cost</u>

The Parent Company incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱9.5 million and ₱11.6 million as at September 30, 2023 and June 30, 2023, respectively. Amortization of bond issuance costs amounting to ₱2.1 million and ₱1.3 million for the three-month periods ended September 30, 2023 and 2022, respectively, were recognized as part of "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱46.8 million and ₱46.1 million for the three-month periods ended September 30, 2023 and 2022, respectively.

18. Other Noncurrent Liabilities

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Advance rent - net of current portion (see Note 14)	**₱24,770,387**	₱24,770,387
Refundable deposit - net of current portion (see Note 14)	**17,448,477**	17,157,470
Deferred lease liability	**4,045,508**	4,410,236
	₱46,264,372	₱46,338,093

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

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

19. Equity

Capital Stock
The details of the issued and outstanding number of common shares and amount as at September 30, 2023 and June 30, 2023 are as follows:

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

Treasury Stock
Treasury stock acquired as at September 30, 2023 and June 30, 2023 amounted to ₱10.8 million.

Retained Earnings
On December 16, 2022, the Parent Company's BOD approved the cash dividends amounting to ₱0.07 per share or an aggregate amount of ₱215.7 million in favor of all stockholders of record as at December 31, 2022. The dividends were paid on January 10, 2023.

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

The BOD approved a dividend declaration policy equivalent to 25.0% to 40.0% of the core income of the Group from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on the Group by lenders or other financial institutions, and the Group's investment plans and financial condition.

Core income is defined as consolidated net income after tax derived from the Group's main business- which is education and other recurring income.

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

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

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

20. Revenues

Disaggregated Revenue Information

The table below shows the disaggregation of revenues of the Group by type of service or goods:

	Three-months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Tuition and other school fees	**₱334,797,240**	₱227,651,035
Educational services	**45,561,977**	37,474,826
Royalty fees	**4,796,349**	3,945,007
Sale of educational materials and supplies	**66,914,740**	67,278,569
Other revenues	**28,092,808**	23,707,435
Total consolidated revenues	**₱480,163,114**	₱360,056,872

Timing of revenue recognition

	Three-months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Services transferred over time	**₱385,155,566**	₱269,070,868
Goods and services transferred at a point in time	**95,007,548**	90,986,004
Total consolidated revenue	**₱480,163,114**	₱360,056,872

Contract Balances

The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. There is no significant change in the contract liability and the timing of revenue recognition for SY2023-2024 and SY2022-2023.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱43.9 million and ₱30.6 million for the three-month periods ended September 30, 2023 and 2022, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2023 and 2022.

Performance Obligations

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

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

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

As at September 30, 2023 and June 30, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱1,776.3 million and ₱43.9 million, respectively. The contract liabilities as at September 30, 2023 refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations as at June 30, 2023 include advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

21. Cost of Educational Services

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Faculty salaries and benefits	**₱62,287,150**	₱42,613,104
Depreciation and amortization (see Note 10)	**62,986,385**	61,546,968
Student activities, programs and other related expenses	**14,590,686**	12,818,082
School materials and supplies	**6,608,931**	1,935,556
Rental	**7,144,531**	5,346,455
Software maintenance	**2,516,679**	2,445,095
Courseware development costs	**337,822**	83,083
Others	**356,484**	922,098
	₱156,828,668	₱127,710,441

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Educational materials and supplies	**₱44,635,368**	₱48,996,698
Promotional materials	**3,210,984**	1,258,636
	₱47,846,352	₱50,255,334

23. General and Administrative Expenses

This account consists of:

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, wages and benefits	**₱69,590,997**	₱60,503,680
Depreciation and amortization (see Notes 10 and 11)	**58,924,164**	58,215,531
Provision for estimated credit losses (ECL) (see Note 6)	**42,837,782**	32,320,200
Light and water	**26,840,592**	24,979,604
Outside services	**24,415,875**	19,090,528
Professional fees	**18,828,858**	18,699,891
Advertising and promotions	**10,198,615**	8,532,823
Taxes and licenses	**8,494,080**	7,311,222
Repairs and maintenance	**5,674,073**	4,581,295
Transportation	**4,293,758**	4,266,567
Insurance	**4,132,655**	3,746,192
Meetings and conferences	**2,871,876**	2,833,624

(Forward)

	Three-months ended September 30	
	2023 (Unaudited)	2022 (Unaudited)
Rental	**3,082,989**	2,291,337
Entertainment, amusement and recreation	**1,580,487**	1,564,248
Office supplies	**1,281,822**	1,279,520
Software maintenance	**925,469**	748,883
Communication	**851,498**	810,913
Association dues	**704,615**	196,442
Others	**3,297,657**	3,470,080
	₱288,827,862	₱255,442,580

24. Related Party Transactions

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

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	**September 30, 2023 (Unaudited)**	September 30, 2022 (Unaudited)	**September 30, 2023 (Unaudited)**	June 30, 2023 (Audited)	Terms	Conditions
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW						
Rental income and other charges	**178,669**	170,161	**10,657,265**	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**68,496**	129,884	**–**	–	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**–**	–	**(98,217)**	(98,217)	Refundable upon end of contract	Unsecured
STI Holdings						
Advisory fees	**3,600,000**	3,600,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**–**	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable	**–**	–	–	–	Due and demandable; noninterest-bearing	Unsecured
Dividend income	**–**	–	–	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang**						
Educational services and sale of educational materials and supplies	-	2,821,843	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**3,840,790**	2,854,174	**663,535**	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	Outstanding Receivable (Payable) September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Terms	Conditions
Affiliates*						
PhilCare						
Rental income and other charges	**₱2,990,790**	₱2,493,520	**₱179,483**	₱429,817	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,785,790**	8,826,325	**–**	(4,911)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	**–**	–	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**13,254,707**	250,395	**(75,419)**	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues, utilities and other charges	**2,534,574**	2,086,889	**(3,454)**	(18,940)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Insurance	**–**	₱63,871	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	**113,389**	2,918,098	**–**	273,257	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**–**	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
GROW VITE						
Rental income and other charges	**421,744**	383,403	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**198,867**	110,962	**88,384**	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and Staffing Services	**5,777,586**	4,368,837	**(1,917,813)**	(1,934,655)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI WNU						
Educational services and sale of educational materials and supplies	**7,578,929**	9,233,510	**11,979,153**	4,410,938	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,999,694**	1,510,537	**5,846,364**	3,848,149	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
iACADEMY						
Reimbursement for various expenses and other charges	**–**	1,109	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Advances for various expenses	**10,684,167**	8,577,058	**25,999,238**	23,348,967	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental and other charges	**-**	-	**872,080**	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			₱98,424,179	₱86,540,985		

**Affiliates are entities under common control of a majority Shareholder*
*** Became a wholly-owned subsidiary effective March 16, 2023*

Related party receivables and payables are generally settled in cash.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)
Advances to associates and joint venture (see Note 12)	**₱48,134,540**	₱48,134,540
Educational services and sale of educational materials and supplies (Note 6)	**18,489,052**	8,507,329
Advances to officers and employees (see Note 6)	**25,999,238**	23,348,967
Rent, utilities, and other related receivables (see Note 6)	**11,797,212**	12,509,082
Accounts payable (Note 15)	**(5,995,863)**	(5,958,933)
	₱98,424,179	₱86,540,985

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

	Amount of Transactions During the Period		Outstanding Receivable (Payable)			
Related Party	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Terms	Conditions
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	**₱26,073,574**	₱23,880,836	**₱–**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**1,578,915**	25,922,223	**(243,132,720)**	(248,802,294)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**12,572,400**	12,572,400	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	**13,252,974**	13,030,331	**9,284,336**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**3,405,540**	708,933	**–**	(12,977,576)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	**7,680,000**	7,680,000	**–**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	**–**	–	**13,136,613**	13,136,613	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**–**	–	**3,888,288**	3,917,851	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI DLS College						
Reimbursement for various expenses	**–**	–	**(47,472,711)**	(47,472,711)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Quezon Avenue						
Educational services, sale of educational materials and supplies, management fees, and other charges	**2,299,902**	2,252,321	**6,490,531**	4,604,720	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	**1,060,658**	2,184,869	**10,104,311**	9,386,119	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Rental income and other related charges	**2,571,190**	–	**14,398,661**	11,518,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment

(Forward)

Related Party	Amount of Transactions During the Period **September 30, 2023 (Unaudited)**	 September 30, 2022 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2023 (Unaudited)**	 June 30, 2023 (Audited)	Terms	Conditions
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	**₱9,320,156**	₱8,046,168	**₱5,399,605**	₱–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**450,550**	680,859	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**3,742,200**	3,742,200	**7,966,428**	**28,117,876**	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Educational services, sale of educational materials and supplies,	–	5,806	–	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	**19,772,122**	**19,772,122**	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Educational services, sale of educational materials and supplies,	–	–	**5,426,444**	5,426,444	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	–	–	**9,022,882**	9,022,882	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Tanauan						
Educational services, sale of educational materials and supplies,	**4,472,733**	3,660,667	**4,484,868**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**260,067**	11,485,835	**1,369,811**	1,532,003	30 days from billing or cut-off date; noninterest-bearing	Unsecured
STI Lipa						
Educational services, sale of educational materials and supplies,	**13,699,003**	11,200,694	**88,889,438**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**534,802**	466,238	**197,358**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**11,567,745**	11,567,745	**48,509,887**	130,879,753	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	**6,162,447**	8,443,282	**1,560,297**	–	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**444,893**	451,957	**28,121,861**	35,470,078	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang*						
Educational services and sale of educational materials and supplies	**3,137,400**	–	**35,733,587**	32,660,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**70,577**	–	**3,284,761**	3,244,656	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	**3,187,010**	134,109	**44,928,008**	41,740,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**1,516,590**	1,514,482	**107,426**	107,426	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period **September 30, 2023 (Unaudited)**	 September 30, 2022 (Unaudited)	Outstanding Receivable (Payable) **September 30, 2023 (Unaudited)**	 June 30, 2023 (Audited)	Terms	Conditions
NPIM						
Reimbursement for various expenses	**₱419**	₱969,628	**₱–**	₱546,586	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**–**	–	**28,355,691**	28,541,216	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI						
Educational services, sale of educational materials and supplies,	**7,223,261**	–	**-**	9,911,953	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	**434,704**	1,815,663	**34,240,940**	44,487,892	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	**6,218,506**	6,104,187	**65,750,669**	**55,507,046**	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

** Became a wholly-owned subsidiary effective March 16, 2023*

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

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

	Three-months ended September 30 **2023 (Unaudited)**	 2022 (Unaudited)
Net loss attributable to equity holders of the Parent Company (a)	**(₱21,504,598)**	(₱74,993,684)
Common shares outstanding at beginning and end of period (b) (see Note 19)	**3,081,877,170**	3,081,877,170
Basic and diluted loss per share on net income loss attributable to equity holders of the Parent Company (a)/(b)	**(₱0.01)**	(₱0.02)

The basic and diluted loss per share are the same for the three-month period ended September 30, 2023 and 2022 as there are no dilutive potential common shares.

26. Contingencies and Commitments

<u>Contingencies</u>

a. *Labor Cases*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at November 20, 2023, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

On April 18, 2023, STI ESG received a copy of the Decision of the Court of Appeals dismissing the petition for certiorari filed by complainant for lack of evidence. On May 31, 2023, STI ESG received a copy of the motion for reconsideration filed by complainant.

As at November 20, 2023, STI ESG has yet to receive any order from the Court of Appeals directing it to file any responsive pleading to the motion for reconsideration filed by complainant.

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

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

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

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

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

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with interest rate of 6% per annum from receipt thereof on March 30, 2011 until latter's tender of the same to the Plaintiffs on July 2, 2015.

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

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

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

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

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

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

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

On August 29, 2023, STI ESG received the Plaintiff's Motion for Leave to file a Reply to the Opposition. Said Motion was noted by the Court of Appeals.

On November 15, 2023, STI ESG received the Resolution dated November 6, 2023. The Court of Appeals denied the Motion for Reconsideration filed by the Plaintiffs-Appellants.

The Petitioner may appeal the aforementioned decision of the Court of Appeals by filing a Petition for Review with the Supreme Court within fifteen (15) days from the Plaintiffs-Appellants' receipt of the Resolution dated November 6, 2023.

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

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration on the said Decision, STI ESG filed its Comment and Opposition on September 5, 2022. The Court of Appeals affirmed its decision when it denied the Motion for Reconsideration filed by the Plaintiff.

On January 11, 2023, STI ESG, through counsel, received the Petition for Certiorari on Review (Petition) filed by the Plaintiff before the Supreme Court.

On September 14, 2023, STI ESG, through counsel, received the Resolution issued by the Supreme Court. In the Resolution, the Supreme Court denied the Petition filed by the Plaintiff.

Under the Rules of Court, the Plaintiff may file a Motion for Reconsideration. Otherwise, the dismissal of Plaintiff's claim against STI ESG and award of damages in favor of STI ESG will become final and executory.

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

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

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

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

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

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

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

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

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

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

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

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

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

   After due proceedings, the Arbitral Tribunal issued the arbitral award dated August 9, 2018 wherein MOBEELITY is required to pay STI ESG the amount of ₱3.3 million and arbitration cost of ₱0.7 million.

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

   The total receivables of STI ESG from MOBEELITY amounted to ₱4.0 million. As at September 30, 2023 and June 30, 2023, STI ESG has recognized an allowance corresponding to its estimated credit losses.

f. Due to the nature of the Parent Company's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against the Parent Company by reason of their faculty and/or employment contracts. Management and its legal counsels believe that the Parent Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial statements.

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

Commitments

a. Financial Commitments

The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings in favor of LandBank executed on September 16, 2020. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is due within the next twelve months. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. Of the ₱3.0 million outstanding loan, ₱2.1 million has been settled in August 2023 while the balance is maturing on January 2024.

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2023, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at June 30, 2023 and 2022, there is no outstanding availment from these lines.

b. Capital Commitments

As at September 30, 2023 and June 30, 2023, STI ESG has contractual commitments for (1) the renovation of its office condominium units (2) construction of the STI Training Academy Center (3) renovation works for STI Naga and STI Baguio (4) construction of STI Academic Center Legazpi (5) canteen and basketball court roofing project for STI Legazpi, (6) solar project at STI Ortigas-Cainta, and (7) various renovation projects in select STI schools owned and operated by STI ESG.

The total contract costs for the renovation of STI ESG's office condominium aggregated to ₱88.0 million of which ₱80.4 million and ₱80.2 million have been paid as at September 30, 2023 and June 30, 2023, respectively.

The construction works for the STI Training Academy Center has a total project cost of ₱15.3 million of which ₱14.8 million has been paid as at September 30, 2023 and June 30, 2023, respectively.

The renovation works for STI Naga and STI Baguio have total project costs of ₱8.6 million and ₱7.4 million, respectively. STI ESG has paid an aggregate of ₱8.4 million for the renovation works in STI Naga as at September 30, 2023 and June 30, 2023, respectively, while an aggregate of ₱6.4 million have been settled for the renovation works in STI Baguio as at September 30, 2023 and June 30, 2023, respectively.

The construction of STI Academic Center Legazpi has an aggregate project cost of ₱251.8 million of which ₱239.4 million have been paid as at September 30, 2023 and June 30, 2023, respectively. The canteen and basketball court roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million of which ₱14.1 million and ₱7.7 million have been paid as at September 30, 2023 and June 30, 2023, respectively.

STI ESG's solar project at STI Ortigas Cainta has an aggregate cost of ₱10.6 million, of which ₱7.6 million has been settled as at September 30, 2023.

The Group reported various ongoing renovation projects with aggregate cost of ₱32.1 million as at September 30, 2023, of which ₱21.4 million and ₱15.7 million have been settled as at September 30, 2023 and June 30, 2023, respectively.

c. Others

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

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

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

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

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

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

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

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

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

ii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board. The annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED recognized LUCs is ₱40.0 thousand. Students enrolled in select private HEIs who are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand shall go to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for Tuition and other related school fees and should cover the living allowance, books, supplies, transportation and miscellaneous expense. Additional benefits are likewise given to Persons with Disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES program, CHED pays directly the schools where these students enrolled.

27. Changes in Liabilities Arising from Financing Activities

	June 30, 2023	Cash Flows	Gain on early extinguishment of loan	Interest Expense*	Reclassified as Current	Effect of Lease Termination/ Modification	New/Renewed Leases	September 30, 2023
Current portion of interest-bearing loans and borrowings	₱183,042,276	(₱212,095,670)	₱–	₱–	₱270,005,193	₱–	₱–	₱240,951,799
Bonds payable	2,988,422,984	–	–	2,054,843	–	–	–	2,990,477,827
Interest-bearing loans and borrowings – net of current portion	748,861,025	–	(3,076,457)	(95,861)	(270,005,193)	–	–	475,683,514
Lease liabilities	335,735,940	(30,440,915)	–	5,471,854	–	–	14,055,173	324,822,052
Dividends payable	15,161,749	–	–	–	–	–	–	15,161,749
Interest payable[a]	21,499,453	(76,026,559)	–	60,280,683	–	–	–	5,753,577
	₱4,292,882,427	(₱318,563,144)	(₱3,076,457)	₱67,711,519	₱–	₱–	₱14,055,173	₱4,052,850,518

	June 30, 2022	Cash Flows	Gain on early extinguishment of loan	Interest Expense*	Reclassified as Current	Effect of Lease Termination/ Modification (see Note 10)	New/Renewed Leases	September 30, 2022
Current portion of interest-bearing loans and borrowings	₱159,544,753	(₱244,012,094)	₱–	₱–	₱152,095,669	₱–	₱–	₱67,628,328
Bonds payable	2,980,515,064	–	–	1,290,807	–	–	–	2,981,805,871
Interest-bearing loans and borrowings – net of current portion	1,052,687,728	–	–	(318,260)	(152,095,669)	–	–	900,273,799
Lease liabilities	317,614,362	(29,358,996)	–	5,065,310	–	(4,533,238)	19,713,487	308,500,925
Dividends payable	14,186,826	–	–	–	–	–	–	14,186,826
Interest payable	23,932,919	(85,005,533)	–	66,558,948	–	–	–	5,486,334
`	₱4,548,481,652	(₱358,376,623)	₱–	₱72,596,805	₱–	(₱4,533,238)	₱19,713,487	₱4,277,882,083

**Interest expense is inclusive of amortization of deferred finance charges and net of premium on interest-bearing loans and borrowings*

28. **Fair Value Information of Financial Instruments**

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

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

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

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

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

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

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

Management believes that the fair values of deposits, obligations under finance lease, bonds payable and other noncurrent liabilities as at September 30, 2023 do not significantly differ from the fair values of these financial instruments as at June 30, 2023.

29. Notes to the Consolidated Statements of Cash Flows

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

   - Additions to ROU assets presented under "Property and equipment" amounted to ₱14.6 million and ₱18.5 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 10).

   - Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱5.8 million as at September 30, 2023 (see Note 10).

   - Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounted to ₱10.9 million and ₱2.2 million for the three-month periods ended September 30, 2023 and 2022, respectively (see Note 10).

b. In July 2022, STI ESG received the proceeds from the redemption of the Pasig property, recognized as noncurrent held for sale as at June 30, 2023, amounting to ₱19.0 million.

30. Events after Reporting Period and Other Matters

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed Enhanced Community Quarantine (ECQ) throughout the island of Luzon starting March 17, 2020 until April 12, 2020, which was subsequently extended to May 15, 2020 in the NCR and other areas. The Office of the President issued several directives for the classification of cities and municipalities in different levels of community quarantine since March 13, 2020. On July 21, 2023, the Office of the President, through Proclamation No. 297, has lifted, effective immediately, the state of public health emergency throughout the country due to COVID-19.

The schools within the Group have gradually started to implement limited face-to-face classes in 2022 while the Group implemented a flexible learning modality in the first semester of SY 2022-2023. The Group resumed with full face-to-face classes for tertiary enrollees during the second semester of SY 2022-2023 while classes for all SHS and JHS have been conducted face-to-face since the opening of SY 2022-2023.

Considering the evolving nature of this outbreak, the Group continues to monitor the situation and will take further actions as necessary and appropriate in response to these economic disruptions and other consequences.

STI EDUCATION SERVICES GROUP, INC.

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

	September 30, 2023 (Unaudited)	June 30, 2023 (Audited)	Sept 2023 vs June 2023 Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	12,655.3	11,282.3	1,373.0	12%
Current assets	3,531.8	2,162.8	1,369.0	63%
Cash and cash equivalents	1,917.8	1,571.7	346.1	22%
Total liabilities	6,378.7	4,987.1	1,391.6	28%
Current liabilities	4,696.1	3,016.7	1,679.4	56%
Total equity	6,276.6	6,295.2	(18.6)	0%
Equity attributable to equity holders of the parent	6,279.9	6,298.3	(18.4)	0%
Financial ratios				
Debt-to-equity ratio(1)	0.73	0.79	(0.06)	(8%)
Current ratio(2)	0.75	0.72	0.03	4%
Debt service cover ratio(10)	0.49	0.47	0.02	4%
Asset to equity ratio(3)	2.02	1.79	0.17	9.0%

	Three months ended September 30			
	2023 (Unaudited)	2022 (Unaudited)	Increase (Decrease) Amount	%
Condensed Statements of Income				
Revenues	480.2	360.1	120.1	33%
Direct costs (4)	204.7	178.0	26.7	15%
Gross profit	275.5	182.1	93.4	51%
Operating expenses	288.8	255.4	33.4	13%
Operating loss	(13.3)	(73.3)	60.0	(82%)
Other expenses - net	(14.3)	(5.9)	(8.4)	142%
Loss before income tax	(27.6)	(79.2)	51.6	(65%)
Net loss	(21.8)	(75.8)	54.0	(71%)
EBITDA (5)	115.9	58.1	57.8	99%
Core income (loss) (6)	(40.2)	(108.5)	68.3	(63%)
Net loss attributable to equity holders of the Parent Company	(21.5)	(75.0)	53.5	(71%)
Loss per share (7)	(0.010)	(0.024)	0.014	(1%)
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	725.1	562.3	162.8	29%
Net cash used in investing activities	(74.2)	(32.5)	(41.7)	128%
Net cash used in financing activities	(318.6)	(358.4)	39.8	(11%)
Effect of exchange rate changes on cash and cash equivalents	13.7	26.8	(13.1)	(49%)

	As at and for three months ended September 30			
	2023	2022	Increase (Decrease)	
	(Unaudited)	(Unaudited)	Amount	%
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio (2)	0.75	1.50	(0.75)	50%
Quick ratio (8)	0.71	1.41	(0.70)	50%
Cash ratio (9)	0.41	0.77	(0.36)	(47%)
Solvency ratios				
Debt to equity ratio (1)	0.73	0.83	(0.10)	(12%)
Asset to equity ratio (3)	2.02	1.79	0.23	13%
Debt service cover ratio (DSCR) (10)	0.49	2.33	(1.84)	(79)
Interest coverage ratio (11)	0.59	(0.09)	0.68	(756%)
Profitability ratios				
EBITDA margin (12)	24%	16%	0.08%	50%
Gross profit margin (13)	57%	51%	0.06%	12%
Operating profit margin (14)	(3%)	(20%)	0.17%	(85%)
Net income (loss) margin (15)	(5%)	(21%)	0.16%	(76%)
Return on equity (16)	(0%)	(1%)	0.01%	(77%)
Return on assets (17)	(0%)	(-1%)	0.01%	(143%)

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

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

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

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

(5) *EBITDA is net income excluding benefits from income tax, interest expense, interest income, depreciation and amortization, equity in net earnings (losses) of associates and joint ventures and nonrecurring gains/losses such as gain on foreign exchange differences, gain on early extinguishment of loan, fair value loss on equity instruments at FVPL, and donation income .*

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

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

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

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

(10) *DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

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

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

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

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

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

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

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

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF SEPTEMBER 30, 2023

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱1,396,308,527	₱1,159,145,438	₱30,921,018	₱31,018,884	₱175,223,187

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

ANNEX "B"

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983.

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

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

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

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

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

As at September 30, 2023, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 37 schools while franchisees operate 26 schools.

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

STUDENT POPULATION

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

The enrollment figures are as follows:

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

The grouping of students according to the government regulatory agencies overseeing the programs is outlined as follows:

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

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

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

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

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

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results of the Group for the three-month periods ended September 30, 2023 and 2022 and financial condition as at September 30, 2023 and June 30, 2023 of STI Education Services Group, Inc. and its subsidiaries. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the period ended September 30, 2023. All necessary adjustments have been made to present fairly the financial position of the Group as at September 30, 2023 and June 30, 2023 and results of operations and cash flows for the three-month periods ended September 30, 2023 and 2022.

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

I. RESULTS OF OPERATIONS

<u>Three-month period ended September 30, 2023 vs. three-month period ended September 30, 2022</u>

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

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

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

II. FINANCIAL CONDITION

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

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

Total receivables is up by ₱1,054.3 million from ₱342.0 million as at June 30, 2023 to ₱1,396.3 million as at September 30, 2023. The receivables balance is composed of amounts expected to be collected from students as payment for tuition and other school fees and from DepEd for the SHS vouchers that are expected to be collected for the remaining months of the school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

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

The carrying value of the equity instruments designated at FVPL amounted to ₱4.90 per share or an aggregate of ₱7.6 million as at September 30, 2023 compared to ₱5.80 or an aggregate value of ₱9.0 million as at June 30, 2023. These equity instruments pertain to STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange. Dividends collected from this investment amounted to ₱0.2 million for both the three-month periods ended September 30, 2023 and 2022.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million as at June 30, 2023 to ₱68.3 million as at September 30, 2023, largely representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

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

Total noncurrent liabilities decreased by ₱287.7 million to ₱1,682.6 million as at September 30, 2023 from ₱1,970.3 million as at June 30, 2023 attributed to the reclassification to the current portion of interest bearing loans and borrowings of the principal amount under STI

ESG's Term Loan Facility with China bank which is due in the next twelve months and the full payment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank.

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

III. TOP FIVE (5) KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) of the Group cover tests of profitability, liquidity, and solvency. Profitability refers to the Group's earning capacity and ability to earn income for its stockholders. This is measured by profitability ratios analyzing margins and returns. Liquidity refers to the Group's ability to pay its short-term liabilities as and when they fall due. Solvency refers to the Group's ability to pay all its debts when they fall due, whether such liabilities are current or noncurrent. The top five (5) KPIs of the Group include:

		As at/Three-month periods ended September 30		
		2023	2022	Remarks
EBITDA margin	EBITDA divided by total revenues.	24%	16%	EBITDA margin improved in 2023 as compared to the same period in 2022 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	57%	51%	Gross profit margin is up as revenues increased due to the reasons cited above.
Return on equity (ROE)	Net income (loss) attributable to equity holders of the Parent Company divided by average equity attributable to equity holders of the Parent Company	0%	(1%)	The return on equity is expected to be lower during the first quarter of both fiscal years following the revenue recognition model of the Group. The revenues of the Group, primarily derived from tuition and other school fees, are recognized only at the start of the term or beginning August 2023 for SY 2023-2024 and beginning August 2022 for SHS and JHS, and September 2022 for

		As at/Three-month periods ended September 30		
		2023	2022	Remarks
				Tertiary programs, for SY 2022-2023. The remaining fees will be recognized as income over the remaining months of the related school term(s). The Group expects the ROE to improve by end of fiscal year 2023-2024.
Debt service cover ratio (DSCR)*	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	0.49	2.33	The minimum DSCR set by management, the lender bank and STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months (see note below).
Debt-to-equity ratio (D/E ratio)	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.73	0.83	D/E ratio improved due to the prepayment made by STI ESG on its Corporate Notes Facility.

**DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by the total principal and interest due for the next twelve months and is pegged at 1.05:1. In August 2022, China Bank granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total principal and interest due for the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at September 30, 2023 and September 30, 2022 at 4.20 and at 1.81, respectively.*

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱346.1 million from ₱1,571.7 million to ₱1,917.8 million as at June 30, 2023 and September 30, 2023, respectively. The Group generated cash from operating activities aggregating to ₱725.1 million during the three-month period ended September 30, 2023. The collection of tuition and other school fees during the three-month period ended September 30, 2023 was the key contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the contractors and suppliers of the recent renovation projects of the Group. On the other hand, the Group registered ₱318.6 million net cash used in financing activities substantially representing scheduled principal payment and prepayment of the loan under the Corporate Notes Facility of STI ESG with China Bank amounting to ₱30.0 million and ₱180.0 million, respectively, as well as interest payments of bonds and loans aggregating to ₱76.0 million during the three-month period ended September 30, 2023.

Receivables increased to ₱1,396.3 million as at September 30, 2023 or by ₱1,054.3 million, more than three-folds of the receivable balance as at June 30, 2023 amounting to ₱342.0 million. Receivables from students increased by ₱694.4 million from ₱419.6 million to ₱1,114.0 million, reflecting tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s).

Receivables from DepEd likewise increased to ₱390.9 million as at September 30, 2023 from ₱10.0 million as at June 30, 2023. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

Receivables related to DBP RISE amounted to ₱2.3 million and ₱1.6 million as at September 30, 2023 and June 30, 2023, respectively. STI ESG and DBP executed a Memorandum of Agreements to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) in 2021. This program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. A similar MOA with DBP was executed in May 2023, covering the implementation of DBP RISE for deserving students enrolled beginning SY 2022-2023.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱0.8 million as at September 30, 2023 from ₱1.0 million as at June 30, 2023. A memorandum of agreement by and among CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG was executed in 2018 in order that the students within the STI ESG network may avail of the TES and Student Loan Program (SLP) under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). Students enrolled in select private Higher Education Institutions (HEIs) and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expenses. Additional benefits are likewise given to persons with disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled.

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

Receivables related to educational services and sale of educational materials and supplies amounted to ₱93.8 million as at September 30, 2023, higher by ₱30.0 million from ₱63.8 million as at June 30, 2023. This balance comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools and an affiliate. The increase in receivables largely represents receivables for the sale of uniforms and prowares during the three-month period ended September 30, 2023. These receivables from franchised schools and affiliates are expected to be settled within 30 days from invoice date.

Rent and other receivables decreased by ₱10.5 million to ₱45.9 million as at September 30, 2023 from ₱56.5 million as at June 30, 2023 representing collection of rentals and reimbursements of fit-out costs from a lessee during the three-month period ended September 30, 2023.

STI ESG's allowance for estimated credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱290.3 million as at June 30, 2023 to ₱333.2 million as at September 30, 2023. This increase was due to the provision for ECL recognized during the three-month period ended September 30, 2023.

Inventories decreased by ₱5.1 million or 4%, from ₱125.2 million to ₱120.1 million, net of purchases made during the period, substantially resulting from the sale of uniforms for the three-month period ended September 30, 2023.

Prepaid expenses and other current assets decreased by ₱25.0 million or 22% from ₱114.9 million as at June 30, 2023 to ₱89.9 million as at September 30, 2023 which is substantially attributed to the decrease in prepaid taxes, prepaid subscriptions and licenses, software maintenance cost, and advances to suppliers. The decrease in the prepayments related to business taxes, subscriptions and licenses, and software maintenance represents the portion of these prepayments made as at June 30, 2023 which were charged to expense during the three-month period ended September 30, 2023. Prepaid taxes likewise decreased from ₱55.0 million to ₱36.3 million representing the income tax obligation of STI ESG which was applied against its available tax credits. Advances to suppliers decreased from ₱18.2 million to ₱11.0 million representing certain purchase orders for uniforms for SY 2023-2024 which have been completely delivered and paid in full during the three-month period ended September 30, 2023. On the other hand, prepaid insurance increased by ₱13.6 million from ₱0.7 million to ₱14.4 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money security payroll and fidelity insurance, and health insurance coverage for employees. The premiums related to these insurance coverages were settled in advance and are recognized as expense over the respective periods of the insurance coverages, which are normally within one year from the beginning of the current fiscal year.

STI ESG subscription to quoted equity shares of RCR, recognized as equity instruments designated at FVPL, has carrying values of ₱4.90 and ₱5.80 per share or an aggregate value of ₱7.6 million and ₱9.0 million as at September 30, 2023 and June 30, 2023, respectively.

Property and equipment decreased by ₱22.3 million, net of additions, to ₱7,483.4 million as at September 30, 2023 from ₱7,505.7 million June 30, 2023 representing depreciation expense recognized during the three-month period ended September 30, 2023. The Group invested in new computers, school equipment and furniture in preparation for SY 2023-2024. The recognition of the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, *Leases* also contributed to the increase in property and equipment. These additions to the "Property and equipment" account were offset by the depreciation expense recognized by the Group for the three-month period ended September 30, 2023, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties decreased by ₱6.6 million from ₱675.1 million as at June 30, 2023 to ₱668.5 million as at September 30, 2023, representing the depreciation expense recognized during the three-month period ended September 30, 2023.

Equity instruments designated at fair value through other comprehensive income (FVOCI) increased by ₱0.9 million from ₱71.5 million to ₱72.4 million as at September 30, 2023, attributed to the net increase in the market value of the quoted equity shares held by STI ESG.

Deferred tax assets (DTA) increased by ₱26.3 million from ₱42.0 million to ₱68.3 million as at September 30, 2023, representing taxes due on tuition and other school fees collected in advance. Following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Accounts payable and other current liabilities decreased by ₱117.2 million from ₱560.9 million as at June 30, 2023 to ₱443.7 million as at September 30, 2023 representing payments made to various suppliers and contractors of recently completed renovation projects and decrease in accrued expenses related to school activities and programs and interest on loans and borrowings. Accrued expenses related to school activities and programs, primarily for commencement expenses, decreased reflecting payments made to suppliers during the three-month period ended September 30, 2023. Interest payable as at September 2023 decreased from ₱21.5 million to ₱5.8 million representing interest payments on STI ESG's Corporate Notes and Term Loan Facility Agreements with China Bank in September 2023.

Unearned tuition and other school fees increased by ₱1,732.4 million from ₱43.9 million as at June 30, 2023 to ₱1,776.3 million as at September 30, 2023. This unearned tuition and other school fees will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations amounted to ₱58.4 million and ₱53.4 million as at September 30, 2023 and June 30, 2023, respectively. Noncurrent lease liabilities declined by ₱15.9 million from ₱282.4 million to ₱266.5 million representing the lease obligations which are due within the next twelve months. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the unaudited condensed consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Current portion of interest-bearing loans and borrowings increased by ₱57.9 million from ₱183.0 million as at June 30, 2023 to ₱240.9 million as at September 30, 2023. The balance as at September 30, 2023 represents the current portion of the Term Loan Facility of STI ESG with China Bank amounting to ₱240.0 million and the Land Bank of the Philippines (LandBank) loan amounting to ₱0.9 million which is due in January 2024. On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interest on the outstanding term loan facility covering September 19-23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. Similarly, STI ESG paid in full the outstanding loan balance under its Corporate Notes Facility with China Bank aggregating to ₱210.0 million on September 19, 2023.

Income tax payable amounted to ₱1.0 thousand and ₱0.4 million as at September 30, 2023 and June 30, 2023, respectively, reflecting the income tax obligation of STI ESG's subsidiaries for their respective taxable income during the three-month period ended September 30, 2023 and year ended June 30, 2023, respectively. The income tax obligations of STI ESG and certain subsidiaries for the three-month ended September 30, 2023 were entirely offset by their respective tax credits.

Non-current portion of interest-bearing loans and borrowings, decreased by ₱270.0 million from ₱745.3 million to ₱475.7 million, net of deferred finance cost, as at June 30, 2023 and September 30, 2023, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings amounting to ₱120.0 million representing principal amount under the Term Loan Facility of STI ESG with China bank that is due in September 2024 and the prepayment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank in September 2023 aggregating to ₱180.0 million, of which ₱30.0 million was recognized as current portion of interest bearing loans and borrowings.

Cumulative actuarial gain amounted to ₱1.9 million as at September 30, 2023 from ₱2.6 thousand as at June 30, 2023. The increase reflects changes in the market value of the equity investments held within the pension plan assets of the Group for the three-month period ended September 30, 2023.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.3 million from P15.0 million to ₱16.3 million as at September 30, 2023. This increase was driven by the fair value adjustments attributed to net appreciation in the market value of quoted investment shares held by STI ESG.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱38.8 thousand and ₱35.6 thousand, as at June 30, 2023 and September 30, 2023, respectively, representing unrealized fair value adjustment resulting from the increase in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings decreased by ₱21.5 million from ₱2,865.3 million to ₱2,843.8 million representing net loss recognized for the three-month period ended September 30, 2023.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱480.2 million during the three-month period ended September 30, 2023, an increase of ₱120.1 million from ₱360.1 million of the same period last year.

Tuition and other school fees amounted to ₱334.8 million for the three-month period ended September 30, 2023, up by ₱107.1 million or 47% from ₱227.7 million of the same period last year attributed to the increase in the student population for SY 2023-2024. The Group registered a robust growth in enrollment of 27% for SY 2023-2024 reaching close to 104,000 students compared to over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED programs increased by 33% from close to 22,000 in SY 2022-2023 to over 29,000 in SY 2023-2024. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared to enrollment in SY 2022-2023 of over 56,000 students. CHED programs bring in higher revenues per student.

Revenues from educational services and royalty fees increased by 22%, primarily attributed to the increase in the student population of franchised schools for SY 2023-2024. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues increased by ₱4.4 million or 18% from ₱23.7 million for the three-month period ended September 30, 2022 to ₱28.1 million for the three-month period ended September 30, 2023, concomitant with the higher number of students this year.

The revenues generated from the sale of educational materials and supplies amounted to ₱66.9 million for the three-month period ended September 30, 2023 from ₱67.3 million for the same period last year. Sale of educational materials and supplies recognized during the three months ended September 30, 2023 and 2022 are generally attributed to the sale of uniforms. However, certain orders of franchised schools for student uniforms were fulfilled only after September 30, 2023 resulting in lower sales of educational materials and supplies for the three-month period ended September 30, 2023 attributed to timing differences. The cost of educational materials and supplies sold decreased likewise concomitant with the decrease in the sale of educational materials and supplies.

The cost of educational services is higher by ₱29.1 million, from ₱127.7 million to ₱156.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Instructors' salaries and benefits are up by ₱20.3 million from ₱42.6 million to ₱62.3 million due to the increase in the number of faculty members concomitant with the increase in the number of students. In addition, the salaries of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who have earned master’s degree as part of the faculty members’ continuing education have been adjusted favorably. School materials and supplies increased by ₱4.7 million from ₱1.9 million to ₱6.6 million for three-month periods ended September 30, 2022 and 2023, respectively, attributed to acquisition of school learning materials. Rent expense recognized under the cost of educational services likewise increased by ₱1.8 million from ₱5.3 million to ₱7.1 million for three-month periods ended September 30, 2022 and 2023, respectively, representing rent expense for building occupied by STI Alabang. On the other hand, costs incurred related to student activities and programs increased by ₱1.8 million from ₱12.8 million for three-month period ended September 30, 2022 to ₱14.6 million during the three-month period ended September 30, 2023 driven by the increase in enrollment for FY 2023-2024.

General and administrative expenses increased by 13% or ₱33.4 million from ₱255.4 million to ₱288.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Salaries and benefits are higher by ₱9.1 million to ₱69.6 million for the three-month period ended September 30, 2023 compared to same period last year of ₱60.5 million reflecting merit increases for deserving employees. Also, certain plantilla positions were filled up during the three months ended September 30, 2023. Tertiary classes during the first term of SY 2022-2023 were on a flexible learning modality while classes in all levels for SY 2023-2024 are delivered onsite. As such, light and water expenses are higher by ₱1.8 million from ₱25.0 million to ₱26.8 million for the three-month periods ended September 30, 2022 and 2023, respectively. Similarly, outside services such as security and janitorial services are higher by ₱5.3 million from ₱19.1 million to ₱24.4 million for the three-month periods ended September 30, 2022 and 2023, respectively. Repairs and maintenance expenses are higher by ₱1.1 million from ₱4.6 million to ₱5.7 million for the three-month periods ended September 30, 2022 and 2023, respectively, due to refurbishment of school facilities and cleaning of air-conditioning units in preparation for the start of classes for SY 2023-2024. Taxes and licenses expense is higher by ₱1.2 million from ₱7.3 million to ₱8.5 million for the three-month periods ended September 30, 2022 and 2023, respectively, reflecting the increase in business taxes concomitant with the increase in revenues. Advertising and promotions expense is higher by ₱1.7 million from ₱8.5 million to ₱10.2 million for the three-month periods ended September 30, 2022 and 2023, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2023-2024. Also, the Group recognized a provision for ECL amounting to ₱42.8 million from the three-month period ended September 30, 2023 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2023. This provision for ECL is higher by ₱10.5 million compared to ₱32.3 million for the three-month period ended September 30, 2022 reflecting increase in receivables from students from same period last year. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students pertaining to prior years.

The Group posted an operating loss of ₱13.3 million for the three-month period ended September 30, 2023 compared to the same period last year's operating loss of ₱73.4 million. The improvement is due to higher revenues attributed to the increase in the student population.

Interest expenses decreased by ₱4.9 million, from ₱72.6 million to ₱67.7 million for the three-month period ended September 30, 2023 attributed to the principal payments made by STI ESG on its Term Loan Facility amounting to ₱240.0 million in September 2022 and full payment made by STI ESG of its Corporate Notes Facility aggregating to ₱210.0 million in September 2023.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million and ₱26.8 million for the three-month periods ended September 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.3 thousand and ₱0.1 thousand for the three-month periods ended September 30, 2023 and 2022, respectively.

Interest income increased from ₱2.7 million for the three-month period ended September 30, 2022 to ₱5.0 million for the three-month period ended September 30, 2023 attributed to the investment of STI ESG in short-term investments and money market placements.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with China Bank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the three-month period ended September 30, 2023.

Gain on disposal of property and equipment amounted to ₱14.4 thousand for the three-month period ended September 30, 2023 compared to ₱49.9 thousand for the three-month period ended September 30, 2022. This represents gain on the disposal of fully depreciated property and equipment of certain schools which are no longer in use.

The Group recognized recovery of accounts written-off amounting to ₱1.8 million for the three-month period ended September 30, 2023 compared to ₱2.6 million for the same period last year.

Equity in net earnings of associates and joint venture amounted to ₱3.0 million for the three-month period ended September 30, 2023, compared to ₱2.5 million for the three-month period ended September 2022.

Dividend income amounted to ₱1.1 million for the three-month period ended September 30, 2022 compared to ₱0.2 million for the three-month period ended September 30, 2023. This represents dividend income from DLS Medical Center (DLSMC) and RCR amounting to ₱0.9 million and ₱0.2 million, respectively, for the three-month period ended September 30, 2022 and ₱0.2 million from RCR for the three-month period ended September 30, 2023.

The Group also recognized other income aggregating to ₱4.5 million for the three-month period ended September 30, 2022, substantially representing donation from a third-party institution, as part of the STI ESG and the third-party institution's partnership program in delivering certification courses, simulation tools, and training materials to eligible students. STI ESG on the other hand, recognized other expenses amounting to ₱0.2 million for the three-month period ended September 30, 2023 representing amortization of bond issue costs and deferred finance charges on its Term Loan Facility with China Bank.

The Group reported "Benefit from income tax" amounting to ₱5.9 million and ₱3.4 million for the three-month periods ended September 30, 2023 and 2022, respectively, mainly representing taxes due on tuition and other school fees collected in advance.

STI ESG reported a net loss of ₱21.8 million for the three-month period ended September 30, 2023 compared to ₱75.8 million net loss for the same period last year attributed to the increase in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement losses, net of taxes, amounting to ₱1.9 million and ₱0.9 million, for the three-month periods ended September 30, 2023 and 2022, respectively, due to the adjustments in the market value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱1.3 million for the three-month period ended September 30, 2023, compared to ₱0.6 million for the three-month period ended September 30, 2022. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive loss for the three-month period ended September 30, 2023 amounted to ₱18.6 million compared to ₱76.1 million total comprehensive loss for the three-month period ended September 30, 2022.

EBITDA is up from ₱58.1 million for the three-month period ended September 30, 2022 to ₱115.9 million for the three-month period ended September 30, 2023. EBITDA margin is 24% for the three-month period ended September 30, 2023 compared to 16% for the same period last year due to the reason cited above.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to negative ₱40.2 million for the three-month period ended September 30, 2023 compared to core income for the same period last year of negative ₱108.5 million.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

The Group's current liabilities are mostly made up of trade liabilities with a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with credit terms of thirty (30) to one hundred eighty (180) days.

As at September 30, 2023 and June 30, 2023, the Group's current assets amounted to ₱3,531.8 million and ₱2,162.8 million, respectively, while current liabilities amounted to ₱4,696.1 million and ₱3,016.7 million, respectively. The current liabilities as at September 30, 2023 and June 30, 2023 include the 7-year bonds aggregating to ₱2,176.7 million and ₱2,175.1 million, respectively, net of unamortized issue costs, maturing in March 2024.

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

STI ESG has obtained preliminary approvals from various local banks for the refinancing of its bonds maturing in March 2024. Negotiation and documentation of the said credit facilities are ongoing as at November 20, 2023.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interest due in the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank, and the STI bondholders. The Group's policy is to keep the DSCR not lower than 1.05:1.00. DSCR, as defined in the loan agreement, is 0.49:1.00 and 2.33:1.00, as at September 30, 2023 and 2022, respectively. As at June 30, 2023 the Group's DSCR is 0.47:1.00. In anticipation of the reclassification to current liabilities of the STI bonds maturing in March 2024, STI ESG requested for a waiver of the DSCR from the local bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by the local bank on August 15, 2022. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at September 30, 2023 and June 30, 2023. STI ESG is compliant with the DSCR imposed under the bond trust agreement governing its bond issue.

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

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

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every year, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 7-year and the 10-year tenors.

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

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

The Group monitors capital using the D/E ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition, and other school fees, divided by total equity. The Group monitors its D/E ratio to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the D/E ratio at a level not exceeding 1.50:1.00. As at September 30, 2023 and 2022, the Group's D/E ratios, as defined in the loan agreement, are 0.73:1.00 and 0.83:1.00, respectively. As at June 30, 2023 the Group's D/E ratio is 0.79:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

b. Except as provided in Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

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

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

e. The various loan agreements entered into and the issuance of fixed rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective agreements. See Notes 16 and 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

f. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/ income from continuing operations except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".

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

h. The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and ends in June of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, the revenues of the Group are expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEx secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 17 of the Notes to Unaudited Interim Condensed Financial Statements).

j. President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability.

   The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact to the Group:

- Preferential income tax rate for proprietary educational institutions is reduced from 10.0% to 1.0% effective on July 1, 2020 to June 30, 2023.
- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective on July 1, 2020.

On December 10, 2021, President Rodrigo R. Duterte signed into law RA No. 11635 entitled "An Act Amending Section 27(B) of the NIRC of 1997, as amended, and for other purposes" was signed into law. The law clarifies the entitlement of proprietary educational institutions to the preferential tax rate of 10.0% under the NIRC and the 1.0% income tax rate beginning July 1, 2020 until June 30, 2023, by virtue of the CREATE Law which was published on March 27, 2021 and took effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.