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 quarterly period ended
   Mar 31, 2024
2. SEC Identification Number
   1746
3. BIR Tax Identification No.
   000-126-853-000
4. Exact name of issuer as specified in its charter
   STI Education Systems Holdings, 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
   7th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City
   Postal Code
   1226
8. Issuer's telephone number, including area code
   632 8844-9553
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?

    ◉ Yes ○ No

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (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 ninety (90) days

Yes No

STI EDUCATION SYSTEMS HOLDINGS

STI Education Systems Holdings, Inc.
STI

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2024
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2024	Jun 30, 2023
Current Assets	4,399,615,117	3,781,571,176
Total Assets	15,804,660,779	15,083,181,303
Current Liabilities	2,610,188,215	3,451,887,036
Total Liabilities	5,740,817,425	5,873,370,804
Retained Earnings/(Deficit)	6,044,381,006	5,219,942,618
Stockholders' Equity	10,063,843,354	9,209,810,499
Stockholders' Equity - Parent	9,978,353,544	9,127,868,960
Book Value per Share	1.02	0.93

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,392,214,782	982,204,041	3,351,064,303	2,421,037,055
Gross Expense	733,443,094	596,019,140	2,107,661,423	1,747,337,844
Non-Operating Income	81,088,786	57,318,724	209,561,078	140,527,822
Non-Operating Expense	76,025,629	87,225,228	222,951,103	233,500,470
Income/(Loss) Before Tax	663,834,845	356,278,397	1,230,012,855	580,726,563
Income Tax Expense	63,543,512	375,667	111,891,045	1,392,898

Net Income/(Loss) After Tax	600,291,333	355,902,730	1,118,121,810	579,333,665
Net Income Attributable to Parent Equity Holder	593,871,144	352,394,530	1,106,569,609	578,694,647
Earnings/(Loss) Per Share (Basic)	0.06	0.04	0.11	0.06
Earnings/(Loss) Per Share (Diluted)	0.06	0.04	0.11	0.06

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.14	0.07
Earnings/(Loss) Per Share (Diluted)	0.14	0.07

Other Relevant Information
-

Filed on behalf by:

Name	Cyril Cunanan
Designation	Compliance Officer

COVER SHEET

1 7 4 6

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

7/F STI HOLDINGS CENTER
6764 AYALA AVE., MAKATI CITY
1226

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

ARSENIO C. CABRERA, JR.
Contact Person

(632) 8813 7111
Company Telephone Number

0 6	3 0	SEC FORM 17-Q For the Quarter ended 31 March 2024	Third Friday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

N A
Secondary License Type, If Applicable

C F D
Dept. Requiring this Doc.

AOI - Art. III; By-Laws - Art. II, Art. VI, Sec. 6 and Art. VII
Amended Articles Number/Section

Total Amount of Borrowings

1 2 6 6	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

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 quarterly period ended	**31 March 2024**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	____________________
7.	Address of Philippine Office	**7/F STI Holdings Center 6764 Ayala Avenue Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 8844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	

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 SHARES – 9,904,806,924 - ISSUED AND OUTSTANDING

9,904,806,924 – LISTED SHARES

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

Yes [x] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, 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 [x] No [ ]

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

Yes [x] 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

SIGNATURES

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

Registrant	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
Signature and Title	**YOLANDA M. BAUTISTA** **Treasurer and CFO**
Date	May 15, 2024
Signature and Title	**MONICO V. JACOB** **President and CEO**
Date	May 15, 2024

ANNEX “A”

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,915,424,670**	₱1,958,767,553
Receivables (Note 6)	**1,144,938,352**	470,634,562
Inventories (Note 7)	**152,451,910**	129,498,300
Prepaid expenses and other current assets (Note 8)	**158,198,121**	192,952,697
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**7,874,000**	8,990,000
	3,378,887,053	2,760,843,112
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,020,728,064
Total Current Assets	**4,399,615,117**	3,781,571,176
Noncurrent Assets		
Property and equipment (Note 11)	**9,792,184,002**	9,684,707,918
Investment properties (Note 12)	**1,008,660,210**	1,037,538,155
Investments in and advances to associates and joint venture (Note 13)	**20,579,493**	20,749,617
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 14)	**73,947,667**	72,061,627
Deferred tax assets - net	**64,482,860**	50,743,290
Goodwill, intangible and other noncurrent assets (Note 15)	**445,191,430**	435,809,520
Total Noncurrent Assets	**11,405,045,662**	11,301,610,127
TOTAL ASSETS	**₱15,804,660,779**	₱15,083,181,303

LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of bonds payable (Note 18)	**₱–**	₱2,175,083,335
Accounts payable and other current liabilities (Note 16)	**648,501,207**	773,228,468
Current portion of interest-bearing loans and borrowings (Note 17)	**559,897,807**	262,837,889
Unearned tuition and other school fees (Note 21)	**1,270,095,795**	141,137,203
Current portion of lease liabilities	**82,432,484**	98,513,595
Income tax payable	**49,260,922**	1,086,546
Total Current Liabilities	**2,610,188,215**	3,451,887,036
Noncurrent Liabilities		
Bonds payable (Note 18)	**814,550,237**	813,339,649
Interest-bearing loans and borrowings - net of current portion (Note 17)	**1,545,199,254**	808,707,735
Lease liabilities - net of current portion	**422,253,929**	438,246,184
Pension liabilities - net	**122,721,135**	139,799,322
Deferred tax liabilities - net	**110,343,456**	109,306,874
Other noncurrent liabilities (Note 19)	**115,561,199**	112,084,004
Total Noncurrent Liabilities	**3,130,629,210**	2,421,483,768
Total Liabilities *(Carried Forward)*	**5,740,817,425**	5,873,370,804

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Total Liabilities *(Brought Forward)*	**₱5,740,817,425**	₱5,873,370,804
Equity Attributable to Equity Holders of the Parent Company (Note 20)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,119,127,301**	1,119,127,301
Cost of shares held by a subsidiary	**(498,142,921)**	(498,142,921)
Cumulative actuarial gain	**29,313,301**	5,481,945
Unrealized fair value adjustment on equity instruments at FVOCI (Note 14)	**17,319,600**	15,104,760
Other equity reserve	**(1,686,369,660)**	(1,686,369,660)
Share in associates':		
Cumulative actuarial gain	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**6,044,381,006**	5,219,942,618
Total Equity Attributable to Equity Holders of the Parent Company	**9,978,353,544**	9,127,868,960
Equity Attributable to Non-controlling Interests	**85,489,810**	81,941,539
Total Equity	**10,063,843,354**	9,209,810,499
TOTAL LIABILITIES AND EQUITY	**₱15,804,660,779**	₱15,083,181,303

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Nine months ended March 31		Three months ended March 31	
	2024 (Unaudited)	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)
REVENUES (Note 21)				
Sale of services:				
Tuition and other school fees	**₱3,028,200,313**	₱2,143,915,716	**₱1,277,874,421**	₱891,846,573
Educational services	**138,876,117**	116,818,162	**62,219,792**	52,663,498
Royalty fees	**13,673,382**	11,501,036	**5,176,320**	4,390,088
Others	**61,691,231**	45,485,294	**26,146,459**	16,874,571
Sale of educational materials and supplies	**108,623,260**	103,316,847	**20,797,790**	16,429,311
	3,351,064,303	2,421,037,055	**1,392,214,782**	982,204,041
COSTS AND EXPENSES				
Cost of educational services (Note 22)	**913,537,039**	709,288,614	**343,570,111**	256,502,353
Cost of educational materials and supplies sold (Note 23)	**81,815,260**	76,819,059	**17,763,462**	12,096,281
General and administrative expenses (Note 24)	**1,112,309,124**	961,230,171	**372,109,521**	327,420,506
	2,107,661,423	1,747,337,844	**733,443,094**	596,019,140
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**1,243,402,880**	673,699,211	**658,771,688**	386,184,901
OTHER INCOME (EXPENSES)				
Interest expense (Notes 17 and 18)	**(220,889,159)**	(229,188,388)	**(73,989,089)**	(75,618,533)
Rental income	**150,438,860**	107,727,889	**51,068,922**	44,644,175
Interest income (Notes 5 and 6)	**38,507,666**	16,187,994	**24,682,223**	8,584,023
Foreign exchange gain (loss) - net	**10,518,869**	(3,692,082)	**3,083,996**	(11,250,358)
Recovery of accounts written off (Note 6)	**4,435,410**	5,871,827	**1,807,305**	1,953,067
Dividend income (Notes 9 and 14)	**2,168,464**	2,751,279	**151,840**	1,127,330
Equity in net earnings (losses) of associates and joint venture (Note 13)	**(170,124)**	1,618,296	**(1,782,658)**	253,309
Fair value gain (loss) on equity instruments at FVPL (Note 9)	**(1,116,000)**	(620,000)	**294,500**	(77,500)
Gain on:				
Early extinguishment of loan (Note 17)	**3,076,465**	–	**–**	–
Sale of property and equipment	**415,344**	806,763	**–**	756,820
Other income (expenses) - net	**(775,820)**	5,563,774	**(253,882)**	(278,837)
	(13,390,025)	(92,972,648)	**5,063,157**	(29,906,504)
INCOME BEFORE INCOME TAX	**1,230,012,855**	580,726,563	**663,834,845**	356,278,397
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**127,277,925**	8,356,221	**66,650,741**	4,450,008
Deferred	**(15,386,880)**	(6,963,323)	**(3,107,229)**	(4,074,341)
	111,891,045	1,392,898	**63,543,512**	375,667
NET INCOME *(Carried Forward)*	**1,118,121,810**	579,333,665	**600,291,333**	355,902,730

	Nine months ended March 31		Three months ended March 31	
	2024 (Unaudited)	2023 (Unaudited)	**2024 (Unaudited)**	2023 (Unaudited)
NET INCOME *(Brought Forward)*	**₱1,118,121,810**	₱579,333,665	**₱600,291,333**	₱355,902,730
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to profit or loss in subsequent years:				
Remeasurement gain on pension liabilities	**26,838,926**	2,444,802	**19,500,899**	2,095,372
Income tax effect	**(2,683,893)**	(244,480)	**(1,950,090)**	(209,536)
Fair value change in equity instruments at FVOCI (Note 14)	**2,245,260**	2,018,872	**892,360**	1,328,954
OTHER COMPREHENSIVE INCOME, NET OF TAX	**26,400,293**	4,219,194	**18,443,169**	3,214,790
TOTAL COMPREHENSIVE INCOME	**₱1,144,522,103**	₱583,552,859	**₱618,734,502**	₱359,117,520
Net Income Attributable To				
Equity holders of the Parent Company	**₱1,106,569,609**	₱578,694,647	**₱593,871,144**	₱352,394,530
Non-controlling interests	**11,552,201**	639,018	**6,420,189**	3,508,200
	₱1,118,121,810	₱579,333,665	**₱600,291,333**	₱355,902,730
Total Comprehensive Income Attributable To				
Equity holders of the Parent Company	**₱1,132,615,805**	₱582,858,102	**₱612,066,953**	₱355,563,605
Non-controlling interests	**11,906,298**	694,757	**6,667,549**	3,553,915
	₱1,144,522,103	₱583,552,859	**₱618,734,502**	₱359,117,520
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 26)	**₱0.112**	₱0.058	**₱0.060**	₱0.036

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED MARCH 31, 2024 AND 2023

	Capital Stock (Note 20)	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary** (Note 20)	**Cumulative Actuarial Gain**	**Unrealized Fair Value Adjustment on Equity Instruments at FVOCI** (Note 14)	**Other Equity Reserve**	**Share in Associates' Cumulative Actuarial Gain** (Note 13)	**Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI** (Note 13)	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 2023	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱5,481,945**	**₱15,104,760**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱5,219,942,618**	**₱9,127,868,960**	**₱81,941,539**	**₱9,209,810,499**
Net income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,106,569,609**	**1,106,569,609**	**11,552,201**	**1,118,121,810**
Other comprehensive income	**–**	**–**	**–**	**23,831,356**	**2,214,840**	**–**	**–**	**–**	**–**	**26,046,196**	**354,097**	**26,400,293**
Total comprehensive income	**–**	**–**	**–**	**23,831,356**	**2,214,840**	**–**	**–**	**–**	**1,106,569,609**	**1,132,615,805**	**11,906,298**	**1,144,522,103**
Dividend declaration	–	–	–	–	–	–	–	–	**(282,131,221)**	**(282,131,221)**	**–**	**(282,131,221)**
Share of non-controlling interest on dividends declared by a subsidiary	–	–	–	–	–	–	–	–	**–**	**–**	**(8,358,027)**	**(8,358,027)**
Balance at March 31, 2024	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱29,313,301**	**₱17,319,600**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱6,044,381,006**	**₱9,978,353,544**	**₱85,489,810**	**₱10,063,843,354**
Balance at July 1, 2022	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱27,664,542	₱13,255,113	(₱1,686,369,660)	₱321,569	(₱114)	₱4,485,334,148	₱8,413,593,440	₱81,371,202	₱8,494,964,642
Net income	–	–	–	–	–	–	–	–	578,694,647	578,694,647	639,018	579,333,665
Other comprehensive income	–	–	–	2,170,838	1,992,620	–	–	–	–	4,163,458	55,736	4,219,194
Total comprehensive income	–	–	–	2,170,838	1,992,620	–	–	–	578,694,647	582,858,105	694,754	583,552,859
Dividend declaration	–	–	–	–	–	–	–	–	(141,065,611)	(141,065,611)	–	(141,065,611)
Share of non-controlling interest on dividends declared by a subsidiary	–	–	–	–	–	–	–	–	–	–	(2,887,789)	(2,887,789)
Balance at March 31, 2023	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱29,835,380	₱15,247,733	(₱1,686,369,660)	₱321,569	(₱114)	₱4,922,963,184	₱8,855,385,934	₱79,178,167	₱8,934,564,101

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,230,012,855**	₱580,726,563
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 11, 12, 22 and 24)	**460,444,138**	450,808,893
Interest expense (Notes 17 and 18)	**220,889,159**	229,188,388
Unrealized foreign exchange (gain) loss – net	**(9,098,824)**	3,831,040
Interest income (Notes 5 and 6)	**(38,507,666)**	(16,187,994)
Gain on:		
Early extinguishment of loan (Note 17)	**(3,076,465)**	–
Sale of property and equipment	**(415,344)**	(806,763)
Equity in net (earnings) losses of associates and joint venture (Note 13)	**170,124**	(1,618,296)
Dividend income (Notes 9 and 14)	**(2,168,464)**	(2,751,279)
Fair value loss on equity instruments at FVPL (Note 9)	**1,116,000**	620,000
Net change in net pension liabilities	**9,760,738**	3,928,333
Operating income before working capital changes	**1,869,126,251**	1,247,738,885
Decrease (increase) in:		
Receivables	**68,706,294**	289,549,565
Inventories	**(22,953,609)**	24,261,584
Prepaid expenses and other current assets	**(20,304,669)**	(68,378,426)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(116,469,984)**	(209,506,258)
Unearned tuition and other school fees	**385,992,008**	106,486,951
Other noncurrent liabilities	**(4,522,805)**	84,580,664
Net cash generated from operations	**2,159,573,486**	1,474,732,965
Income tax paid	**(24,044,303)**	(2,429,589)
Interest received	**35,658,911**	16,187,994
Net cash provided by operating activities	**2,171,188,094**	1,488,491,370
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 11)	**(474,565,911)**	(197,233,871)
Investment properties (Note 12)	**(742,697)**	(122,934,232)
Acquisition of/payments for intangible and other noncurrent assets	**(25,556,218)**	(102,259,426)
Proceeds from:		
Redemption of equity instruments at FVOCI (Note 14)	**352,920**	–
Sale of property and equipment	**415,412**	115,000
Sale of noncurrent asset held for sale (Note 10)	**–**	19,000,000
Net cash received from business combination (Note 31)	**–**	9,232,049
Dividends received (Notes 9 and 14)	**2,168,464**	2,752,179
Net cash used in investing activities	**(497,928,030)**	(391,328,301)

(Forward)

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Bonds (Note 18)	**(₱2,180,000,000)**	₱–
Long-term loans (Note 17)	**(453,050,203)**	(457,869,537)
Dividends	**(290,445,700)**	(142,524,864)
Interests	**(203,967,872)**	(219,411,945)
Lease liabilities	**(94,987,996)**	(95,382,575)
Net proceeds from:		
Long-term loans - net of issuance cost (Note 17)	**1,488,750,000**	–
Deposit for future stock subscription (Note 19)	**8,000,000**	–
Net cash used in financing activities	**(1,725,701,771)**	(915,188,921)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**9,098,824**	(3,831,042)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(43,342,883)**	178,143,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,958,767,553**	1,568,718,083
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱1,915,424,670**	₱1,746,861,189

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporate Information

a. General

STI Education Systems Holdings, Inc. (STI Holdings or the Parent Company) and its subsidiaries (hereafter collectively referred to as the "Group") are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). STI Holdings was originally established in 1928 as the Philippine branch office of Theo H. Davies & Co., a Hawaiian corporation. It was reincorporated as a Philippine corporation and registered with the SEC on June 28, 1946. STI Holdings' shares were listed on the Philippine Stock Exchange (PSE) on October 12, 1976. The primary purpose of the Parent Company is to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, pledge, exchange, or otherwise dispose of real properties as well as personal and movable property of any kind and description, including shares of stock, bonds, debentures, notes, evidence of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, but not to act as dealer in securities, and to invest in and manage any company or institution. STI Holdings aims to focus on education and education-related activities and investments.

STI Holdings' registered office address, which is also its principal place of business, is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City 1226.

The subsidiaries of STI Holdings, which are all incorporated in the Philippines, as at March 31, 2024 and June 30, 2023, are as follows:

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**
STI ESG	Educational Institution	**99**	–
STI WNU	Educational Institution	**99**	–
iACADEMY	Educational Institution	**100**	–
AHC	Holding Company	**100**	–
STI College of Kalookan, Inc. (STI Caloocan) [a]	Educational Institution	–	**99**
STI College Batangas, Inc. (STI Batangas)	Educational Institution	–	**99**
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	–	**99**
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	–	**99**
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	–	**99**
STI College Iloilo, Inc. (STI Iloilo) [b]	Educational Institution	–	**99**
STI Lipa, Inc. (STI Lipa)	Educational Institution	–	**99**
STI College Pagadian, Inc. (STI Pagadian) [b]	Educational Institution	–	**99**
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	–	**99**
STI College Tuguegarao, Inc. (STI Tuguegarao) [b]	Educational Institution	–	**99**
NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) [b]	Educational Institution	–	**99**
NAMEI Polytechnic Institute, Inc. (NAMEI)	Educational Institution	–	**93**
De Los Santos-STI College, Inc. (De Los Santos-STI College) [c]	Educational Institution	–	**99**
STI-College Alabang, Inc. (STI Alabang) [d]	Educational Institution	–	**99**
STI Quezon Avenue, Inc. (STI Quezon Avenue) [e]	Educational Institution	–	**99**

[a] *A subsidiary of STI ESG 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 STI ESG effective August 4, 2021. De Los Santos-STI College has not resumed its school operations as at May 15, 2024.*
[d] *On March 16, 2023, STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Note 31). STI Alabang became a wholly-owned subsidiary of STI ESG as of March 31, 2023.*
[e] *A wholly-owned subsidiary of De Los Santos-STI College.*

b. STI Education Services Group, Inc. and Subsidiaries (collectively referred to as "STI ESG")

In September 2012, STI ESG became a subsidiary of the Parent Company through a share-for-share swap agreement with the shareholders of STI ESG. STI Holdings' ownership of STI ESG is at 98.7% as at March 31, 2024 and June 30, 2023.

STI ESG is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, including Senior High School (SHS), and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. STI ESG also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

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

Other features of the licensing agreements are as follows:

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

Merger with Several Majority and Wholly-owned Subsidiaries

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

- Phase 1: The merger of three (3) majority owned schools and fourteen (14) wholly-owned schools with STI ESG, with STI ESG as the surviving entity. The Phase 1 merger was approved by CHED and the SEC on March 15, 2011 and May 6, 2011, respectively.
- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by CHED and the SEC on July 18, 2011 and August 31, 2011, respectively.
- Phase 3: On August 30, 2017, the SEC approved the application for merger of STI College Taft, Inc. (STI Taft) and STI College Dagupan, Inc. (STI Dagupan) with STI ESG as the surviving entity.

On September 25, 2013, STI ESG's Board of Directors (BOD) approved an amendment to the Phase 1 and 2 mergers whereby STI ESG would issue shares, at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at May 15, 2024, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phase 1 and Phase 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September

28, 2022, respectively, that Section 40.C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, STI ESG applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40.C.2 of the Tax Code. As at May 15, 2024, STI ESG 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 earlier advised to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta. Mesa, a school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. Likewise, STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and DepEd and TESDA in July 2021 of its decision not to accept enrollees for SY 2021-2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of NPIM and STI La Union 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 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 at report date.

In a meeting held on November 29, 2023, the BOD of STI Quezon Avenue, resolved to (1) change its corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.", (2) have perpetual existence, (3) change its fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. As at May 15, 2024, the resolution is pending review by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd, in connection with its application with the SEC to amend its Articles of Incorporation (AOI) and By-Laws with the proposed amendments. As at May 15, 2024, TESDA has provided favorable endorsement while STI Quezon Avenue has yet to receive the responses from CHED and DepEd.

On March 16, 2023, STI ESG and the majority owners of STI Alabang entered into a deed of absolute sale wherein STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee for ₱1.00. Prior to this, STI ESG owned 40.0% of STI Alabang's issued and outstanding capital stock. With the acquisition of the 60.0% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG.

As at March 31, 2024, STI ESG's network of operating schools totals sixty three (63) schools with thirty seven (37) owned schools and twenty six (26) franchised schools comprising sixty (60) colleges and three (3) education centers.

c. STI West Negros University, Inc. (STI WNU)

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to

₱151.5 million. As at March 31, 2024 and June 30, 2023, liability for contingent consideration recognized as "Nontrade payable" amounted to ₱17.0 million (see Notes 16 and 27). As at March 31, 2024 and June 30, 2023, the Parent Company owns 99.9% of STI WNU.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers pre-elementary, elementary, JHS and SHS, tertiary and post-graduate programs. It also provides technical-vocational education training services under the Technical Education and Skills Development Authority (TESDA) and/or operates a Training Center as well as an Assessment Center in relation to the said services. Further, STI WNU provides maritime training services that offer and conduct the training required by the Maritime Industry Authority (MARINA) for officers and crew on board Philippine and/or foreign-registered ships operating in Philippine and/or international waters.

d. Information and Communications Technology Academy, Inc. (iACADEMY)

iACADEMY is a premier school offering specialized programs in SHS and college that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology. It started in 2002 as a wholly-owned subsidiary of STI ESG until its acquisition by STI Holdings on September 30, 2016, thus making iACADEMY a wholly-owned subsidiary of STI Holdings. iACADEMY conducts its classes in its Nexus building located along Yakal St. in Makati City and at Filinvest Cyberzone Tower Two Building in Lahug, Cebu City.

On September 7, 2017, the Board of Governors (BOG) of iACADEMY approved the merger of iACADEMY and Neschester Corporation (Neschester), with iACADEMY as the surviving entity. The stockholders of both companies confirmed, ratified and approved the merger on the same date. The Plan of Merger between iACADEMY and Neschester was approved by the SEC on April 10, 2018. In addition, on September 7, 2017, the stockholders and BOG of iACADEMY approved the increase in its authorized capital stock from ₱500.0 million (with a par value of ₱1.00 per share) to ₱1,000.0 million (with a par value of ₱1.00 per share). The increase in authorized capital stock was likewise approved by the SEC on April 10, 2018. On May 11, 2018, iACADEMY issued 494,896,694 shares to STI Holdings in exchange for the net assets of Neschester as a result of the merger.

On December 4, 2018, iACADEMY and Neschester requested for a confirmatory ruling on the tax-free merger from the BIR. On October 13, 2022, iACADEMY received a letter from the BIR as a response to the request made for the merger. In the said letter, the BIR informed iACADEMY that Section 40.C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, iACADEMY and Neschester can implement the said transaction, including, but not limited to the issuance of CAR by the concerned Revenue District Office (RDO). On February 8, 2023, iACADEMY applied for the CAR with the concerned RDO. The BIR issued the CAR to iACADEMY on February 8, 2024.

On June 1, 2022, the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its AOI as follows: (1) amendment of its primary purpose to include (a) establishment of educational institutions in Metro Manila and a branch in Cebu City; and (b) that iACADEMY shall have all the express powers of a corporation under Section 35 of the Revised Corporation Code, including the establishment and maintenance of branches and school campuses within the Philippines, subject to the rules and regulations of the DepEd, CHED and TESDA. The

SEC approved the amendments on July 28, 2022.

On February 7, 2023 the BOG and stockholders of iACADEMY, at separate meetings, approved the change in the corporate name from Information and Communications Technology Academy, Inc. to iACADEMY, Inc. iACADEMY applied for the amendment of its AOI and By-Laws with the SEC on February 23, 2023. The SEC approved the change in corporate name on April 3, 2024.

e. Attenborough Holdings Corp. (AHC)

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement among the Parent Company, Philippine Women's University (PWU) and Unlad Resources Development Corporation (Unlad). Under the Agreements, AHC is set to own up to 20.0% of Unlad. AHC is also a party to the Omnibus Agreement it executed with the Parent Company and Unlad (see Note 27).

Since February 2015, STI Holdings has owned 100.0% of AHC.

On March 1, 2016, AHC executed a Deed of Assignment wherein AHC assigned to STI Holdings its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings (see Note 27).

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

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 fair value through other comprehensive income (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). PFRSs include statements named PFRSs, Philippine Accounting Standards (PAS) and Philippine Interpretations based on equivalent interpretations from the International Financial Reporting Interpretations Committee (IFRIC) adopted by the Philippine Financial Reporting Standards Council (FRSC).

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.

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

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

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

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

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

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

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

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

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

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after July 1, 2023.

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

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

Effective for Fiscal Year 2026

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

Deferred effectivity

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to March 31, 2024 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle. The academic cycle for STI ESG and STI WNU is one academic year that starts in late August and September for JHS and SHS and the tertiary level, respectively, and ends in June of the following year. For iACADEMY, classes start in August and end in May and July of the following year for SHS and tertiary level, respectively. In SY 2022-2023, the Group gradually transitioned from remote learning to conduct of face-to-face classes while classes for SY 2023-2024 are conducted face-to-face for STI ESG and STI WNU, whereas iACADEMY implemented the Hybrid Learning Format.

Classes of SHS and JHS students of STI ESG and STI WNU 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, except for STI WNU's School of Graduate Studies (SGS) which started classes on September 2, 2023. STI ESG and STI WNU both implemented a flexible learning delivery modality in the first semester of SY 2022-2023. For tertiary courses, all professional and identified general education courses were delivered onsite while other general education courses were delivered using blended modality, with a distribution of 50.0% onsite/face-to-face and 50.0% online/asynchronous. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes for tertiary enrollees starting on its second semester of SY 2022-2023 while STI WNU continued with its flexible learning delivery modality for tertiary and blended modality for SHS until the end of SY 2022-2023. iACADEMY implemented the Hyflex Learning Format for tertiary for SY 2022-2023. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide on how to participate, whether in-person or online. The Hyflex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during disruption. Meanwhile, SHS implemented the Hybrid Learning Format until the end of SY 2022-2023. This allowed grades 11 and 12 students to alternately attend onsite and online classes within the week according to a definite schedule. Courses, particularly specialized and contextualized subjects like Science and Information and Communications Technology (ICT), were conducted onsite in the laboratories. For SY 2023-2024, iACADEMY implemented the Hybrid Learning Format for all levels. Classes for iACADEMY's SHS and tertiary students started on August 3, 2023, and August 29, 2023, respectively, in SY 2023-2024.

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

The revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding academic year to which they pertain. Accordingly, the 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 operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with profit and loss in the unaudited interim condensed consolidated financial statements.

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

The following table shows the reconciliation of the consolidated net income to consolidated EBITDA for the nine-month periods ended March 31, 2024 and 2023:

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
Consolidated net income	**₱1,118,121,810**	₱579,333,665
Depreciation and amortization[1]	**393,937,663**	391,446,295
Interest expense[1]	**194,560,855**	204,827,631
Provision for income tax	**111,891,045**	1,392,898
Interest income	**(38,507,666)**	(16,187,994)
Foreign exchange (gain) loss – net	**(10,518,869)**	3,692,082
Gain on early extinguishment of loan	**(3,076,465)**	–
Fair value loss on equity instruments at FVPL	**1,116,000**	620,000
Equity in net (earnings) losses of associates and joint venture	**170,124**	(1,618,296)
Consolidated EBITDA	**₱1,767,694,497**	₱1,163,506,281

[1]*Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*

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 nine-month periods ended March 31, 2024 and 2023:

	March 31, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱1,787,483,046**	**₱224,981,401**	**₱808,519,600**	**₱457,002,610**	**₱73,077,646**	**₱3,351,064,303**
Results						
Income before other income (expenses) and income tax	**514,144,884**	**84,241,958**	**407,955,054**	**214,842,390**	**22,218,594**	**1,243,402,880**
Interest expense	**(210,587,592)**	**(2,656,401)**	**(4,730,916)**	**(1,019,806)**	**(1,894,444)**	**(220,889,159)**
Other income[(a)]	**165,135,663**	**397,801**	**2,096,798**	**1,261,108**	**270,222**	**169,161,592**
Provision for income tax	**(86,427,264)**	**(1,660,462)**	**(2,486,040)**	**(21,317,279)**	**–**	**(111,891,045)**
Interest income	**36,265,125**	**9,415**	**2,164,138**	**67,885**	**1,103**	**38,507,666**
Equity in net losses of associates and joint venture	**(170,124)**	**–**	**–**	**–**	**–**	**(170,124)**
Net Income	**₱418,360,692**	**₱80,332,311**	**₱404,999,034**	**₱193,834,298**	**₱20,595,475**	**₱1,118,121,810**
EBITDA						**₱1,767,694,497**

	March 31, 2023 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,316,185,059	₱169,457,113	₱573,326,976	₱314,985,849	₱47,082,058	₱2,421,037,055
Results						
Income before other income (expenses) and income tax	254,714,263	38,461,536	241,989,616	138,084,087	449,709	673,699,211
Interest expense	(218,742,926)	(3,206,985)	(4,254,093)	(1,264,395)	(1,719,989)	(229,188,388)
Other income[(a)]	113,166,207	718,636	2,937,168	1,305,835	281,604	118,409,450
Benefit from (provision for) income tax	(114,285)	462,759	(332,503)	(1,408,869)	–	(1,392,898)
Interest income	16,029,254	17,750	74,998	61,934	4,058	16,187,994
Equity in net earnings of associates and joint venture	1,618,296	–	–	–	–	1,618,296
Net Income (Loss)	₱166,670,809	₱36,453,696	₱240,415,186	₱136,778,592	(₱984,618)	₱579,333,665
EBITDA						₱1,163,506,281

[(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 March 31, 2024 and June 30, 2023:

	March 31, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,716,351,834**	**₱757,066,919**	**₱1,630,993,474**	**₱1,184,682,416**	**₱143,196,406**	**₱14,432,291,049**
Noncurrent asset held for sale	**1,020,728,064**	**–**	**–**	**–**	**–**	**1,020,728,064**
Investments in and advances to associates and joint venture	**20,579,493**	**–**	**–**	**–**	**–**	**20,579,493**
Goodwill	**250,898,081**	**–**	**–**	**15,681,232**	**–**	**266,579,313**
Deferred tax assets – net	**41,818,068**	**1,413,055**	**5,614,358**	**13,941,985**	**1,695,394**	**64,482,860**
Total Assets	**₱12,050,375,540**	**₱758,479,974**	**₱1,636,607,832**	**₱1,214,305,633**	**₱144,891,800**	**₱15,804,660,779**
Segment liabilities[(b)]	**₱1,155,701,736**	**₱142,150,953**	**₱432,015,770**	**₱295,785,766**	**₱57,764,898**	**₱2,083,419,123**
Interest-bearing loans and borrowings	**2,105,097,061**	**–**	**–**	**–**	**–**	**2,105,097,061**
Bonds payable	**814,550,237**	**–**	**–**	**–**	**–**	**814,550,237**
Pension liabilities – net	**68,708,655**	**6,428,407**	**13,322,997**	**31,522,186**	**2,738,890**	**122,721,135**
Lease liabilities	**286,914,140**	**63,749,862**	**101,364,036**	**20,256,201**	**32,402,174**	**504,686,413**
Deferred tax liabilities – net	**110,343,456**	**–**	**–**	**–**	**–**	**110,343,456**
Total Liabilities	**₱4,541,315,285**	**₱212,329,222**	**₱546,702,803**	**₱347,564,153**	**₱92,905,962**	**₱5,740,817,425**
Other Segment Information						
Capital expenditure -						
Property and equipment						**₱496,307,998**
Depreciation and amortization[(c)]						**393,937,663**
Noncash expenses other than depreciation and amortization						**111,241,758**

	June 30, 2023 (Audited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets[(a)]	₱10,600,397,084	₱717,138,215	₱1,382,644,996	₱897,933,931	₱126,266,793	₱13,724,381,019
Noncurrent asset held for sale	1,020,728,064	–	–	–	–	1,020,728,064
Investments in and advances to associates and joint venture	20,749,617	–	–	–	–	20,749,617
Goodwill	250,898,081	–	–	15,681,232	–	266,579,313
Deferred tax assets – net	25,626,907	3,065,113	4,796,366	15,559,510	1,695,394	50,743,290
Total Assets	₱11,918,399,753	₱720,203,328	₱1,387,441,362	₱929,174,673	₱127,962,187	15,083,181,303
Segment liabilities[(b)]	₱703,581,220	₱59,149,312	₱115,631,192	₱116,585,816	₱32,588,682	₱1,027,536,222
Interest-bearing loans and borrowings	1,071,545,624	–	–	–	–	1,071,545,624
Bonds payable	2,988,422,984	–	–	–	–	2,988,422,984
Pension liabilities – net	84,438,951	5,775,501	12,226,482	34,838,456	2,519,932	139,799,322
Lease liabilities	321,668,393	57,706,097	103,871,119	25,298,373	28,215,797	536,759,779
Deferred tax liabilities – net	109,306,873	–	–	–	–	109,306,873
Total Liabilities	₱5,278,964,045	₱122,630,910	₱231,728,793	₱176,722,645	₱63,324,411	₱5,873,370,804
Other Segment Information						
Capital expenditure -						
Property and equipment						₱487,673,587
Depreciation and amortization[(c)]						527,925,632
Noncash expenses other than depreciation and amortization						109,043,611

[(a)] *Segment assets exclude noncurrent asset held for sale, investments in and advances to associates and joint venture, goodwill and net deferred tax assets.*
[(b)] *Segment liabilities exclude interest-bearing loans and borrowings, bonds payable, net pension liabilities, lease liabilities and deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

5. Cash and Cash Equivalents

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Cash on hand and in banks	**₱789,525,447**	₱909,786,970
Cash equivalents	**1,125,899,223**	1,048,980,583
	₱1,915,424,670	₱1,958,767,553

Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest earned from cash in banks and cash equivalents for the nine-month periods ended March 31, 2024 and 2023 amounted to ₱29.9 million and ₱9.9 million, respectively.

6. Receivables

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Tuition and other school fees	**₱1,377,884,651**	₱650,156,822
Rent, utilities and other related receivables (see Note 25)	**80,252,743**	89,504,738
Educational services, materials and supplies (see Note 25)	**73,437,465**	55,534,769
Advances to officers and employees (see Note 25)	**38,658,480**	31,742,292
Others	**33,009,698**	26,134,019
	1,603,243,037	853,072,640
Less allowance for expected credit losses (ECL)	**458,304,685**	382,438,078
	₱1,144,938,352	₱470,634,562

The terms and conditions of the receivables are as follows:

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

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

   Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱4.4 million and ₱5.9 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

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

c. Receivables for educational services pertain to receivables from STI ESG franchisees arising from educational services, royalty fees, and others such as network charges for national youth convention and software licenses to name a few. Receivables related to educational materials and supplies substantially pertain to sale of uniforms and proware items during the nine-month period ended

March 31, 2024. Receivables are generally noninterest-bearing and are normally collected within thirty (30) days from the invoice date. Interest is charged on past due accounts.

Interest earned from past due accounts amounted to ₱5.0 million and ₱6.2 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

d. Advances to officers and employees represent advances for official business expenses which are reasonable and necessary to carry out the operations of the entities within the Group. These advances are normally liquidated within one (1) month from the date the advances are obtained.

e. Others mainly include receivables from a former franchisee of STI ESG, vendors and contractor and receivables from Social Security System (SSS) amounting to ₱1.6 million, ₱10.1 million and ₱7.6 million as at March 31, 2024, respectively, and ₱1.6 million, ₱10.3 million and ₱5.4 million as at June 30, 2023, respectively. This account likewise includes interest receivables amounting to ₱2.8 million as at March 31, 2024 earned from the Group's short-term investments. These receivables are expected to be collected within the fiscal year.

7. **Inventories**

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱110,792,676**	₱98,227,803
Textbooks and other education-related materials	**9,057,400**	9,793,330
	119,850,076	108,021,133
Promotional materials:		
Proware materials	**20,526,835**	13,775,504
Marketing materials	**1,384,021**	428,244
	21,910,856	14,203,748
School materials and supplies	**10,690,978**	7,273,419
	₱152,451,910	₱129,498,300

The inventory of student uniforms includes tertiary, senior, and junior high school uniforms. The increase in inventory is due to advance orders made to meet future demands, considering production lead time and the availability of raw materials.

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Hence, the carrying value of inventories carried at net realizable value is nil as at March 31, 2024 and 2023. Allowance for inventory obsolescence amounted to ₱24.1 million as at March 31, 2024 and June 30, 2023. No provision was recognized for the nine-month periods ended March 31, 2024 and 2023.

Inventories charged to cost of educational materials and supplies sold amounted to ₱81.8 million and ₱ 76.8 million for the nine-month periods ended March 31, 2024 and 2023, respectively (see Note 23).

8. Prepaid Expenses and Other Current Assets

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Input VAT - net	**₱49,624,675**	₱47,648,116
Prepaid taxes	**46,495,607**	77,642,338
Prepaid subscriptions and licenses	**26,841,601**	18,301,411
Advances to suppliers	**25,568,209**	32,598,735
Prepaid insurance	**5,601,239**	6,049,277
Software maintenance cost	**1,534,635**	1,480,531
Prepaid internet cost	**60,247**	87,916
Others	**2,471,908**	9,144,373
	₱158,198,121	₱192,952,697

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. The balance of this account as at March 31, 2024 is primarily attributed to STI WNU's input VAT recognized from the construction of its new School of Basic Education (SBE) building and ancillary works on its Engineering building (see Note 11) and the input VAT recognized on the Group's purchase of goods and services, while the balance as at June 30, 2023 includes STI ESG's input VAT recognized from the acquisition of two (2) parcels of land in Meycauayan City, Bulacan in October 2022, the renovation of STI WNU's Engineering building and the construction of STI WNU's new SBE building as well as the input VAT recognized on the Group's purchase of goods and services.

Prepaid taxes as at March 31, 2024 is composed largely of prepayments for business and real property taxes which will be recognized as expenses over the period covered. This account likewise includes excess prior year's tax credits and creditable withholding taxes which will be applied against income tax due on the following period.

Prepaid subscriptions and licenses primarily pertain to Microsoft, Adobe Creative Cloud, eLMS, GTI School Automate, Sophos Firewall, Toon Boom Harmony, Statistical Package for the Social Sciences (SPSS), and various eJournal subscriptions which were paid in advance. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Advances to suppliers as at March 31, 2024 and June 30, 2023 primarily relate to advance payments for ongoing repair works in certain schools within the Group, student-related activities and payments made for the procurement of students' school uniforms.

Prepaid insurance as at March 31, 2024 primarily represents fire insurance coverage on buildings, including equipment and furniture, money security payroll, fidelity insurance, comprehensive general liability insurance, and health insurance coverage for employees, while the balance as at June 30, 2023 includes vehicle insurance coverage, health insurance coverage of employees, and fire and other risks insurance on buildings. These prepaid insurance premiums are paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Software maintenance cost includes annual support and maintenance charges for the use of the Group's 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.

Other prepaid expenses include advance payments made for the use of a recruitment platform, club memberships, and the fee for the annual monitoring of STI ESG's bond issue. As at June 30, 2023, other prepaid expenses also include advance rental payments of iACADEMY Cebu for its office space and billboard, prepaid accreditation expenses for courses/programs accredited by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) and membership fees of STI WNU in Negros Occidental Private Schools Sports Cultural Educational Association (NOPSSCEA).

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 ₱7.9 million and ₱9.0 million as at March 31, 2024 and June 30, 2023, respectively.

STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.1 million and ₱0.6 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.5 million for the nine-month periods ended March 31, 2024 and 2023.

10. Noncurrent Asset Held for Sale

<u>Quezon City Dacion Properties</u>
Noncurrent asset held for sale amounting to ₱1,020.7 million as at March 31, 2024 and June 30, 2023 represents the carrying value of the land, building and land improvements located in Quezon City (Quezon City dacion properties) which were obtained by the Parent Company in 2016 through the deeds of dacion (see Notes 12 and 27).

On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer as these properties have not been used in business since its receipt. With the classification as noncurrent asset held for sale, the Parent Company carried the said properties at the lower of its carrying amount and fair value less costs to sell. No impairment loss was recognized as a result of such classification.

In May and June 2022, the Parent Company issued to certain brokers an authority to sell and to perform all efforts in connection with the sale of the Quezon City dacion properties to prospective buyers.

In 2023, the Company started its negotiation with a certain real estate group for the sale of the properties. As of May 15, 2024, the negotiation is still ongoing.

11. **Property and Equipment**

	March 31, 2024 (Unaudited)														
	Land	**Buildings**	**Office and School Equipment**	**Office and School Furniture and Fixtures**	**Leasehold Improvements**	**Transportation Equipment**	**Computer Equipment and Peripherals**	**Library Holdings**	**Renewable Energy Equipment**	**Construction In-Progress**	**Right-of-use Asset – Land**	**Right-of-use Asset – Building**	**Right-of-use Asset - Transportation Equipment**	**Total**
Cost, Net of Accumulated Depreciation and Amortization														
Balance at beginning of period	**₱3,398,447,562**	**₱5,519,063,199**	**₱124,266,616**	**₱45,109,721**	**₱49,148,012**	**₱1,499,010**	**₱71,945,622**	**₱15,559,610**	**₱–**	**₱110,255,779**	**₱114,453,562**	**₱219,374,326**	**₱15,584,899**	**₱9,684,707,918**
Additions	**–**	**88,134,364**	**33,116,170**	**19,446,904**	**13,936,572**	**9,223,924**	**42,697,491**	**2,512,642**	**10,554,666**	**276,036,195**	**–**	**39,638,724**	**3,827,375**	**539,125,027**
Reclassification	**–**	**29,449,097**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,449,097)**	**–**	**–**	**–**	**–**
Lease modification	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,134,369)**	**–**	**(4,134,369)**
Disposal	**–**	**–**	**(21)**	**(31)**	**–**	**–**	**(16)**	**–**	**–**	**–**	**–**	**–**	**–**	**(68)**
Depreciation and amortization (see Notes 22 and 24)	**–**	**(252,162,994)**	**(46,366,723)**	**(15,580,707)**	**(21,224,091)**	**(1,583,833)**	**(29,859,151)**	**(3,160,159)**	**(782,295)**	**–**	**(6,512,541)**	**(41,856,131)**	**(8,425,881)**	**(427,514,506)**
Balance at end of period	**₱3,398,447,562**	**₱5,384,483,666**	**₱111,016,042**	**₱48,975,887**	**₱41,860,493**	**₱9,139,101**	**₱84,783,946**	**₱14,912,093**	**₱9,772,371**	**₱356,842,877**	**₱107,941,021**	**₱213,022,550**	**₱10,986,393**	**₱9,792,184,002**
At March 31, 2024:														
Cost	**₱3,398,447,562**	**₱8,267,224,048**	**₱1,004,137,714**	**₱423,487,061**	**₱253,311,186**	**₱29,171,799**	**₱608,057,259**	**₱225,984,214**	**₱10,554,666**	**₱356,842,877**	**₱147,654,301**	**₱373,459,934**	**₱63,882,888**	**₱15,162,215,509**
Accumulated depreciation and amortization	**–**	**(2,882,740,382)**	**(893,121,672)**	**(374,511,174)**	**(211,450,693)**	**(20,032,698)**	**(523,273,313)**	**(211,072,121)**	**(782,295)**	**–**	**(39,713,280)**	**(160,437,384)**	**(52,896,495)**	**(5,370,031,507)**
Net book value	**₱3,398,447,562**	**₱5,384,483,666**	**₱111,016,042**	**₱48,975,887**	**₱41,860,493**	**₱9,139,101**	**₱84,783,946**	**₱14,912,093**	**₱9,772,371**	**₱356,842,877**	**₱107,941,021**	**₱213,022,550**	**₱10,986,393**	**₱9,792,184,002**

	June 30, 2023 (Audited)													
	Land	Buildings	Office and School Equipment	Office and School Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Renewable Energy Equipment	Construction In-Progress	Right-of-use Asset – Land	Right-of-use Asset – Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization														
Balance at beginning of period	₱3,392,351,300	₱5,715,373,328	₱158,442,081	₱41,980,063	₱23,240,374	₱1,544,710	₱39,236,559	₱18,007,902	₱–	₱27,661,428	₱122,558,699	₱116,369,390	₱15,749,657	₱9,672,515,491
Additions	–	52,104,361	37,772,765	23,729,250	8,985,162	1,599,200	59,941,289	5,058,392		150,483,407	–	159,123,118	10,696,440	509,493,384
Reclassification from investment properties (see Note 12)	46,593,333	69,136,320	–	–	–	–	–	–	–	–	–	–	–	115,729,653
Reclassification to investment properties (see Note 12)	(40,497,071)	(20)	–	–	–	–	–	–	–	–	–	–	–	(40,497,091)
Reclassification	–	28,167,727	141,000	2,450,560	37,492,453	(186,253)	–	(362,684)	–	(67,889,056)	–	–	186,253	–
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
Disposal	–	–	(89)	(68)	–	–	(54)	(46)	–	–	–	–	–	(257)
Depreciation and amortization (see Notes 22 and 24)	–	(345,718,517)	(72,212,340)	(23,050,084)	(20,610,482)	(1,458,648)	(29,092,316)	(7,282,996)	–	–	(8,105,137)	(54,961,317)	(9,458,784)	(571,950,621)
Balance at end of period	₱3,398,447,562	₱5,519,063,199	₱124,266,616	₱45,109,721	₱49,148,012	₱1,499,010	₱71,945,622	₱15,559,610	₱–	₱110,255,779	₱114,453,562	₱219,374,326	₱15,584,899	₱9,684,707,918
At June 30, 2023:														
Cost	₱3,398,447,562	₱8,141,817,520	₱976,888,067	₱405,967,556	₱249,323,275	₱19,947,875	₱572,118,429	₱224,194,008	₱–	₱110,255,779	₱148,128,581	₱383,560,592	₱63,927,995	₱14,694,577,239
Accumulated depreciation and amortization	–	(2,622,754,321)	(852,621,451)	(360,857,835)	(200,175,263)	(18,448,865)	(500,172,807)	(208,634,398)	–	–	(33,675,019)	(164,186,266)	(48,343,096)	(5,009,869,321)
Net book value	₱3,398,447,562	₱5,519,063,199	₱124,266,616	₱45,109,721	₱49,148,012	₱1,499,010	₱71,945,622	₱15,559,610	₱–	₱110,255,779	₱114,453,562	₱219,374,326	₱15,584,899	₱9,684,707,918

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,990.7 million and ₱1,687.5 million as at March 31, 2024 and June 30, 2023, respectively. There were no idle property and equipment as at March 31, 2024 and June 30, 2023.

Additions

Property and Equipment under Construction. In preparation for SY 2023-2024, several wholly owned schools of STI ESG have undergone exterior and interior renovation projects. As at June 30, 2023, the remaining construction-in-progress related to this aggregated to ₱55.5 million. These projects have been completed as at March 31, 2024.

STI ESG likewise conducted roof deck waterproofing activities and subsequently installed solar panels at its head office building located in the STI Ortigas-Cainta campus, a school owned and operated by STI ESG. The solar panels have a total capacity of 212 kilowatts and have yielded cost savings for both administrative and school energy consumptions for the nine-month period ended March 31, 2024. These projects have an aggregate cost of ₱16.7 million. The roof deck waterproofing works and design and installation of solar power system were completed in November 2023.

As at March 31, 2024, the remaining construction-in-progress includes the (1) construction of the new building in STI Ortigas-Cainta campus, (2) canteen and basketball court roofing project for STI Legazpi (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of three-storey building at STI Lipa, (5) installation of solar panels, and (6) renovation and rehabilitation projects in some wholly-owned schools.

The school building being constructed at the STI Ortigas-Cainta campus has a total project cost of ₱217.3 million and is projected to accommodate an additional 4,500 students beginning SY 2024-2025. This project started during the nine-month period ended March 31, 2024 and is set to be completed in time for the next school year.

The construction-in-progress account also 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, labor and overhead and all other costs required for the completion of this project. This project is expected to be completed within the fiscal year ending June 30, 2024.

STI ESG has undertaken renovation works at its Tanay property. The initial phase, addressing exterior facilities, amounted to a total contract cost of ₱14.5 million and was completed in January 2024. The subsequent phase, focusing on interior improvements, carries a project cost of ₱14.6 million and is expected to be completed within the fiscal year ending June 30, 2024.

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

The construction-in-progress account also includes the ongoing installation of solar panels in certain wholly-owned schools of STI ESG. These projects have an aggregate cost of ₱23.0 million and are expected to be completed in time for the next school year.

Moreover, some of STI ESG's wholly owned schools have also undergone various renovation and rehabilitation projects in preparation for the next school year. These projects, with an aggregate cost of ₱18.9 million, are expected to be completed in time for the next school year.

The remaining construction-in-progress account also includes the costs of construction of STI WNU's new SBE Building, rehabilitation of the main building and other repair works and the remaining ancillary works for the Engineering Building aggregating to ₱250.8 million and ₱74.3 million as at March 31, 2024 and June 30, 2023, respectively. The construction of the SBE building and other projects, including ancillary works for the Engineering building, were completed in April 2024.

As at June 30, 2023, property and equipment includes the construction/fit-out cost of iACADEMY's campus in Cebu City. The total costs incurred as at June 30, 2023 for this project aggregated to ₱40.8 million, inclusive of materials, cost of labor and overhead and all other costs incurred for the completion of the project. Construction/fit-out work started in October 2022 and was completed in January 2023.

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes the 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). Included as part of the remaining construction-in-progress as at June 30, 2023 (as mentioned in the preceding paragraphs), STI ESG has invested an aggregate of ₱14.5 million for the major renovations made for this Tanay property. This includes construction of the perimeter fence and gate, exterior wall repainting and roof deck repairs, among others. The project was completed in January 2024.

<u>Collaterals</u>
iACADEMY's outstanding long-term loan is secured by a real estate mortgage on the Yakal land and building, and all other facilities, machineries, equipment and improvements therein (see Note 17). As at March 31, 2024 and June 30, 2023, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,320.2 million and ₱1,357.5 million, respectively.

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at March 31, 2024 and June 30, 2023. The net book value of these equipment amounted to ₱11.0 million and ₱15.6 million as at March 31, 2024 and June 30, 2023, respectively.

12. Investment Properties

	March 31, 2024 (Unaudited)				
	Land	Condominium Units and Buildings	Right-of-Use Asset - Building	Construction In-Progress	Total
Cost:					
Balance at beginning of period	**₱489,366,713**	**₱779,564,396**	**₱133,183,838**	**₱–**	**₱1,402,114,947**
Additions	**–**	**742,697**	**–**	**–**	**742,697**
Balance at end of period	**489,366,713**	**780,307,093**	**133,183,838**	**–**	**1,402,857,644**
Accumulated depreciation:					
Balance at beginning of period	**–**	**309,052,401**	**55,524,391**	**–**	**364,576,792**
Depreciation (see Note 24)	**–**	**19,908,720**	**9,711,922**	**–**	**29,620,642**
Balance at end of period	**–**	**328,961,121**	**65,236,313**	**–**	**394,197,434**
Net book value	**₱489,366,713**	**₱451,345,972**	**₱67,947,525**	**₱–**	**₱1,008,660,210**

	June 30, 2023 (Audited)				
	Land	Condominium Units and Buildings	Right-of-Use Asset - Building	Construction In-Progress	Total
Cost:					
Balance at beginning of year	₱352,742,258	₱703,141,550	₱133,183,838	₱86,671,554	₱1,275,739,200
Additions	142,720,717	5,279,044	–	–	147,999,761
Reclassification of completed construction-in-progress	–	86,671,554	–	(86,671,554)	–
Reclassification from property and equipment (see Note 11)	40,497,071	55,298,011	–	–	95,795,082
Reclassification to property and equipment (see Note 11)	(46,593,333)	(70,825,763)	–	–	(117,419,096)
Balance at end of year	489,366,713	779,564,396	133,183,838	–	1,402,114,947
Accumulated depreciation:					
Balance at beginning of year	–	228,926,408	42,575,161	–	271,501,569
Depreciation (see Note 24)	–	26,517,445	12,949,230	–	39,466,675
Reclassification from property and equipment (see Note 11)	–	55,297,991	–		55,297,991
Reclassification to property and equipment (see Note 11)	–	(1,689,443)	–	–	(1,689,443)
Balance at end of year	–	309,052,401	55,524,391	–	364,576,792
Net book value	₱489,366,713	₱470,511,995	₱77,659,447	₱–	₱1,037,538,155

As at March 31, 2024 and June 30, 2023, investment properties primarily include condominium units and buildings of the Group which are held for office or commercial lease.

Investment properties also include land and land improvements located in Davao City currently held by the Parent Company for capital appreciation and are not used in business. These properties (including the Quezon City dacion properties discussed in Note 10) were obtained by the Parent Company from Unlad through the Deeds of Dacion executed on March 31, 2016 (pursuant to a Memorandum of Agreement as discussed in Note 27) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company. The obligation arose from the loans extended by the Parent Company to PWU and Unlad when the Parent Company acceded, in November 2011, to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") by and among PWU, Unlad, an Individual and Mr. Eusebio H. Tanco (EHT), STI Holdings' BOD Chairman, for the formation of a strategic arrangement with regard to the efficient management and operation of PWU (see Note 27). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The properties were initially recognized as "Investment properties" at fair value amounting to ₱1,280.5 million at dacion date.

Land Acquired through Deed of Absolute Sale. STI ESG acquired two (2) 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 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 was ₱40.5 million. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2026 up to 2029.

Right-of-use Asset – Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for a building along Sen. Gil J. Puyat Avenue for a period of fifteen (15) years and three (3) months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three (3) years or the average of the Consumer Price Index for the last three (3) years, whichever is higher. iACADEMY subleases the building to third parties.

On September 6, 2022, iACADEMY entered into a sublease agreement on this leased building, particularly the ground floor unit 1 and the entirety of the second floor up to and including the roof deck of the building, with a third party, for a period of five (5) years commencing on March 15, 2023 and ending on March 14, 2028.

13. Investments in and Advances to Associates and Joint Venture

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net losses:		
Balance at beginning of period	**(26,143,098)**	(28,401,837)
Equity in net earnings (losses) of associates and joint venture	**(170,124)**	2,258,739
Balance at end of period	**(26,313,222)**	(26,143,098)
Accumulated share in associates' other comprehensive income:		
Balance at beginning and end of period	**329,306**	329,306
	20,579,493	20,749,617
Advances (see Note 25)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱20,579,493	₱20,749,617

There is no movement in the allowance for impairment in the value of investments in and advances to associates and joint ventures as at March 31, 2024 and June 30, 2023. The carrying values of these investments in and advances to associates and joint venture are as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
GROW, Inc.	**16,622,081**	16,733,574
Joint venture - Philippine Healthcare Educators, Inc. (PHEI)	**3,957,412**	4,016,043
	68,714,033	68,884,157
Allowance for impairment loss	**(48,134,540)**	(48,134,540)
	₱20,579,493	₱20,749,617

**The Group's share in equity of STI Accent for the nine-month period ended March 31, 2024 and the year ended June 30, 2023 is not material to the unaudited interim condensed consolidated financial statements.*

As at March 31, 2024 and June 30, 2023, the carrying amount of the investments in STI Marikina and STI Accent amounted to nil.

On October 2, 2023, the BOD of PHEI approved the cessation of its school operations effective December 31, 2023. As a result, PHEI changed its basis of accounting in its March 31, 2023 financial statements from a going concern to a liquidation basis. Accordingly, the carrying values of the remaining assets are presented at estimated realizable values and all liabilities are presented at estimated settlement amounts.

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

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

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Quoted equity shares	**₱8,424,600**	₱6,179,340
Unquoted equity shares	**65,523,067**	65,882,287
	₱73,947,667	₱72,061,627

a. Quoted Equity Shares

The quoted equity shares above pertain to shares listed in the PSE, as well as traded club shares. These are carried at fair value with cumulative changes in fair values presented as a separate component in equity under the "Unrealized fair value adjustment on equity instruments at FVOCI" account in the 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 which are not listed in a stock exchange.

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱31.0 million as at March 31, 2024 and June 30, 2023.

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.5 million and ₱1.3 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

15. Goodwill, Intangible and Other Noncurrent Assets

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Goodwill	**₱266,579,313**	₱266,579,313
Advances to suppliers	**86,225,467**	71,594,233
Intangible assets	**46,049,350**	48,483,245
Rental and utility deposits	**33,325,931**	34,113,820
Deferred input VAT	**10,824,959**	10,824,959
Others	**2,186,410**	4,213,950
	₱445,191,430	₱435,809,520

Goodwill
As at March 31, 2024 and June 30, 2023, the Group's goodwill acquired through business combinations have been allocated to certain schools which are considered as separate Cash generating units (CGUs). Management performs its impairment test at the end of each annual reporting period for all the CGUs. No impairment was recognized for the nine-month periods ended March 31, 2024 and 2023.

Advances to Suppliers
Advances to suppliers as at March 31, 2024 substantially pertain to advances to contractors for the (1) ongoing construction of the new school building in STI Ortigas-Cainta, (2) building improvement and upgrade of the laboratory facilities of the Tanay property of STI ESG, (3) installation of solar panels in certain wholly-owned schools, and (4) construction of STI WNU's new SBE building, remaining ancillary works for its Engineering building and construction of new kitchen laboratory, and other repair works. The related costs of these projects will be recognized as "Property and equipment" when the goods are received or the services are rendered.

Advances to suppliers as at June 30, 2023 relate to advance payments made for various transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi, (2) renovation of the Tanay property, (3) acquisition of capital assets, (4) various ongoing projects of the other schools owned and operated by STI ESG, and (5) construction of STI WNU's new SBE building and renovation of its Engineering building. The related costs of these projects will be recognized as "Property and equipment" when the goods are received or the services are rendered. The exterior works at STI ESG's Tanay property, the acquisition of capital assets, and various projects of schools referred to in this paragraph were completed as at March 31, 2024. The construction of STI Legazpi's canteen and basketball court roof is expected to be completed within the fiscal year.

Advances to suppliers as at March 31, 2024 and June 30, 2023 likewise include advance payments for the design and set-up of the new enrollment system for STI ESG. The related cost for this project will be recognized as "Intangibles" when the services are completely rendered.

Intangible Assets
Intangible assets substantially pertain to the license to operate a maritime school and related agreements which the Group identified as intangible assets for purposes of estimating the fair value of the net assets acquired by STI ESG. Such intangible assets with indefinite useful life, representing the fair value of the license and agreements, amounted to ₱27.6 million as at March 31 2024 and June 30, 2023.

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

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

Deferred Input VAT
This account represents input VAT which is expected to be recovered beyond one year (see Note 8).

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Accounts payable	**₱361,083,927**	₱457,352,866
Accrued expenses:		
Contracted services	**43,994,526**	55,619,790
School-related expenses	**25,246,398**	49,350,139
Salaries, wages and benefits	**20,095,753**	30,598,314
Utilities	**18,111,713**	9,176,207
Interest	**7,087,689**	23,550,067
Rent	**5,000,575**	2,366,145
Advertising and promotion	**2,694,456**	3,365,457
Others	**6,273,116**	5,352,839
Statutory payables	**40,522,770**	31,788,805
Student organization fund	**31,504,265**	26,034,726
Network events fund	**28,509,509**	16,304,070
Dividends payable (see Note 20)	**27,454,767**	27,411,219
Nontrade payable (see Note 27)	**17,000,000**	17,000,000
Current portion of refundable deposits (see Note 19)	**5,088,331**	5,663,137
Current portion of advance rent (see Note 19)	**2,058,149**	1,592,747
Others	**6,775,263**	10,701,940
	₱648,501,207	₱773,228,468

The terms and conditions of the above liabilities are as follows:

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

b. Accrued expenses and other payables are expected to be settled within the fiscal year.

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

d. The student organization fund refers to fees collected from the students and set aside to support the activities, initiatives, and operations of student organizations within the respective schools. This fund is expected to be fully utilized within the fiscal year.

e. Network events fund refers to fees collected from students and are used to subsidize the expenses intended for network-wide social, academic, arts, and sports competitions with the objective of enhancing the student development programs of the schools within the network. This fund is expected to be fully utilized within the fiscal year.

f. Dividends payable pertains to dividends declared which are unclaimed as at reporting date and are due on demand .

g. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. As at March 31, 2024 and June 30, 2023, the remaining balance of nontrade payable amounting to ₱17.0 million pertains to the portion of the contingent consideration to be released upon collection of STI WNU's trade receivables guaranteed as collectible by the Agustin family. As part of the Compromise Agreement, the parties also agreed to review the financial records of STI WNU to determine the status of collection (see Note 27).

h. Refundable deposits pertain to security deposits received from lessees by virtue of lease agreements and are expected to be returned to the lessees upon termination of the leases, net of cost of repairs and other reimbursements, as provided in the lease agreements. These amounts pertain to deposits on leases expiring within the next fiscal year.

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

Terms and conditions of payables to related parties are disclosed in Note 25 to the unaudited interim condensed consolidated financial statements.

17. Interest-bearing Loans and Borrowings

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Term loans [(a)]	**₱2,105,097,061**	₱854,984,834
Corporate Notes Facility[(b)]	**–**	213,518,514
Landbank ACADEME Program[(c)]	**–**	3,042,276
	2,105,097,061	1,071,545,624
Less current portion	**559,897,807**	262,837,889
Noncurrent portion	**₱1,545,199,254**	₱808,707,735

[(a)] *Net of unamortized debt issuance costs of ₱14.8 million and ₱4.8 million as at March 31, 2024 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 ₱7.9 thousand as at June 30, 2023.*

Term Loan Agreement with China Banking Corporation (China Bank)

iACADEMY. On September 28, 2017, iACADEMY, as Borrower, and Neschester, as Third Party Mortgagor, entered into an Omnibus Loan and Security Agreement (Omnibus Agreement) with China Bank granting iACADEMY a Term Loan Facility amounting to ₱800.0 million to refinance the ₱200.0 million short-term loan and partially finance the cost of construction of iACADEMY's Yakal campus. The long-term loan is secured by a real estate mortgage on the Yakal land and the building constructed thereon, and all other facilities, machineries equipment and improvements therein (see Note 11). The long-term loan matures on the 10th year anniversary of the initial drawdown on the Term Loan Facility (the Loan Maturity Date). The maturity date of subsequent drawdowns made within the availability period coincides with the Loan Maturity Date.

iACADEMY made the following drawdowns:

	Amount	Interest at Drawdown Date
September 29, 2017	₱200,000,000	4.4025%
January 10, 2018	130,000,000	4.4057%
April 5, 2018	240,000,000	4.6932%
May 15, 2018	130,000,000	5.1928%
October 26, 2018	100,000,000	7.9266%
	₱800,000,000	

On September 28, 2018, the total drawdown amounting to ₱700.0 million was repriced at an interest rate of 6.8444% per annum. The loan facility has a term of 10 years, with a 3-year grace period on the principal repayment. The principal is payable semi-annually starting September 29, 2020, while the interest is payable semi-annually in arrears every March 29 and September 29 of each year. The interest rate shall be repriced one business day prior to each of the later interest payment date of the two relevant interest periods. Interest rate is determined based on the 1-year PHP Bloomberg Valuation Service (BVAL) reference rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than the sum of the BSP Overnight Lending Facility Rate and one-half percent (0.50%) per annum.

On September 13, 2019, China Bank approved iACADEMY's request to partially prepay the term loan. iACADEMY paid ₱200.0 million on September 30, 2019. On September 27, 2019, the total loan balance of ₱600.0 million was repriced at an interest rate of 5.3030% per annum.

With the prepayment made on September 30, 2019, China Bank approved the future repayment of the loan principal as follows:

Fiscal year	Amount
2021	₱80,000,000
2022	80,000,000
2023	80,000,000
2024	80,000,000
2025	80,000,000
2026	80,000,000
2027	80,000,000
2028	40,000,000
	₱600,000,000

On September 29, 2020, iACADEMY paid the ₱40.0 million regular amortization. The ₱560.0 million loan balance was repriced at 3.3727% per annum on September 28, 2020.

On September 16, 2021, China Bank approved iACADEMY's request to allow a partial principal prepayment in the amount of ₱120.0 million and a waiver of the 3.0% prepayment penalty. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million plus the ₱40.0 million regular amortization. The prepayment shall be applied in the inverse order of maturity according to the repayment schedule. The prepayment penalty was waived by China Bank.

With the prepayment made, China Bank approved the future repayment of the loan principal as follows:

Fiscal year	Amount
2022	₱40,000,000
2023	80,000,000
2024	80,000,000
2025	80,000,000
2026	80,000,000
	₱360,000,000

On March 9, 2023, China Bank approved iACADEMY's request to allow a partial principal prepayment in the amount of ₱100.0 million and a waiver of the 3.0% prepayment penalty.

On March 29, 2023, iACADEMY made a prepayment of ₱100.0 million plus the regular amortization of ₱40.0 million. The prepayment is applied in the inverse order of maturity according to the repayment schedule.

iACADEMY settled the regular principal amortization amounting to ₱40.0 million on September 29, 2023.

Further, on March 7, 2024, China Bank approved iACADEMY's request for a partial principal prepayment amounting to ₱40.0 million and a waiver of the 3.0% prepayment penalty. Subsequently, iACADEMY made a partial prepayment amounting to ₱40.0 million on March 29, 2024. The prepayment was applied in the inverse order of maturity according to the repayment schedule. The regular principal amortization of ₱40.0 million was also settled on March 29, 2024.

The outstanding loan balance of iACADEMY's Term Loan Agreement with China Bank amounting to ₱20.0 million as at March 31, 2024 is due on September 29, 2024.

The breakdown of iACADEMY's Term Loan with China Bank is as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of period	**₱140,000,000**	₱320,000,000
Payments	**(120,000,000)**	(180,000,000)
Balance at end of period	**20,000,000**	140,000,000
Unamortized debt issuance costs	**(102,193)**	(357,677)
Balance at end of period	**19,897,807**	139,642,323
Less current portion	**19,897,807**	79,795,613
Noncurrent portion	**₱–**	₱59,846,710

Interest rates were repriced at the rates of 3.2068% per annum and 5.6699% per annum effective September 28, 2021 and 2022, respectively. Starting September 28, 2023, the interest rate was adjusted to 8.0845% per annum.

Interest expense for the nine-month periods ended March 31, 2024 and 2023 amounted to ₱6.1 million and ₱10.6 million, respectively.

iACADEMY incurred costs related to the availment of the loan amounting to ₱8.2 million. These costs were capitalized and amortized using the EIR method. These are presented as a contra-liability account in the unaudited interim condensed consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱0.1 million and ₱0.4 million as at March 31, 2024 and June 30, 2023, respectively. Amortization of transaction costs recognized as interest expense amounted to ₱0.3 million and ₱1.3 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

The Omnibus Agreement contains, among others, covenants regarding incurring additional debt and declaration of dividends, to the extent that such will result in a breach of the required debt service cover (DSCR) and debt-to-equity (D/E) ratios. The required financial ratios are:

(1) DSCR of a minimum of 1.05x, which is the ratio of EBITDA for the immediately preceding twelve (12) months to debt service due in the next twelve (12) months.

(2) D/E ratio of not more than 2.0x, computed by dividing total liabilities (excluding unearned tuition and other school fees) by total equity.

As at March 31, 2024 and June 30, 2023, iACADEMY has complied with the above covenants.

<u>Term Loan Agreement with Bank of the Philippine Islands (BPI)</u>
STI ESG. On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement providing for a credit facility of up to the amount of ₱1,000.0 million. This credit facility is unsecured and is available and ending on the earliest of (i) December 31, 2024, (ii) the date the total facility is fully drawn by STI ESG, or (iii) the date the total facility is terminated or cancelled in accordance with the

terms of the Term Loan Agreement. The proceeds of this loan may be used to (i) partially refinance STI ESG's bonds due in March 2024, (ii) finance the campus expansion projects, and (iii) for other general corporate requirements.

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

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

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

Interest Period commences on the date of the Borrowing and has a duration of six (6) months and each six (6)-month period thereafter commencing upon the expiry of the immediately preceding Interest Period; provided that, in case of multiple Borrowings, for each Borrowing subsequent to the initial Borrowing, the first Interest Period for that subsequent Borrowing shall commence on the date of such Borrowing and shall end on the last day of the current Interest Period for the initial Borrowing as established above in order to synchronize the interest periods of all Borrowings. Interest Rate Setting Date means, two (2) Business Days prior to each Borrowing Date or, if that is not a Business Day, on the immediately preceding Business Day. Interest Rate Repricing Date shall mean two (2) Business Days prior to each semi-annual date coinciding with the Interest Payment Date.

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

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

Breakdown of STI ESG's Term Loan with BPI are as follows:

	March 31, 2024 (Unaudited)
Balance at beginning of year	**₱–**
Proceeds	**500,000,000**
Balance at end of year	**500,000,000**
Deferred finance cost	**(3,723,273)**
Balance at end of year	**496,276,727**
Less current portion	**(100,000,000)**
Balance classified as noncurrent	**₱396,276,727**

Financial Covenants

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

(1) Debt-to-equity (D/E) ratio not exceeding than 2.5:1.0, computed by dividing Total Debt over total Equity of the Borrower.

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

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

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

STI ESG's D/E ratios and DSCRs, as defined in the Term Loan Agreement with BPI, as at March 31, 2024 and June 30, 2023 are as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [(a)]	**₱2,899,749,491**	₱3,920,326,285
Total equity	**6,580,448,095**	6,340,073,063
D/E ratios	**0.44:1.00**	0.62:1.00

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) [(b)]	**₱1,765,110,517**	₱1,248,675,261
Total interest-bearing liabilities [(c)]	**808,560,073**	2,631,125,982
DSCR [(d)]	**2.18:1.00**	0.47:1.00

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

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

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

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

On March 18, 2024, STI ESG made a drawdown amounting to ₱1,000.0 million subject to an interestrate of 7.8503% per annum. The proceeds of this loan were used to partially finance STI ESG's 7-year bonds which were redeemed in full upon maturity on March 23, 2024.These loans are unsecured and are due based on the following original schedule:

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

Breakdown of STI ESG's Term Loan with Metrobank is as follows:

	March 31, 2024 (Unaudited)
Balance at beginning of year	**₱–**
Proceeds	**1,000,000,000**
Balance at end of year	**1,000,000,000**
Deferred finance cost	**(7,446,546)**
Balance at end of year	**992,553,454**
Less current portion	**(200,000,000)**
Balance classified as noncurrent	**₱792,553,454**

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

(1) Debt-to-equity (D/E) ratio of not more than 1.5x, shall mean the proportion of the Total Debt to Equity, and
(2) Debt Service Cover Ratio (DSCR) of at least 1.05x, shall mean the proportion of EBITDA to Debt Service.

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

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

STI ESG's D/E ratios and DSCRs, as defined in the Term Loan Agreement with Metrobank, as at March 31, 2024 and June 30, 2023 are as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [(a)]	**₱3,512,098,526**	₱4,607,401,250
Total equity	**6,562,064,312**	6,295,193,602
D/E ratios	**0.54:1.00**	0.73:1.00

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) [(b)]	**₱1,765,110,517**	₱1,248,675,261
Total interest-bearing liabilities [(c)]	**808,560,073**	2,631,125,982
DSCR [(d)]	**2.18:1.00**	0.47:1.00

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

Term Loan Agreement with China Banking Corporatation (China Bank)
STI ESG. On May 7, 2019, STI ESG and China Bank entered into a seven-year term loan agreement up to the amount of ₱1,200.0 million. The credit facility is unsecured and is available for a period of one year from May 7, 2019, the date of signing of the loan agreement. The proceeds of this loan 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 BVAL rate plus an interest spread of 1.50% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor. On the Initial Interest Rate Resetting Date, the applicable interest rate per annum for all drawdowns would be collectively reset based on the higher of 1-year BVAL rate plus an interest spread of 1.50% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

STI ESG may, on any Interest Resetting Date and upon serving a written notice, elect to fix the interest rate for the remaining period of the loan based on the higher of applicable BVAL rate plus an interest spread of 1.50% per annum divided by the Applicable Interest Premium Factor, or the agreed Floor rate divided by the Applicable Interest Premium Factor.

On July 3, 2020, STI ESG and China Bank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to the Borrower on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to the Borrower is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the fiscal 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. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum effective September 20, 2020. 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% per annum effective September 19, 2021 and 2022, respectively. Starting from September 19, 2023, the interest rate was adjusted to 8.0472% per annum.

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

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

On September 16, 2021, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, China Bank reduced the prepayment penalty from 3.0% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a payment 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 payment aggregating to ₱244.5

million, inclusive of interest on the outstanding term loan facility covering September 19 to 23, 2022 and 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, 2023 and September 19, 2023.

The revised repayment schedule as at March 31, 2024 is as follows:

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

The breakdown of STI ESG's Term Loan with China Bank follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of period	**₱720,000,000**	₱960,000,000
Repayments	**(120,000,000)**	(240,000,000)
Balance at end of period	**600,000,000**	720,000,000
Unamortized debt issuance costs	**(3,630,927)**	(4,657,489)
Balance at end of period	**596,369,073**	715,342,511
Less current portion	**240,000,000**	120,000,000
Noncurrent portion	**₱356,369,073**	₱595,342,511

Financial Covenants

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

(1) D/E ratio of not more than 1.50x, computed by dividing Total Liabilities by Total Equity. For purposes of this computation, Total Liabilities shall exclude Unearned Tuition and Other School Fees, and

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

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

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

On August 15, 2022, 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. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and June 30, 2023. Under the Term

Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year.

As at the required testing date of December 31, 2023, STI ESG is compliant with the D/E ratio of 0.86:1.00. With the above mentioned waiver on the DSCR, STE ESG is deemed compliant as well with a DSCR of 0.59:1.00.

STI ESG's D/E ratios and DSCRs, as defined in the Term Loan Agreement with China Bank, as at March 31, 2024 and June 30, 2023 are as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Total liabilities [(a)]	**₱3,834,945,717**	₱4,943,137,190
Total equity	**6,561,846,188**	6,295,193,602
D/E ratios	**0.58:1.00**	0.79:1.00

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
EBITDA [(b)]	**₱1,765,110,517**	₱1,248,675,261
Total interest-bearing liabilities [(c)]	**840,231,398**	2,631,125,982
DSCR	**2.10:1.00**	0.47:1.00

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

Corporate Notes Facility

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

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

An Accession Agreement to the Credit Facility Agreement was executed on December 16, 2014 among STI ESG, STI WNU and China Bank whereby STI WNU acceded to the Credit Facility entered into by STI ESG with China Bank in March 2014. In addition, an Amendment and Supplemental Agreement was also executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

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

In 2015, STI ESG availed a total of ₱1,200.0 million loans with interest ranging from 4.34% to 4.75% per annum. The interest rate for the outstanding balance of Corporate Notes Facility amounting to ₱240.0 million was repriced at 5.5556% per annum 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 D/E ratio and DSCR. STI ESG and STI WNU were required to maintain a D/E ratio of not more than 1.00:1.00 and DSCR of not less than 1.10:1.00.

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

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

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

    (1) D/E 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) DSCR of a minimum of 1.05x.

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

a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be due 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 nine-month periods ended March 31, 2024 and 2023, 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.

The breakdown of STI ESG's Loan under the Credit Facility Agreement is as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of period	**₱210,000,000**	₱240,000,000
Payments	**(210,000,000)**	(30,000,000)
	–	210,000,000
Add unamortized premium on corporate notes	**–**	3,518,514
Balance at end of period	**–**	213,518,514
Less current portion	**–**	60,000,000
Noncurrent portion	**₱–**	₱153,518,514

In January 2021, STI WNU fully paid its loan from the Corporate Notes Facility.

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

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

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

On September 19, 2023, STI ESG settled the principal payment due on its Corporate Notes Facility amounting to ₱30.0 million. On the same day, STI ESG fully paid the remaining principal on the same facility amounting to ₱180.0 million. In view of this loan being fully paid, the unamortized premium, associated with the Corporate Notes Facility amounting to ₱3.1 million as at September 19, 2023 was derecognized and taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the nine-month period ended March 31, 2024. This unamortized premium associated with the Corporate Notes Facility amounted to ₱3.5 million and nil as at June 30, 2023 and March 31, 2024, respectively.

<u>Waivers of Certain Covenants</u>

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

b. On July 23, 2020, China Bank approved the waiver of the following covenants:

   - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;

- Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
- Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.

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

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

e. On August 7, 2020, STI WNU requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG and the waiver of certain covenants in the Corporate Notes Facility Agreement dated March 20, 2014 and the Accession Agreement dated December 16, 2014. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment of STI WNU of LandBank's ACADEME Lending Program.

- the waiver of Section 7.01(s) re: Ranking of Notes which requires STI WNU to ensure that for as long as any Note is outstanding, STI WNU shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by STI WNU of LandBank's ACADEME Lending Program, to be secured by the corporate surety of STI Education System Holdings, Inc. and the assignment of the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank;

- the waiver of Section 7.02(g) of the Corporate Notes Facility Agreement re: Assignment of Revenues and Income which prohibits STI WNU from assigning, transferring, or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub-promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program;

- the waiver of Section 7.02(o) of the Corporate Notes Facility Agreement re: Encumbrances which prohibits STI WNU from permitting any Indebtedness to be secured by or to benefit from any Lien in favor of any creditor or class of creditors on or in respect of any present or future assets or revenues of STI WNU or the right of STI WNU in receiving income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of STI WNU's students in favor of LandBank as security for the ACADEME Lending Program; and

f. On August 7, 2020, iACADEMY requested China Bank for consent to avail of LandBank's ACADEME Lending Program by way of participation to the extent of ₱10.0 million in the Term Loan/Rediscounting Facility approved by LandBank in favor of STI ESG in the amount of

₱250.0 million and waiver of certain covenants in the Omnibus Loan and Security Agreement dated September 28, 2017. On September 8, 2020, China Bank approved the waiver of the following covenants in relation to the availment of iACADEMY of LandBank's ACADEME Lending Program:

- the waiver of Section 16.01(u) of the Omnibus Agreement re: Ranking of Notes which requires iACADEMY to ensure that for as long as any Note is outstanding, iACADEMY shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes insofar as the same relates to the availment by iACADEMY of LandBank's Academe Lending Program, to be secured by the corporate surety of STI Education System Holdings, Inc. and the assignment of the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank;

- the waiver of Section 16.02(k) of the Omnibus Agreement re: Encumbrances which prohibits iACADEMY from permitting any Indebtedness to be secured by or to benefit from any Lien in favor of any creditor or class of creditors on or in respect of any present or future assets or revenues of iACADEMY or the right of iACADEMY to receive income in relation to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program; and

- the waiver of Section 16.02(m) of the Omnibus Agreement re: Assignment of Revenues and Income which prohibits iACADEMY from assigning, transferring or conveying its right to receive income or revenues insofar as such assignment relates to the requirement of LandBank to assign the sub promissory notes to be executed by the parents or benefactors of iACADEMY's students in favor of LandBank as security for the ACADEME Lending Program.

<u>LandBank ACADEME Program</u>
On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70.0% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the promissory note to be issued by the parents/benefactors of the students, which in no case shall exceed three (3) years. The loans covered by these promissory notes to be issued by the parents/benefactors of students are interest-free.

On September 16, 2020, the Rediscounting Agreement with LandBank was executed by STI ESG in relation to this loan arrangement. Further, on the same date, the Comprehensive Surety Agreement securing this facility was executed by STI Holdings in favor of LandBank. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction of Landbank. STI ESG has drawn from its Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million in 2021. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG paid ₱9.5 million during the year ended June 30, 2023. Total payments made up to June 30, 2023 is ₱19.1 million. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan was fully paid on January 31, 2024.

The carrying value of the loan amounted to nil and ₱3.0 million as at March 31, 2024 and June 30, 2023, respectively.

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

Interest incurred on the loans (including amortization of debt issuance costs and premium) for the nine-month periods ended March 31, 2024 and 2023 amounted to ₱56.0 million and ₱64.9 million, respectively.

18. **Bonds Payable**

	March 31, 2024 (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:		
Payment	**2,180,000,000**	–
Unamortized debt issuance costs	**5,449,763**	11,577,016
Balance at end of year	**814,550,237**	2,988,422,984
Less current portion	**–**	2,175,083,335
Noncurrent portion	**₱814,550,237**	₱813,339,649

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

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

The bonds include an embedded derivative in the form of an early redemption option that gives STI ESG the option, but not the obligation, to redeem in whole (and not in part), the outstanding bonds before the relevant maturity date, based on a certain price depending on the fixed early redemption option dates. Management has assessed that the early redemption option is closely related to the bonds and would not require to be separated from the value of the bonds and accounted for as a derivative.

Subsequent reassessment is required when there has been a change in the terms of the contract that significantly modifies the cash flows.

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

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value: **March 31, 2024 (Unaudited)**	Carrying Value: June 30, 2023 (Audited)	Features
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	**₱–**	₱2,175,083,335	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	**814,550,237**	813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	**₱814,550,237**	₱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 corporations 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 and Supplemental Trust Agreement ("the Bond Trust Agreements") also contain, among others, covenants regarding incurring additional debt and declaration of dividends. STI ESG is required to maintain a D/E ratio of not more than 1.50:1.00 and DSCR of not less than 1.05:1.00 computed based on the unaudited interim condensed consolidated financial statements and audited consolidated financial statements, as applicable. In accordance with the terms of the Trust Agreements, testing of compliance with required ratios is done every June 30 and December 31 of each year.

As at the required testing date of December 31, 2023, STI ESG is compliant with the D/E ratio of 0.86:1.00 and the DSCR of 4.92:1.00.

STI ESG's D/E ratios and DSCRs as defined in the Bond Trust Agreement, as at March 31, 2024 and June 30, 2023 are as follows:

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Total liabilities[a]	**₱3,834,945,717**	₱4,943,137,190
Total equity	**6,561,846,188**	6,295,193,602
D/E ratios	**0.58:1.00**	0.79:1.00

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) [b]	**₱1,528,966,805**	₱1,248,675,261
Total interest-bearing liabilities[c]	**310,980,490**	528,177,322
DSCR	**4.92:1.00**	2.36:1.00

[b] *EBITDA for the last twelve months*

[c] *Total interest-bearing debts and interest 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 the required testing dates of December 31, 2023 and June 30, 2023, STI ESG is compliant with the required covenants.

Supplemental Trust Agreement

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

- Amendments Relating to Negative Covenants Waiver

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

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

(b) Section 7.02(b) of the Trust Agreement is hereby amended to read as follows:
"incur Indebtedness or enter into, or permit any Subsidiary to enter into, any loan facility agreement secured by or to be secured by a Lien upon any assets and revenues, present and future, whether registered or unregistered, of the Issuer or any Subsidiary, as the case may be, 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 DSCR requirement shall be waived up to June 30, 2023.

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

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

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

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

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

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

"Section 7.01 Affirmative Covenants of the Issuer

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

(k) maintain and observe the following financial ratios:

(i) an Interest Coverage Ratio of not less than 3.00:1.00; and

(ii) a maximum Debt-to-Equity Ratio of 1.5:1.00.

For purposes of this Section 7.01(k):

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

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

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

STI ESG's D/E ratio and ICR, as defined in the Second Supplemental Trust Agreement, as at March 31, 2024 are as follows:

	March 31, 2024 (Unaudited)
Total liabilities [a]	**₱3,834,945,718**
Total equity	**6,562,064,312**
D/E ratio	**0.58:1.00**

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

	March 31, 2024 (Unaudited)
EBITDA (see Note 4) [b]	**₱1,765,110,517**
Interest expense [c]	**244,538,687**
ICR	**7.22:1.00**

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

<u>Bond Issuance Costs</u>
STI ESG incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs were capitalized and amortized using the EIR method. The carrying value of the unamortized bond issuance costs amounted to ₱5.4 million and ₱11.6 million as at March 31, 2024 and June 30, 2023, respectively. Amortization of bond issuance costs amounting to ₱6.1 million and ₱5.9 million for the nine-month periods ended March 31, 2024 and 2023, respectively, were recognized as part of "Interest expense" account in the unaudited interim condensed consolidated statements of comprehensive income.

<u>Interest Expense</u>
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱137.5 million and ₱140.1 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

19. Other Noncurrent Liabilities

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Advance rent - net of current portion (see Note 16)	**₱55,896,721**	₱57,809,767
Refundable deposits - net of current portion (see Note 16)	**48,348,012**	49,331,720
Deposit for future stock subscription	**8,000,000**	–
Deferred lease liability	**2,969,161**	4,410,235
Deferred output VAT	**347,305**	532,282
	₱115,561,199	₱112,084,004

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

Advance rent pertains to amounts 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 fully performed 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.

On January 26, 2024, the BOD of STI Training Academy approved a cash call amounting to ₱20.0 million for the purpose of funding its capital expenditures and operating expenses. STI ESG contributed ₱12.0 million while another interested party contributed ₱8.0 million. The contribution of the latter was recognized as "Deposit for future stock subscription" as part of the "Noncurrent Liabilities" in the unaudited interim condensed consolidated statements of financial position pending the increase in the authorized capital stock of STI Training Academy and the execution of the agreement on the subscription of shares.

20. **Equity**

Capital Stock
Details as at March 31, 2024 and June 30, 2023 are as follows:

	Shares	Amount
Common stock - ₱0.50 par value per share		
Authorized	10,000,000,000	₱5,000,000,000
Issued and outstanding	9,904,806,924	4,952,403,462

Set out below is the Parent Company's track record of registration of its securities:

	Number of Shares		Issue/
Date of Approval	Authorized	Issued	Offer Price
December 4, 2007*	1,103,000,000	307,182,211	₱0.50
November 25, 2011**	1,103,000,000	795,817,789	0.60
September 28, 2012***	10,000,000,000	5,901,806,924	2.22
November 7, 2012	10,000,000,000	2,627,000,000	0.90
November 28, 2012	10,000,000,000	273,000,000	0.90

* *Date when the registration statement covering such securities was rendered effective by the SEC.*
** *Date when the Parent Company filed SEC form 10-1(k) (Notice of Exempt Transaction) with the SEC in accordance with the Securities Regulation Code and its Implementing Rules and Regulations.*
*** *Date when the SEC approved the increase in authorized capital stock.*

As at March 31, 2024 and June 30, 2023, the Parent Company has a total number of shareholders on record of 1,266 and 1,264, respectively.

Cost of Shares Held by a Subsidiary
This account represents 500,433,895 STI Holdings shares owned by STI ESG as at March 31, 2024 and June 30, 2023 amounting to ₱498.1 million which are treated as treasury shares in the unaudited interim condensed consolidated statements of financial position.

Other Comprehensive Income and Non-controlling Interests

	March 31, 2024 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (loss)	**₱29,313,301**	**(₱98,110)**	**₱29,215,191**
Fair value changes in equity instruments at FVOCI (see Note 14)	**17,319,600**	**249,819**	**17,569,419**
Share in associates' cumulative actuarial gain (see Note 13)	**321,569**	**7,853**	**329,422**
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	**(114)**	**(2)**	**(116)**
	₱46,954,356	**₱159,560**	**₱47,113,916**

	June 30, 2023 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss)	₱5,481,945	(₱421,787)	₱5,060,158
Fair value changes in equity instruments at FVOCI (see Note 14)	15,104,760	219,399	15,324,159
Share in associates' cumulative actuarial gain (see Note 13)	321,569	7,853	329,422
Share in associates' unrealized fair value loss on equity instruments designated at FVOCI (see Note 13)	(114)	(2)	(116)
	₱20,908,160	(₱194,537)	₱20,713,623

Retained Earnings

On December 21, 2023, cash dividends amounting to ₱0.030 per share or the aggregate amount of ₱297.1 million were declared by the Parent Company's BOD in favor of all stockholders of record as at January 10, 2024. The said cash dividends were paid on January 31, 2024.

On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Parent Company's BOD in favor of all stockholders of record as at January 6, 2023. The said cash dividends were paid on January 31, 2023.

Policy on Dividends Declaration. On September 29, 2017, the Parent Company's BOD adopted a policy on the declaration of dividends starting with Fiscal Year 2017-2018.

The BOD approved a dividend declaration policy of not less than 25.0% of the core income of STI Holdings from the previous fiscal year, subject to compliance with the requirements of applicable laws and regulations, statutory limitations and/or restrictions, terms and conditions which may be imposed on STI Holdings by lenders or other financial institutions, and its investment plans and financial condition.

Core income is defined as consolidated net income after income tax derived from STI Holdings' main business which is education, and other recurring income.

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

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

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

21. **Revenues**

Disaggregated Revenue Information

The disaggregated revenue information is presented in the statement of comprehensive income and segment information in a manner that reflects the various sources and categories of revenues generated by the Company during the nine-month periods ended March 31, 2024 and 2023.

Timing of Revenue Recognition

	Nine months ended March 31	
	2024 (Unaudited)	2023 (Unaudited)
Services transferred over time	**₱3,180,749,812**	₱2,272,234,914
Goods and services transferred at a point in time	**170,314,491**	148,802,141
	₱3,351,064,303	₱2,421,037,055

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 liabilities and the timing of revenue recognition for SY 2023-2024 and SY 2022-2023.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱141.1 million and ₱116.8 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the nine-month periods ended March 31, 2024 and 2023.

Performance Obligations

The performance obligations related to revenue 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.

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 thirty (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 thirty (30) days from delivery.

As at March 31, 2024 and June 30, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱1,270.1 million and ₱141.1 million, respectively. The contract liabilities as at March 31, 2024 refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations as at June 30, 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.

22. Cost of Educational Services

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
Faculty salaries and benefits	**₱410,132,928**	₱312,486,828
Depreciation and amortization (see Note 11)	**287,605,434**	275,534,767
Student activities, programs and other related expenses	**119,599,449**	66,039,138
Software maintenance	**28,038,405**	22,629,024
Rental	**22,528,559**	18,024,817
School materials and supplies	**21,317,545**	6,888,392
Courseware development costs	**1,072,268**	1,282,690
Others	**23,242,451**	6,402,958
	₱913,537,039	₱709,288,614

23. Cost of Educational Materials and Supplies Sold

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
Educational materials and supplies	**₱70,484,897**	₱71,082,628
Promotional materials	**11,330,363**	5,736,431
	₱81,815,260	₱76,819,059

24. General and Administrative Expenses

	Nine months ended March 31	
	2024	2023
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	**₱337,064,566**	₱280,075,417
Depreciation and amortization (see Notes 11 and 12)	**172,838,704**	175,274,126
Light and water	**124,767,628**	114,353,859
Outside services	**111,136,600**	87,260,851
Provision for ECL (see Note 6)	**98,127,680**	75,008,124
Professional fees	**66,131,500**	53,913,180
Repairs and maintenance	**32,894,982**	26,370,747
Taxes and licenses	**31,601,098**	28,938,547
Transportation	**26,183,638**	25,451,988
Advertising and promotions	**19,918,069**	11,600,549
Meetings and conferences	**16,816,538**	14,336,303
Insurance	**14,555,532**	13,399,445

Forward

	Nine months ended March 31	
	2024 (Unaudited)	2023 (Unaudited)
Entertainment, amusement and recreation	**₱12,416,130**	₱11,509,351
Rental	**9,447,809**	7,853,684
Office supplies	**8,887,651**	7,509,305
Communication	**8,656,995**	7,675,687
Software maintenance	**4,605,588**	3,600,926
Payment gateway and bank charges	**3,321,322**	2,439,590
Association dues	**2,985,139**	1,428,249
Training and seminars	**795,900**	3,202,795
Others	**9,156,055**	10,027,448
	₱1,112,309,124	₱961,230,171

25. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the 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	**March 31, 2024 (Unaudited)**	March 31, 2023 (Unaudited)	**March 31, 2024 (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 ECL
GROW, Inc.						
Rental income and other charges	**815,870**	819,356	**10,390,204**	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**21,166**	–	**(119,383)**	(98,217)	Refundable upon end of contract	Unsecured
STI Alabang**						
Educational services and sale of educational materials and supplies	**–**	7,668,672	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	**12,291,472**	9,065,385	**849,053**	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilhealthCare, Inc.						
Facility sharing and other charges	**9,184,339**	9,752,751	**3,144,897**	455,516	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**8,801,506**	9,537,422	**(8,066)**	(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

Forward

Related Party	Amount of Transactions during the Period **March 31, 2024 (Unaudited)**	 March 31, 2023 (Unaudited)	Outstanding Receivable (Payable) **March 31, 2024 (Unaudited)**	 June 30, 2023 (Audited)	Terms	Conditions
Phils First Insurance Co., Inc.						
Rental and other charges	**₱3,455,514**	₱3,587,674	**₱–**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**17,238,411**	16,254,451	**(1,250)**	(237,996)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**7,295,190**	10,228,732	**(582,931)**	(20,941)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippine Life Financial Assurance Corporation						
Facility sharing, utilities other charges	**759,535**	10,607,680	**124,582**	300,368	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**369,440**	370,925	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	**–**	–	**–**	(1,950,480)	Refundable upon end of contract	Unsecured
GROW Vite Staffing Services, Inc.						
Rental income and other charges	**843,487**	1,807,924	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and staffing services	**27,326,113**	24,469,233	**(3,948,835)**	(2,104,323)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**88,675**	96,750	**125,832**	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**49,959**	–	**(421,744)**	(371,785)	Refundable upon end of contract	Unsecured
Officers and employees						
Advances for various expenses	**56,504,761**	54,167,461	**38,658,480**	31,748,600	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**225,000**	225,000	**716,298**	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**430,000**	300,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱95,111,197	₱85,954,141		

**Affiliates are entities under common control of a majority Shareholder*
***Became a wholly-owned subsidiary as at March 31, 2023*

Related party receivables and payables are generally settled in cash.

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

	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**38,658,480**	31,748,600
Rent, utilities and other related receivables (see Note 6)	**14,501,813**	12,561,892
Educational services and sale of educational materials and supplies (see Note 6)	**849,053**	248,242
Accounts payable (see Note 16)	**(7,032,689)**	(6,739,133)
	₱95,111,197	₱85,954,141

Outstanding balances of transactions with subsidiaries which were eliminated at the consolidated financial statements follow:

	Amount of Transactions during the Period		Outstanding Receivable (Payable)			
Category	March 31, 2024 (Unaudited)	March 31, 2023 (Unaudited)	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)	Terms	Conditions
Subsidiaries						
STI ESG						
Advisory fee	**₱10,800,000**	₱10,800,000	**₱–**	₱–	30 days upon receipt of billings; Noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**13,756**	80,080	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend income	**608,124,607**	212,843,613	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
Dividends paid	**15,012,987**	7,506,493	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI WNU						
Advisory fee	**2,700,000**	2,700,000	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Dividend income	**75,237,575**	–	**–**	–	Due and demandable; noninterest-bearing	Unsecured; no impairment
AHC						
Payable to AHC	**–**	–	**(63,778,000)**	(63,778,000)	Payable upon demand; noninterest-bearing	Unsecured
Subscription payable	**–**	–	**(64,000,000)**	(64,000,000)	Noninterest-bearing	Unsecured
iACADEMY						
Advisory fee	**382,500**	382,500	–	–	30 days upon receipt of billings; Noninterest-bearing	Unsecured

The Parent Company executed a Surety Agreement in relation to STI ESG's loan facility with LandBank. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction of Landbank. STI ESG's loan facility with LandBank was fully paid on January 31, 2024 (see Notes 17 and 27).

Material Related Party Transactions Policy

The Parent Company's BOD shall approve all material related party transactions before their commencement. Transactions amounting to the materiality threshold of ten percent (10.0%) or more of the consolidated total assets that were entered into with an unrelated party that subsequently becomes a related party are excluded from the limits and approval process requirements. The Parent Company may set a lower threshold upon determination by the BOD of the risk of the related party transactions to cause damage to the Parent Company and its stockholders.

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

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share for the nine-month periods ended March 31, 2024 and 2023:

	Nine months ended March 31	
	2024 (Unaudited)	2023 (Unaudited)
Net income attributable to equity holders of STI Holdings (a)	**₱1,106,569,609**	₱578,694,647
Common shares outstanding at beginning and end of period (b) (see Note 20)	**9,904,806,924**	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings (a)/(b)	**₱0.112**	₱0.058

The basic and diluted earnings per share are the same for the nine-month periods ended March 31, 2024 and 2023 as there are no dilutive potential common shares.

27. Contingencies and Commitments

Contingencies

a. *Agreements with PWU and Unlad.* On various dates in 2011, 2012 and 2013, the Parent Company and AHC extended loans and advances to PWU and Unlad by virtue of several agreements (collectively, "Loan Documents"), which were secured by mortgages over PWU and Unlad properties, entered into among the Parent Company, AHC, PWU and Unlad in the total principal amount of ₱513.0 million. Upon the non-adherence to the terms and conditions stated in the agreements, the Parent Company and AHC served notices of default to PWU and Unlad in December 2014, and demanded the payment of the total combined amount of approximately ₱926.0 million, inclusive of interests, penalties, fees and taxes.

   Upon failure to pay the aforesaid loan, the Parent Company and AHC enforced its rights under the aforesaid agreements and mortgages and filed several Petitions for Extra-Judicial Foreclosure of Real Estate Mortgage on (a) PWU Indiana and Taft Properties with the Office of the Clerk of Court and Ex-Officio Sheriff of the Regional Trial Court (RTC) of Manila, (b) Unlad's properties in Quezon City and (c) Davao Property with the Office of the Clerk of Court and Ex-Officio Sheriff of the RTC of Quezon City and Davao, respectively, in February 2015.

   On March 13, 2015, Dr. Helena Z. Benitez (HZB) filed a Creditor-Initiated Petition for Rehabilitation of PWU (PWU Rehabilitation Case) in RTC Manila (Rehabilitation Court). The Rehabilitation Case was dismissed by the Rehabilitation Court. The Motion for Reconsideration and responsive pleadings thereto subsequently filed by HZB and PWU were likewise denied by the Rehabilitation Court on January 21, 2016.

   Extra-judicial foreclosure sales were conducted in various dates in 2015 and 2016 for the above mentioned properties and the Parent Company was declared as the winning bidder for all extra-judicial foreclosure sales held.

On March 1, 2016, the Parent Company and AHC executed a Deed of Assignment wherein AHC assigned its loan to Unlad, including capitalized foreclosure expenses, amounting to ₱66.7 million for a cash consideration of ₱73.8 million. The Deed of Assignment provides that the cash consideration will be payable in cash of ₱10.0 million upon execution of the Deed of Assignment and the remaining balance of ₱63.8 million upon demand. Accordingly, AHC recognized a receivable from the Parent Company amounting to ₱63.8 million. Further, all the rights related to the receivable from Unlad have been transferred to STI Holdings.

On March 22, 2016, the Parent Company, PWU, Unlad, and HZB entered into a MOA for the extinguishment and settlement of the outstanding obligations of PWU and Unlad to the Parent Company. The MOA includes, among others, the execution of the following on March 31, 2016:

- Deed of Dacion en pago of Quezon City Properties and Davao Property (collectively referred to as the "Deeds") in favor of the Parent Company
- Release and cancellation of mortgages over the Manila Properties to be executed by the Parent Company

The MOA also provided that the Parent Company would be committed to fund and advance all taxes, expenses and fees to the extent of ₱150.0 million in order to obtain the CAR and the issuance of new TCT and TD in favor of the Parent Company. In the event that such expenses would be less than ₱150.0 million, the excess would be given to Unlad. However, if the ₱150.0 million would be insufficient to cover the expenses, the Parent Company would provide the deficiency without any right of reimbursement from Unlad.

Consequently, the Parent Company recognized the Quezon City properties and the Davao property as "Investment properties". On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer and reclassified these as noncurrent asset held for sale as these properties have not been used in business since its receipt (see Notes 10 and 12). The Davao property remained as investment property.

Relative to the above, the following cases have been filed:

(i). *Arbitration Case and Derivative Suit filed by Mr. Conrado Benitez II.*

a. Mr. Conrado L. Benitez II (the Claimant) filed on June 28, 2016 a Request for Arbitration, with the Philippine Dispute Resolution Center, Inc. (PDRCI), for and on behalf of PWU and Unlad, wherein he requested that the directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, Mr. Alfredo Abelardo B. Benitez (ABB) and AHC (collectively, the "Respondents") submit the alleged dispute over the settlement of the loan obligations of PWU and Unlad as provided in the arbitration clause of the Joint Venture Agreement and Omnibus Agreement (the "Loan Documents").

   In the said Arbitration Case, the Claimant asserted that PWU and Unlad are not in default in their obligations under the Loan Documents. The obligations provided therein, specifically obtaining a tax-free ruling for Property for Share Swap Transaction from the BIR, is an impossible condition. Consequently, the foreclosures on the securities of the Loan Documents, real properties of PWU and Unlad, were null and void because (a) failure to submit the case for arbitration and (b) PWU and Unlad are not in default. Based on such circumstances, the Claimant sought, among others, the (a) renegotiation, or (b) rescission of the Loan Documents. Should the Loan Documents be rescinded, the Claimant also sought that PWU and Unlad shall be allowed twelve months to sell the Davao and Quezon City Properties to return the alleged investments made by the Parent Company, EHT, ABB and

AHC. Lastly, the Claimant sought the payment of attorney's fees of not less than ₱5.0 million, ₱0.5 million of which is for expenses and reimbursement of the cost of suit, expenses, and other fees.

After receiving the Notice of Arbitration and being informed that the required fees have not been paid by the Claimant, the Parent Company, AHC, and EHT filed an Entry of Appearance with Manifestation (Manifestation). In the Manifestation, they informed the PDRCI that the Claimant should be compelled to pay said fees before the arbitration proceedings can proceed.

The PDRCI issued a Notice dated August 26, 2016, which informed the parties to the instant case that the proceedings are suspended until the Claimant settles the outstanding provisional advance on cost for filing the instant case.

The Parent Company sent a letter dated July 2, 2020 addressed to the Office of the Secretariat-General of PDRCI. In the said letter, the Parent Company informed the PDRCI about the death of the Claimant. The Parent Company also moved for the PDRCI to dismiss and/or consider the case withdrawn due to the non-payment of the provisional advance on cost for more than three (3) years.

As at May 15, 2024, the PDRCI has not issued any response to said letter.

b. After filing the Request for Arbitration, Mr. Conrado L. Benitez II (the "Petitioner") then filed on June 29, 2016 a derivative suit for himself and on behalf of Unlad and PWU against directors/trustees and stockholders/members of Unlad and PWU, EHT, the Parent Company, ABB and AHC (collectively, the "Defendants") docketed as Civil Case No. 16-136130 in the RTC of Manila (the "Derivative Suit").

In the Derivative Suit, the Petitioner primarily asserts that the Parent Company, EHT, ABB and AHC should submit themselves to the arbitration proceedings filed with the PDRCI because the Loan Documents required any alleged dispute over the same to be resolved through arbitration. Consequently, the Petitioner alleges that the foreclosure proceedings and settlement of the obligations of PWU and Unlad as evidenced by the MOA dated March 22, 2016 executed by PWU and Unlad with the Parent Company and AHC are null and void for not complying with the aforesaid arbitration clause. Likewise, the Petitioner sought the payment of attorney's fees not less than ₱1.0 million and ₱0.1 million for expenses and cost of suit.

On July 26, 2016, the Parent Company and AHC filed their Joint Answer with Compulsory Counterclaim (Joint Answer). In the Joint Answer, the Parent Company and AHC asserted that the instant case is a mere harassment and nuisance suit, and a deliberate form of forum shopping when the Petitioner filed the Arbitration Case for the same purpose. Likewise, the Petitioner cannot compel the corporations to submit themselves to arbitration because (a) the parties to the Loan Documents have already settled any disputes, and (b) the said corporations are not stockholders and members of PWU and Unlad. Lastly, the relevant laws allow the Parent Company and AHC to institute foreclosure proceedings even if there is an arbitration clause.

Simultaneously, EHT filed his Answer wherein he asserted that the Petitioner cannot compel him to submit himself to arbitration when he is not a party to the Loan Documents.

Meanwhile, the other co-defendants, namely (a) ABB, and (b) Dr. Jose Francisco and Marco Benitez, filed their respective Answer(s) to the Complaint.

After the termination of Court-Annexed Mediation and pre-trial conference, the Petitioner manifested that the Trial Court should proceed to resolve the case based on the pleadings and affidavits already filed by the parties in accordance with the Interim Rules Governing Intra-Corporate Controversies.

The Trial Court issued an Order dated June 23, 2017 requiring the parties to file their respective Memoranda within twenty (20) days from receipt thereof in order for the Trial Court to proceed to render judgment, full or otherwise, based on all of the pleadings and evidence submitted by the parties in relation and pursuant to Rule 4, Section 4 of the Interim Rules of Procedure Governing Intra-Corporate Controversies under RA No. 8799 (Interim Rules). All of the parties filed their respective Memoranda on July 25, 2017.

On February 9, 2018, the Parent Company received the Decision dated January 19, 2018, which dismissed the case. In the Decision, the Trial Court deemed that Petitioner failed to establish fraud or bad faith on the part of the Defendants. Consequently, the Trial Court cannot contravene in the agreement among the Parent Company, Unlad, PWU and AHC to amicably settle the outstanding obligations of PWU and Unlad to AHC and the Parent Company.

On February 28, 2018, the Parent Company, AHC and EHT received the Plaintiffs' Petition for Review of the aforesaid Decision filed with the Court of Appeals – Manila and docketed as C.A. G.R. No. 154654.

While the said Petition for Review is pending, the Parent Company discovered that the Petitioner was able to cause the annotation of lis pendens on the titles of the three (3) Quezon City properties subject of the amicable settlement with PWU and Unlad.

Consequently, the Parent Company filed a Motion to Cancel Lis Pendens with the Court of Appeals where the case was pending. In the Motion, the Parent Company sought for the cancellation of said lis pendens due to impropriety and/or invalidity of the same.

The Court of Appeals issued a Resolution requiring all of the parties to file their respective Memoranda. On May 9, 2019, the Parent Company, AHC and EHT filed their Joint-Memorandum.

While the appeal of the Petitioner is pending, the Parent Company filed a Manifestation and Motion dated July 29, 2020. In the said Manifestation and Motion, the Parent Company informed the Court of Appeals about the death of the Petitioner on March 28, 2020. Consequently, the Parent Company moved for the resolution and dismissal of the said appeal.

The Petitioner's counsel filed a Notice and Motion dated August 14, 2020, which also informed the Court of Appeals about the death of the Petitioner. Consequently, said counsel moved that the Petitioner be substituted by his wife and children.

In response thereto, the Parent Company filed its Comment/Opposition dated August 24, 2020. In the Comment/Opposition, the Parent Company argued that the Petitioner cannot be substituted because he can only be substituted by a member of PWU and stockholder of Unlad. The wife and children of the Petitioner cannot be members of PWU because membership in PWU is non-transferable.

In the Resolution dated October 28, 2021, the Court of Appeals granted the Motion for Substitution.

In the Resolution dated February 11, 2022, the Court of Appeals dismissed the Petition filed by the Plaintiffs. The Court of Appeals also granted the Motion to Cancel the Lis Pendens annotated on the Quezon City Properties.

On March 23, 2022, the Parent Company received the Motion for Reconsideration filed by the Heirs of Plaintiff Conrado Benitez II on the aforesaid Resolution dated February 11, 2022.

After the Court of Appeals required the parties to file their respective Comment to the said Motion for Reconsideration, the Parent Company filed its Comment/Opposition on May 23, 2022.

On April 11, 2023, the Court of Appeals declared that the Motion for Reconsideration filed by the Heirs of Plaintiff Benitez II is submitted for resolution.

As at May 15, 2024, the Court of Appeals has not issued its decision on the said Motion for Reconsideration.

(ii) Ejectment Case against Philippine Women's College of Davao, Inc. involving Unlad's Davao Property. On March 11, 2019, the Parent Company filed the Complaint for Unlawful Detainer against Philippine Women's College of Davao, Inc. (PWC-Davao), initially filed against Philippine Women's University of Davao, to recover possession of a portion of the parcel of land covered by Transfer Certificate of Title (TCT) No. T-129545 registered under the name of the former situated along University Ave and Richardo, Matina, Davao City being used as a parking area (the "Subject Premises") by the latter.

The Subject Premises formed part of the 40,184 sq.m., more or less, (the "Property") parcel of land formerly registered under the name of "Unlad". After Unlad transferred ownership of the Property to the Parent Company, the Parent Company demanded from PWC-Davao to vacate the Subject Premises.

Despite said demands, PWC-Davao refused to vacate the Subject Premises.

On May 28, 2019, the Parent Company received the Answer with Compulsory Counterclaim dated May 14, 2019.

After a failed Court-Annexed Mediation, the parties continued the discussion on the possibility of an amicable settlement.

On July 1, 2022, the parties filed the Joint Motion for Approval of the Compromise Agreement. Based on the Compromise Agreement, the Parent Company allowed PWC-Davao to use the Subject Premises for one (1) year or until June 29, 2023. In the event that the Parent Company needs to proceed with its plans over the Subject Premises, it will serve a written notice to vacate and/or turn-over of the Subject Premises to PWC-Davao sixty (60) calendar days before the intended day to vacate or turn-over.

On September 30, 2022, the Parent Company received the Decision dated July 4, 2022 issued by the Trial Court adopting the Compromise Agreement as the decision in this case.

With the issuance of said Decision, the case is deemed terminated.

b. *Specific Performance Case filed by the Agustin family*. The Agustin family filed a Specific Performance case against the Parent Company for the payment by the latter of the remaining balance of the purchase price for the sale of the Agustin family's shares in STI WNU.

The Agustin family alleges in their Complaint that based on the Share Purchase Agreement and Deed of Absolute Sale they executed with the Parent Company, the price of their shares in STI WNU has been pegged at ₱400.0 million. Despite these two agreements, the Parent Company refuses to pay the full purchase price for the STI WNU shares they acquired from the Agustin family.

In its Answer, the Parent Company stated that the Agustin family is not entitled to the full purchase price of their STI WNU shares because they have not complied with all the requirements for its release. In particular, the Agustin family has not been able to deliver the Commission on Higher Education permits for the operation of STI WNU's Maritime Program as provided in the MOA, and the Share Purchase Agreement. In addition, there are other trade receivables in favor of STI WNU wherein full satisfaction of the same entitles the Agustin family to a portion of the balance of the purchase price.

In order to expedite the proceedings, the Agustin family was able to submit the case for summary judgment by the Trial Court. Despite the opposition thereto, the Trial Court rendered its Decision dated April 4, 2018 (the "Summary Judgment"). In the Summary Judgment, the Trial Court ordered the Parent Company to pay the Agustin family the amount of ₱50.0 million with legal interest from the filing of the case until full payment only.

On September 11, 2018, the Parent Company filed and paid the corresponding docket fees for its Notice of Appeal Ex Abudanti Ad Cautelam (Notice of Appeal) on the said Summary Judgment

Upon motion by the Agustin family, the Trial Court granted their Motion for Execution Pending Appeal dated September 5, 2018.

While the record of the case was still with the Trial Court, the Parent Company immediately filed the Urgent Motion for Reconsideration with alternative prayer for Motion to Stay Discretionary Execution Pending Appeal dated December 14, 2018.

After due hearing by the Trial Court on the Motion(s), the Trial Court (a) denied the Urgent Motion for Reconsideration but (b) granted the Motion to Stay Discretionary Execution Pending Appeal upon posting of a supersedeas bond amounting to ₱100.0 million (the "Stay Order").

After the Agustin family filed a Motion for Reconsideration on the Stay Order, the Trial Court denied the same in its Order dated March 14, 2019.

Both parties sought their respective remedies before the Court of Appeals - Cebu to question (a) the Summary Judgment against the Company (CA G.R. CV No. 07140) and (b) the Stay Order against the execution of the Summary Judgment in favor of the Agustin family (CA G.R. CV No. 12663) (collectively, the "CA Cases").

While the aforesaid CA Cases were pending, the parties decided to amicably settle and terminated said cases by executing in counterparts the Compromise Agreement dated September 6, 2021, and September 10, 2021 and filing a *Joint Motion for Judgment Based on Compromise Agreement* dated September 20, 2021. In the Compromise Agreement, the Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the latter's claim against the former in the aforementioned cases (see Note 16).

In addition, the parties agreed to review the financial records of STI WNU to determine the status of the Agustin family guarantee on the collectability of the trade receivables, and the release, if any, of the ₱27.3 million to the Agustin family as provided in the *Share Purchase Agreement.*

Considering the aforesaid settlement and the Amended Decision, all cases and issues related thereto are deemed terminated.

c. *Labor Cases.*

(i) A former employee filed a Petition with the Supreme Court after the Court of Appeals affirmed the dismissal by the National Labor Relations Commission (NLRC) of the former employee's claims of illegal dismissal against STI ESG (illegal Dismissal Case).

On August 13, 2014, STI ESG received the Supreme Court's Decision dated July 9, 2014 which (a) annulled the decision of the Court of Appeals and (b) ordered STI ESG to reinstate the former employee to her former position, and pay (i) the exact salary, benefits, privileges and emoluments which the current holder of the position was receiving, (ii) damages and (iii) backwages from the date of the former employee's dismissal until fully paid, with legal interest (the SC Decision).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The labor arbiter decided that there was neither an illegal dismissal nor resignation to speak of in this case, hence, the parties were ordered to return to status quo which meant reinstatement of the complainant to her former position but without backwages, separation pay, or similar benefits. Nevertheless, STI ESG was ordered to pay the 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 the complainant to have been illegally dismissed and ordering STI ESG not only to reinstate her but also to pay her full backwages computed from the time compensation was withheld up to the date of actual reinstatement. STI ESG moved to reconsider the NLRC's decision but to no avail. STI ESG subsequently filed with the Court of Appeals a Petition for Certiorari questioning the decision of the NLRC.

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

In the June 5, 2017 hearing on the motion for execution, STI ESG reiterated that it is amenable to reinstating the 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 the 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 the 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 the 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 the 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 the complainant the sum of ₱7.4 thousand representing her unpaid salary for the period March 10-30, 2014.

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

On January 24, 2019, STI ESG received a copy of the Resolution of the Court of Appeals (Special Former Twenty-First [21st] Division) denying the Motion for Reconsideration filed by the complainant. On April 22, 2019, STI ESG received a copy of the Entry of Judgment of the Decision dated June 29, 2018.

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

As at May 15, 2024, 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 the 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 10.0% 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 the 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 the complainant for lack of evidence. On May 31, 2023, STI ESG received a copy of the motion for reconsideration filed by the complainant.

Under the Rules of Court, the Complainant may elevate the dismissal of the Petition for Certiorari, which dismissal was affirmed by the denial of the motion for reconsideration, to the Supreme Court. Otherwise, the dismissal of the Complainant's claim by the Court of Appeals against STI ESG will become final and executory.

d. *Specific Performance Case*. STI College Cebu, Inc. (STI Cebu) and STI ESG's Finance Officer were named defendants in a case filed by certain individuals for specific performance and damages.

In their Complaint, the Plaintiffs sought the execution of a Deed of Absolute Sale over a parcel of land situated in Cebu City on the bases of an alleged perfected contract to sell.

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

After the parties completed the presentation of evidence and filed their respective Memoranda, the Defendants received the Decision of the Trial Court on June 22, 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 BOD, (a) gave its consent to the sale or (b) authorized Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

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

Lastly, the Trial Court ordered STI ESG to return the amount of ₱0.3 million it received from the Plaintiffs as "earnest money" with an interest rate of six percent (6.0%) per annum from receipt thereof on March 30, 2011 until the 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 are affirmed.

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

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

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

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

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

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

The Supreme Court has yet to issue the appropriate Resolution on the said Petition.

e. *Complaint for Damages filed by GATE (formerly STI-College Santiago, Inc.)*. Global Academy of Technology and Entrepreneurship, Inc. (GATE) filed a complaint for Damages against STI ESG for its non-renewal of the Licensing Agreement despite the former's alleged compliance of the latter's audit recommendations. On the basis of such alleged invalid non-renewal of the Licensing Agreement, GATE seeks for (a) moral damages in the amount of ₱0.5 million, (b) exemplary damages in the amount of ₱0.5 million and (c) attorney's fees in the amount of 15.0% of the amount to be awarded and ₱3.0 thousand per court appearance.

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

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

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

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

On November 6, 2023, the Plaintiff filed its Motion for Reconsideration.

The Supreme Court has yet to issue the appropriate Resolution on the said Motion for Reconsideration.

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

   The complaint for qualified theft was filed with the Office of the City Prosecutor of Taguig City. Summons to the former supervisor/accountant were 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 a Warrant of Arrest was issued for the case, the former Supervising Accountant has not been apprehended.

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

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

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

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

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

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

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

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

The total receivables of STI ESG from MOBEELITY amounted to ₱4.0 million. As at March 31, 2024 and June 30, 2023, STI ESG has recognized an allowance corresponding to its estimated credit losses.

h. *Criminal Case.* On January 30, 2020, iACADEMY filed a complaint against its former Cashier for qualified theft for the total amount of ₱1.7 million for the period of January 24, 2018 until July 2, 2019 from the cash collections of iACADEMY.

Based on the complaint, the former Cashier manipulated the Daily Cash Collection Summary Reports submitted to iACADEMY by tampering (a) deposit slips; (b) official receipts and (c) other documents and making it appear that the payments received for rental payments on the use of iACADEMY's Auditorium were from other collections of iACADEMY, which she received as its Cashier. Considering said rental payments should have been recorded as part of the collection, the cash collection from other transactions reported by the former Cashier to have been received and deposited in the bank accounts of iACADEMY, is understated. Through this scheme, the former Cashier stole the corresponding amount appearing in the said tampered documents from the cash collection, which should have been deposited in iACADEMY's bank accounts.

Despite receipt of summons, the former Cashier failed to appear at the preliminary investigation hearings.

After due proceedings, an Information for twenty-seven (27) counts of qualified theft was filed by the City Prosecutor of Makati City against the former Cashier before the Regional Trial Court of Makati City.

During arraignment on June 18, 2021, the former Cashier pleaded "not guilty" of the charges.

Before the case proceeded to trial proper, the parties entered into an amicable settlement on, among others, the civil aspect of the case. Pursuant to the Compromise Agreement dated October 24, 2022, the former Cashier agreed to pay the civil aspect of the case and other liabilities and damages. In return, iACADEMY agreed not to actively pursue the case and allow the same to be provisionally dismissed.

The said agreement was implemented when (a) the former Cashier partially paid the outstanding obligation to iACADEMY and (b) iACADEMY did not actively participate in the prosecution of the case. Consequently, the Court caused the provisional dismissal of the case.

iACADEMY may revive the case or file a new case if the former Cashier fails to pay the balance of the said obligation as provided in the agreement. Based on the agreement, the former Cashier should fully settle her obligation within two (2) years from execution of the Compromise Agreement.

As at May 15, 2024, the former Cashier is fulfilling her obligations under the said agreement.

i. Due to the nature of their business, STI ESG, STI WNU and iACADEMY are involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation involves illegal dismissal cases under which faculty members have brought claims against STI ESG and STI WNU by reason of their faculty contract and/or employment contracts. STI ESG, STI WNU and iACADEMY are not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and their respective BOD has no knowledge of any proceedings pending or threatened against STI ESG, STI WNU and iACADEMY or any facts likely to give rise to any litigation, claims or proceedings which might materially affect their financial position or business. Management and their legal counsels believe that STI ESG, STI WNU and iACADEMY have substantial legal and factual bases for their position and are of the opinion that losses arising from these legal actions and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position as well as in the results of their operations.

<u>Commitments</u>

a. Financial Commitments

The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company in favor of LandBank executed on September 16, 2020. This agreement shall remain in full force and effect while the obligations of STI ESG under the LandBank ACADEME Program remain outstanding and/or not paid to the satisfaction of Landbank. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is the balance outstanding as of June 30, 2023. Of the ₱3.0 million outstanding loan, ₱2.1 million was settled in August 2023 while the balance amounting to ₱0.9 million was fully paid on January 31, 2024.

STI ESG has ₱5.0 million domestic bills purchase lines from various local banks as at March 31, 2024, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, in which case the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at May 15, 2024 and June 30, 2023, there is no outstanding availment from these lines.

b. Capital Commitments
As at March 31, 2024 and June 30, 2023, STI ESG reported series of ongoing and recently completed projects that form part of its contractual commitments. As at March 31, 2024, STI ESG has contractual commitments for the (1) construction of the new building in STI Ortigas-Cainta campus, (2) canteen and basketball court roofing project for STI Legazpi, (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of three-storey building at STI Lipa, and (5) installation of solar panels.

STI ESG has an ongoing project to put up a new school building within STI Ortigas-Cainta campus. The total contract for this project amounts to ₱217.3 million, with ₱75.3 million already disbursed as at March 31, 2024 (see Note 15).

The canteen and basketball court roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million, of which ₱22.8 million and ₱7.7 million have been paid as at March 31, 2024 and June 30, 2023, respectively.

The renovation and rehabilitation works at STI ESG's Tanay property are also in the works with a total contract cost of ₱29.1 million. STI ESG has reported a total disbursement amounting to ₱21.5 million out of this project. On another note, the construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱14.0 million have been made as at March 31, 2024.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels at its STI Ortigas-Cainta campus has been completed as at report date. This project has a total cost of ₱16.7 million, of which ₱14.4 million has been paid as at March 31, 2024. STI ESG also has ongoing solar energy projects on select wholly-owned schools with aggregate cost of ₱23.0 million as at March 31, 2024. Of this amount, ₱9.9 million has been paid as at March 31, 2024.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱320.1 million and ₱274.7 million as at March 31, 2024 and June 30, 2023, respectively. Of these, ₱253.3 million and ₱175.2 million have been paid as at March 31, 2024 and June 30, 2023, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal and Cebu Campuses totaling ₱1,100.7 million as at March 31, 2024 and June 30, 2023. Of these, ₱1,033.9 million and ₱1,029.3 million have been paid as at March 31, 2024 and June 30, 2023, respectively.

c. Others

i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG Fund) entered into a memorandum of agreement on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary's educational-related expenses to STI ESG at a special discount rate of 10.0% of the tuition fee, subject to the terms and conditions of the program as follows:

- Entitled to the discount are Pag-IBIG Fund members and their immediate family members;
- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

ii. On April 21, 2017, STI ESG, Mr. Tony Tan Caktiong (TTC), STI Tanauan, and Injap Investments, Inc. (Injap), referred collectively as the Joint Venture Parties, entered into an agreement to transform STI Tanauan into a Joint Venture Company which shall operate a farm-to-table school that offers courses ranging from farm production to food services.The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by the Joint Venture Parties, the increase in the authorized capital stock will be made through STI

Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as of March 31, 2017 and cash payments by the Joint Venture Parties.

The equity sharing in the Joint Venture Company would be 60.0%, 25.0% and 15.0% for STI ESG, TTC and Injap, respectively.

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

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

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

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

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

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

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

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.

28. Fair Value Information of Financial Instruments

The Group's financial instruments consist of cash and cash equivalents, receivables, advances to associates and joint venture, deposits, equity instruments at FVPL and FVOCI, interest-bearing loans and borrowings, accounts payable and other current liabilities. The primary purpose of these financial instruments is to finance the Group's 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 of financial reporting date.

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging 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 as at March 31, 2024 do not significantly differ from the fair values of these financial instruments as at June 30, 2023.

29. **Notes to Unaudited Interim Condensed Consolidated Statements of Cash Flows**

a. The Group's material non-cash investing and financing activities follow:

- Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱43.5 million and ₱63.1 million for the nine-month periods ended March 31, 2024 and 2023, respectively (see Note 11).

- Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱25.1 million and ₱1.1 million as at March 31, 2024 and 2023, respectively.

- Unpaid progress billing for construction-in-progress presented under "Investment property" amounted to nil and ₱17.6 million as at March 31, 2024 and 2023, respectively (see Note 12).

- Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounting to ₱70.3 million million and ₱8.4 million for the nine-month periods ended March 31, 2024 and 2023 respectively.

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, 2022, amounting to ₱19.0 million.

30. Changes in Liabilities Arising from Financing Activities

			Noncash Movements						
	July 1, 2023	Cash Flows	Additions/ Reclassifications	Effect of Lease Modifications	New/Renewed Leases	Interest Expense*	Gain on early extinguishment of loan	Dividends Declared	March 31, 2024 (Unaudited)
Current portion of interest-bearing loans and borrowings	₱262,837,889	(₱453,050,203)	₱750,000,000	₱–	₱–	₱110,121	₱–	₱–	₱559,897,807
Bonds payable	2,988,422,984	(2,180,000,000)	–	–	–	6,127,253	–	–	814,550,237
Interest-bearing loans and borrowings - net of current portion	808,707,735	1,488,750,000	(750,000,000)	–	–	817,984	(3,076,465)	–	1,545,199,254
Lease liabilities	536,759,779	(94,987,996)	–	(4,587,535)	41,173,858	26,328,307	–	–	504,686,413
Dividends payable	27,411,219	(290,445,700)	–	–	–	–	–	290,489,248	27,454,767
Interest payable	23,550,067	(203,967,872)	–	–	–	187,505,494	–	–	7,087,689
Deposit for future stock subscription (see Note 19)	–	8,000,000	–	–	–	–	–	–	8,000,000
	₱4,647,689,673	(₱1,725,701,771)	₱–	(₱4,587,535)	₱41,173,858	₱220,889,159	(₱3,076,465)	₱290,489,248	₱3,466,876,167

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

			Noncash Movements						
	July 1, 2022	Cash Flows	Additions/ Reclassifications	Effect of Lease Termination/ Modifications	New/Renewed Leases	Interest Expense*	Gain on early extinguishment of loan	Dividends Declared	March 31, 2023 (Unaudited)
Current portion of interest-bearing loans and borrowings	₱239,135,979	(₱357,869,537)	₱383,035,151	₱–	₱–	₱204,387	₱–	₱–	₱264,505,980
Bonds payable	2,980,515,064	–	–	–	–	5,884,705	–	–	2,986,399,769
Interest-bearing loans and borrowings - net of current portion	1,291,461,407	(100,000,000)	(383,035,151)	–	–	435,896	–	–	808,862,152
Lease liabilities	473,316,566	(95,382,575)	–	(2,252,791)	60,449,177	23,736,471	–	–	459,866,848
Dividends payable	26,411,518	(142,524,864)	–	–	–	–	–	143,953,400	27,840,054
Interest payable	26,583,874	(219,411,945)	–	–	–	198,926,929	–	–	6,098,858
Deposit for future stock subscription	–	–	–	–	–	–	–	–	–
	₱5,037,424,408	(₱915,188,921)	₱–	(₱2,252,791)	₱60,449,177	₱229,188,388	₱–	₱143,953,400	₱4,553,573,661

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

31. **Business Combination**

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. As a result, STI Alabang became a wholly-owned subsidiary of STI ESG as at March 31, 2023.

The following are the identifiable assets and liabilities as at the date of acquisition:

Assets	
Cash	₱9,232,050
Receivables	5,194,246
Inventories	960,491
Prepaid expense	892,547
Property and equipment (See Note 11)	2,162,891
Other noncurrent asset	2,115,164
	20,557,389
Liabilities	
Accounts payable and other current liabilities	43,581,348
Total identifiable net assets (liabilities) at provisional fair values	(23,023,959)
Purchase consideration transferred	1
Goodwill (see Note 15)	₱23,023,960

Analysis of cash flow on acquisition is as follows:

Cash paid during the year	(₱1)
Cash acquired from the subsidiary	9,232,050
Net cash inflow on acquisition	₱9,232,049

The transaction was accounted for as a business combination. The identifiable assets and liabilities recognized in the consolidated financial statements as at June 30, 2023 were based on an assessment of the fair value of these assets and liabilities at the time of acquisition. The transaction resulted in goodwill amounting to ₱23.0 million which is presented as part of "Goodwill, intangible and other noncurrent assets" in the consolidated statement of financial position as at June 30, 2023. Goodwill comprises the expected synergies in operating the school under STI ESG management (see Notes 1 and 14).

32. **Other Matters**

a. On February 27, 2024, the BODs of Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as "PSBA," and STI Holdings (the "Company"), its affiliates, assignees, or successors-in-interest ratified the execution of a term sheet which covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

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

On May 2, 2024, STI Holdings disclosed to the SEC and the PSE the developments regarding the transactions by and among STI Holdings and PSBA involving the following: (a) the acquisition by the Company or its affiliates, assignees or successors-in-interest of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City which forms part of the properties owned by PSBA Manila (the "Subject Property"); (b) the acquisition by the Company or its affiliates, assignees or successors-in-interest of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City (collectively, the "PSBA Schools"); and (c) the grant by PSBA of a right of first refusal over the properties owned by PSBA Manila located in Manila (the "PSBA Manila Property") and Quezon City, net of the Subject Property (the "Remaining PSBA Quezon City Properties").

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of the Subject Property. The purchase price of the Subject Property is less than ten percent (10%) of the total assets of the Company. The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

On the same date, STI Novaliches, an affiliate of the Company, entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the School Related Assets. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute a Deeds of Assignment for the sale and purchase of the School Related Assets.

b. In a move to contain the COVID-19 outbreak, significant measures were implemented by the Philippine government, aiming to mitigate its spread and impact. On March 13, 2020, the Office of the President issued a Memorandum directive mandating stringent social distancing measures in the National Capital Region (NCR), effective March 15, 2020. Subsequently, on March 16, 2020, Presidential Proclamation No. 929 declared a State of Calamity nationwide for six (6) months, accompanied by Enhanced Community Quarantine (ECQ) measures across Luzon from March 17, 2020, until April 12, 2020. These measures were extended until May 15, 2020, encompassing the NCR and other regions. Furthermore, directives for the classification of cities and municipalities into varying levels of community quarantine have been issued since March 13, 2020. On July 21, 2023, the Office of the President lifted the state of public health emergency throughout the country with Proclamation No. 297.

   Throughout this period, educational institutions within the Group navigated the challenges posed by the pandemic with stringent measures implemented to safeguard the health and well-being of students, faculty, and staff. The Group utilized digital tools and online technology to facilitate online/blended form of education, ensuring continuity in learning amidst the challenges posed by the pandemic. In 2022, limited face-to-face classes commenced gradually, followed by the implementation of a flexible learning modality in the first semester of SY 2022-2023. Full face-to-face classes for tertiary students resumed in the second semester of SY 2022-2023, while SHS and JHS classes transitioned to face-to-face settings since the beginning of SY 2022-2023. For SY 2023-2024, classes for all levels have been conducted full face-to-face since the opening of the school year for STI ESG and STI WNU, whereas iACADEMY implemented the Hybrid learning format.

Considering the evolving nature of this outbreak, the Group continues to monitor the situation and ensures adherence to the guidelines set by Inter-Agency Task Force for the Management of Emerging Infectious Diseases, CHED, DepEd, LGUs, and all pertinent agencies that have released information on the conduct of the face-to-face classes.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Financial Highlights and Key Performance Indicators

(in ₱ millions except margins, financial ratios and earnings per share)	March 31, 2024 (Unaudited)	June 30, 2023 (Audited)	Increase (Decrease) Amount	Increase (Decrease) %
Condensed Statements of Financial Position				
Total assets	15,804.7	15,083.2	721.5	4.8
Current assets	4,399.6	3,781.6	618.0	16.3
Cash and cash equivalents	1,915.4	1,958.8	(43.4)	(2.2)
Equity attributable to equity holders of the Parent Company	9,978.4	9,127.9	850.5	9.3
Total liabilities	5,740.8	5,873.4	(132.6)	(2.3)
Current liabilities	2,610.2	3,451.9	(841.7)	(24.4)
Financial ratios				
Debt-to-equity ratio (1)	0.44	0.62	(0.18)	(29.0)
Current ratio (2)	1.69	1.10	0.59	53.6
Asset–to-equity ratio (3)	1.57	1.64	(0.07)	(4.3)

	(Unaudited)			
	Nine months ended March 31		Increase (Decrease)	
	2024	2023	Amount	%
Condensed Statements of Income				
Revenues	3,351.1	2,421.0	930.1	38.4
Direct costs (4)	995.4	786.1	209.3	26.6
Gross profit	2,355.7	1,634.9	720.8	44.1
Operating expenses	1,112.3	961.2	151.1	15.7
Operating income	1,243.4	673.7	569.7	84.6
Other expenses – net	(13.4)	(93.0)	79.6	(85.6)
Income before income tax	1,230.0	580.7	649.3	111.8
Net income	1,118.1	579.3	538.8	93.0
EBITDA (5)	1,767.7	1,163.5	604.2	51.9
Core income (6)	1,105.8	581.2	524.6	90.3
Net income attributable to equity holders of the Parent Company	1,106.6	578.7	527.9	91.2
Earnings per share (7)	0.112	0.058	0.054	93.1

	(Unaudited)			
	Nine months ended March 31		Increase (Decrease)	
	2024	2023	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	2,171.2	1,488.5	682.7	45.9
Net cash used in investing activities	(497.9)	(391.3)	(106.6)	27.2
Net cash used in financing activities	(1,725.7)	(915.2)	(810.5)	88.6
Effect of foreign exchange rate changes on cash and cash equivalents	9.1	(3.8)	12.9	(339.5)

Financial Soundness Indicators

	(Unaudited)			
	As at/Nine months ended March 31		Increase (Decrease)	
	2024	2023	Amount	%
Liquidity Ratios				
Current ratio (2)	1.69	2.13	(0.44)	(20.7)
Quick ratio (8)	1.17	1.43	(0.26)	(18.2)
Cash ratio (9)	0.73	0.90	(0.17)	(18.9)
Solvency ratios				
Debt-to-equity ratio (1)	0.44	0.61	(0.17)	(27.9)
Asset-to-equity ratio (3)	1.57	1.72	(0.15)	(8.7)
Interest coverage ratio (11)	7.12	4.70	2.42	51.5
Debt service cover ratio (10)	2.59	2.51	0.08	3.2
Profitability ratios				
EBITDA margin (12)	53%	48%	5%	10.4
Gross profit margin (13)	70%	68%	2%	3.7
Operating profit margin (14)	37%	28%	9%	33.0
Net profit margin (15)	33%	24%	9%	37.9
Return on equity (annualized) (16)	15%	9%	6%	67.9
Return on assets (annualized) (17)	10%	5%	5%	100.0

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

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

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

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

(5) *EBITDA is net income excluding provision for income tax, depreciation and amortization, equity in net earnings of associates and joint venture, interest expense, interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, gain on early extinguishment of loan, and loss on equity instruments at fair value through profit or loss. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use assets and lease liabilities, respectively.*

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

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

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

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

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

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

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

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

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

(15) *Net profit (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), annualized, attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company.*

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

STI Education Systems Holdings, Inc.
Aging of receivables
As at March 31, 2024

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	**1,144,938,352**	**865,832,748**	**35,154,189**	**12,954,555**	**230,996,860**
	1,144,938,352	**865,832,748**	**35,154,189**	**12,954,555**	**230,996,860**

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

STI Education Systems Holdings, Inc. ("STI Holdings" or "the Parent Company") was originally established in 1928 as a Philippine branch office of Theo H. Davies and Co., a Hawaiian corporation. It was reincorporated as a Philippine company in 1946 as part of the Jardine-Matheson group and was listed on the Philippine Stock Exchange (PSE) on October 12, 1976. STI Holdings was then sold to Filipino investors in 2006. In March 2010, it became part of the Tanco Group of Companies. The Parent Company completed its follow-on offering of 2.9 billion shares in November 2012 comprising of primary and secondary issues. Today, it is a holding company with investments in three large educational institutions and is also the owner of Attenborough Holdings Corporation (AHC) which was a party to the various agreements with Philippine Women's University (PWU) and Unlad Resources and Development Corporation (Unlad). The Parent Company's three subsidiaries involved in education are STI Education Services Group, Inc. (STI ESG), STI West Negros University, Inc. (STI WNU) and Information and Communications Technology Academy, Inc. (iACADEMY).

- STI ESG was incorporated on June 2, 1983. It 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 and Communications Technology (ICT) 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 in the STI ESG network offer Junior High School (JHS) as well. 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. STI ESG is 98.7% owned by STI Holdings.

  On August 5, 2022, CHED approved the transfer of the school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. The permit from DepEd to conduct senior high school classes is still in process as of the report date. On November 29, 2023, the Board of Directors (BOD) of STI Quezon Avenue, resolved to (1) change its corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," (2) have perpetual existence, and (3) change its fiscal year to beginning on July 1 of each year and ending on June 30 of the following year, among others. As at May 15, 2024, the resolution is pending review by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd, in connection with its application with the SEC to amend its Articles of Incorporation and By-Laws. As at May 15, 2024, TESDA has provided a favorable endorsement while STI Quezon Avenue has yet to receive the responses from CHED and DepEd.

On March 16, 2023, STI ESG and the majority owners of STI-College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. 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 March 31, 2023.

As at March 31, 2024, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 37 schools while franchisees operate 26 schools.

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

- STI WNU was founded on February 14, 1948. The campus sits on a 3.1-hectare property in the heart of Bacolod City. STI WNU was granted its university status by CHED on February 11, 2008. STI Holdings acquired 99.5% ownership of the university on October 1, 2013. Since then, STI WNU's facilities have been undergoing continuous upgrade.

  The university offers pre-elementary, elementary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business courses such as Accountancy, Management Accounting, Business Administration, Retail Technology and Consumer Science, Hospitality and Tourism Management, ICT, and Maritime Training Courses required by the Maritime Industry Authority (MARINA) for officers and crew on board Philippine- and/or foreign-registered ships operating in Philippine and/or international waters. STI WNU also provides technical-vocational education training services under TESDA and operates a training center as well as an assessment center in relation to the said services. Post-graduate programs include Master's degrees in Business Administration, Public Administration and Education, and Doctorate degrees in Business Administration, Public Administration and Educational Management.

The new School of Basic Education (SBE) building of STI WNU was completed in April 2024. This state-of-the-art 4-storey building has 42 classrooms that can accommodate up to 4,000 pre-elementary, elementary, junior and senior high school students.

STI WNU's facilities and classrooms can accommodate 15,000 students. The university also has ample space for its Maritime Training Center.

- iACADEMY, established in 2002, is a premier school offering specialized programs in SHS and College that are centered on Computing, Business and Design. It is known for its strong industry partnerships and non-traditional programs such as Software Engineering, Game Development, Web Development, Real Estate Management, Animation, Multimedia Arts and Design, Fashion Design and Technology, Music Production and Sound Design, Film and Visual Effects, Data Science, and Cloud Computing. iACADEMY also offers programs in Accountancy, Marketing Management and Psychology. It boasts of its 96% job placement rate for college graduates within 6 to 12 months after graduation.

  iACADEMY is a wholly-owned subsidiary of STI Holdings. iACADEMY's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City and has a total capacity of 3,755 students.

  On June 1, 2022, the Board of Governors (BOG) and stockholders of iACADEMY approved the amendments of its Articles of Incorporation (AOI) including, among others, the establishment of a branch in Cebu City. Construction/fit-out work of iACADEMY's Cebu campus, located at Filinvest Cyberzone Tower Two Building, Lahug, Cebu City, commenced in October 2022 and was completed in January 2023. It currently has 3 classrooms, a multi-purpose room, student lounge, Green Room, Cintiq, Multimedia Arts and Lightbox laboratories. On various dates in February and March 2023, CHED granted government permits for the offering of the following programs for the first- and second-year levels: Software Engineering, Game Development, Real Estate Management, and Multimedia Arts and Design. The CHED Office of Programs and Standards Development validation visit for the Animation program was conducted in April 2023. In July 2023, CHED approved the first- and second-year levels for the Animation program. The permits and approval were obtained by iACADEMY Cebu branch in time for the program offerings starting SY 2023-2024. The Cebu campus has a total capacity of 500 students. Classes started in August 2023 for SY 2023-2024.

  In July 2022, iACADEMY was announced as the Leading Arts and Design Education Provider in the Philippines, and Most Innovative Education Provider in the Philippines for 2023 by World Business Outlook Magazine in Singapore, having participated in various international competitions such as the Negative Space Comic Book Writing Competition in New York, USA, and the Python Coding Competition hosted by Raffles University in India.

  Also in July 2022, iACADEMY was again recognized by the Global Business Review Magazine based in UAE as the Best New School for Music Production and Technology for its innovative approach to education and curriculum integration of industry practices in music production and sound design in partnership with Dolby and Avid.

  In February 2023, iACADEMY and Netflix teamed up for a film laboratory, The Indiegenius program, which aims to support voices in the Philippines that have strong regional perspectives by providing young filmmakers with development opportunities to strengthen concepts and to produce short narratives, animation and documentary projects. The program is designed to give young Filipino filmmakers access to resources and encourage those with regional roots and indigenous backgrounds to ensure creative inclusion and diversity.

In June 2023, iACADEMY was officially renewed as a Toon Boom Center of Excellence (COE). Toon Boom Animation is the leading supplier of animation software and storyboard software for animation studios and media publishers.

Furthermore, in April 2024, iACADEMY was awarded the Most Innovative School by the Global Brands Magazine, a leading brands magazine based in the United Kingdom which provides opinions and news related to various brands across the world.

iACADEMY has consistently produced high-performing graduates in the field of Real Estate Management. In 2021, the school achieved a 100% passing rate for the Real Estate Appraiser Licensure Exam, placing it among the top schools of choice for the BS Real Estate Management program. In 2022, iACADEMY was announced as one of the top 10 schools with the highest number of Real Estate Brokers Licensure Exam passers. It also landed first among all the schools in the Philippines with an impressive 93.75% passing rate in the Real Estate Appraiser Licensure Exam.

With results showing iACADEMY as the top-performing school with an impressive passing rate of 94.83% in the Real Estate Brokers Licensure Examination held in April 2024, iACADEMY fortifies its position as the leading institution in real estate management education.

iACADEMY has received international commendations for its scholarly initiatives and strong partnerships with industry leaders such as Dolby and Atmos for Music Production and Sound Design Program, and the Association of Chartered Certified Accountants, to name a few. The school was also lauded for its Co-Create Program, a collaborative project with leading institutions and experts, that gives opportunities for students to offer creative outputs to advocacies, products, and service-related projects. Its partners include Unilab, Canva, Adarna House, among others.

- AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement (Agreements) among the Parent Company, PWU and Unlad. It granted advances amounting to ₱65.0 million to Unlad by virtue of these Agreements. AHC assigned these receivables to the Parent Company on March 1, 2016.

  On March 22, 2016, AHC became a party to an arrangement for the settlement of the loans and advances, which included the said receivables. As of March 31, 2016, the loans and advances arising from the Agreements have been fully settled.

STUDENT POPULATION

The enrollment figures of the Group for SY 2023-2024 indicate a robust increase of 27% as the Group's student count for SY 2023-2024 reached almost 120,000 compared to 94,312 enrollees in SY 2022-2023. In SY 2023-2024, the total count of new students reached 55,982, marking a 35% growth from 41,565 new students in SY 2022-2023. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to more than 83,000 students compared to more than 66,000 enrollees in SY 2022-2023.

The enrollment figures of the schools under STI Holdings are as follows:

	SY 2023-2024	SY 2022-2023	Increase (Decrease)	
			Enrollees	Percentage
STI ESG				
Owned schools	71,782	54,158	17,624	33%
Franchised schools	32,200	27,539	4,661	17%
	103,982	81,697	22,285	27%
iACADEMY	2,233	2,397	(164)	(7%)
STI WNU	13,328	10,218	3,110	30%
Total Enrollees	**119,543**	**94,312**	**25,231**	**27%**

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

	SY 2023-2024			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	71,159	1,682	31,141	103,982
iACADEMY	1,823	-	410	2,233
STI WNU	10,170	-	3,158	13,328
Total	**83,152**	**1,682**	**34,709**	**119,543**
Proportion of CHED:TESDA:DepEd	**70%**	**1%**	**29%**	**100%**

	SY 2022-2023			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	56,876	1,447	23,374	81,697
iACADEMY	1,917	-	480	2,397
STI WNU	7,516	-	2,702	10,218
Total	**66,309**	**1,447**	**26,556**	**94,312**
Proportion of CHED:TESDA:DepEd	**70%**	**2%**	**28%**	**100%**

* *STI ESG DepEd count includes 30,674 SHS students and 467 JHS students in SY 2023-2024 and 23,077 SHS students and 297 JHS students in SY 2022-2023. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 2,490 SHS students and 668 students enrolled in pre-elementary to JHS in SY 2023-2024 and 2,057 SHS students and 645 students enrolled in pre-elementary to JHS in SY 2022-2023.*

For SY 2023-2024, classes across all levels started on August 29, 2023 for both STI ESG and STI WNU. Meanwhile, classes started on September 2, 2023 for STI WNU's School of Graduate Studies (SGS). Classes of iACADEMY's SHS and tertiary students commenced on August 3, 2023 and August 29, 2023, respectively.

For SY 2022-2023, classes for JHS and SHS started on August 30, 2022 while classes for tertiary students commenced on September 5, 2022 for both STI ESG and STI WNU. STI WNU's SGS began classes on

September 10, 2022. iACADEMY started classes for SHS and tertiary students on August 2, 2022 and August 30, 2022, respectively.

STI ESG and STI WNU both implemented a flexible learning delivery modality for SY 2022-2023. For tertiary courses, all professional and identified general education courses were delivered onsite while other general education courses were delivered using a blended modality, with a distribution of 50% onsite/face-to-face and 50% asynchronous. As for SHS in STI ESG, classes were all conducted face-to-face since the opening of SY 2022-2023 while SHS classes in STI WNU were on a blended modality with 50% onsite/face-to-face and 50% asynchronous. STI WNU's classes for the National Service Training Program or NSTP were on full face-to-face set up. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes starting on the second semester of SY 2022-2023, while STI WNU continued with its flexible learning modality for tertiary and blended modality for SHS until the end of SY 2022-2023. Classes for SY 2023-2024 of both STI ESG and STI WNU are conducted face-to-face for all levels.

iACADEMY implemented the Hyflex Learning Format for tertiary for SY 2022-2023. Hyflex Learning is an instructional approach that combines face-to-face and online remote learning. Class sessions and learning activities are offered in-person, synchronously online, and asynchronously online using various learning technologies. Students can decide how to participate, whether in-person or online. The Hyflex model demonstrates a commitment to student success by providing flexibility on how students can best participate in the learning activities and also enables institutions to maintain educational activities during a disruption. Meanwhile, SHS implemented the Hybrid setup (blended learning) until the end of SY 2022-2023. This allowed grades 11 and 12 students to alternately attend onsite and online classes within the week according to a definite schedule. Courses, particularly specialized and contextualized subjects like Science and ICT, were conducted onsite in the laboratories. For SY 2023-2024, iACADEMY implemented the Hybrid Learning Format for all levels.

The Group continuously ensures 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 face-to-face classes.

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results for the nine–month periods ended March 31, 2024 and 2023 and financial condition as at March 31, 2024 and June 30, 2023 of STI Education Systems Holdings, Inc. and its subsidiaries. The following discussion should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the nine-month period ended March 31, 2024. All necessary adjustments have been made to present fairly the financial position of the Group as at March 31, 2024 and June 30, 2023 and the results of operations and cash flows of the Group for the nine-month periods ended March 31, 2024 and 2023.

The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in August and ends in June of the following year for STI ESG and STI WNU, while the academic year for iACADEMY begins in August and ends in May and July for SHS and tertiary, respectively, of the following year. 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 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.

I. RESULTS OF OPERATIONS

<u>Three-month period ended March 31, 2024 vs. three-month period ended March 31, 2023</u>

For the three-month period ended March 31, 2024, the Group generated gross revenues of ₱1,392.2 million, higher by 42% or ₱410.0 million from the same period last year of ₱982.2 million. The increase was primarily driven by the 27% increase in the student population of the Group for SY 2023-2024. Gross profit likewise increased by ₱317.3 million or 44% year-on-year.

The Group recorded an operating income of ₱658.8 million for the three-month period ended March 31, 2024 as against ₱386.2 million for the same period last year. Net income after income tax amounted to ₱600.3 million this quarter, 69% higher than the ₱355.9 million recorded for the three-month period ended March 31, 2023.

Earnings before interest, taxes, depreciation and amortization (EBITDA), computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings of associates and joint venture, interest expense, interest income, and nonrecurring gains/losses such as gain on foreign exchange differences, gain on early extinguishment of loan, and loss on equity instruments at fair value through profit or loss (FVPL), is ₱833.1 million for the three-month period ended March 31, 2024, an increase of ₱276.8 million from ₱556.3 million registered during the same period last year. 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 March 31, 2024 is at 60% compared to 57% for the same period last year.

Nine-month period ended March 31, 2024 vs. nine-month period ended March 31, 2023

For the nine-month period ended March 31, 2024, the Group generated gross revenues of ₱3,351.1 million, higher by 38% or ₱930.1 million from the same period last year of ₱2,421.0 million. The increase was primarily driven by the 27% increase in the total number of students of the Group for SY 2023-2024. STI ESG implemented a 5% tuition fee increase for tertiary programs, while iACADEMY implemented a 10% tuition fee increase across all levels. STI WNU implemented tuition fee increases of 5% for old or continuing students and 6% to 8% for new students. Gross profit for the nine-month period ended March 31, 2024 amounted to ₱2,355.7 million marking a significant increase from ₱1,634.9 million for the same period last year. Gross profit margin likewise increased from 68% to 70% year-on-year.

The Group recorded an operating income of ₱1,243.4 million for the nine-month period ended March 31, 2024 as against ₱673.7 million for the same period last year. The Group's net income after income tax registered a substantial 93% increase from ₱579.3 million for the nine-month period ended March 31, 2023 to ₱1,118.1 million for the same period this year.

EBITDA amounted to ₱1,767.7 million for the nine-month period ended March 31, 2024, an increase of ₱604.2 million from ₱1,163.5 million registered during the same period last year. EBITDA margin for the nine-month period ended March 31, 2024 is at 53% compared to 48% for the same period last year.

II. FINANCIAL CONDITION

The Group’s total assets as at March 31, 2024 amounted to ₱15,804.7 million, 5% or ₱721.5 million higher than the ₱15,083.2 million balance as at June 30, 2023. The increase was driven by the ₱674.3 million increase in receivables and the ₱107.5 million increase in property and equipment. Receivables from students increased from ₱591.3 million as at June 30, 2023 to ₱1,244.7 million as at March 31, 2024. Receivables from DepEd for the SHS vouchers likewise registered an increase of ₱49.2 million.

Cash and cash equivalents decreased by 2% or ₱43.4 million from ₱1,958.8 million to ₱1,915.4 million as at June 30, 2023 and March 31, 2024, respectively. Major disbursements include the redemption of the 7-year (Series 7Y) bonds of STI ESG, payment of interest and principal amounts due for the interest-bearing loans and borrowings of STI ESG and iACADEMY, and payment of cash dividends by the Parent Company and STI ESG. These disbursements were funded by the net cash flows from operating activities and loan proceeds received by STI ESG from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI). These loan proceeds were utilized to partially finance the redemption of its Series 7Y bonds.

Total receivables balance is up by ₱674.3 million from ₱470.6 million as at June 30, 2023 to ₱1,144.9 million as at March 31, 2024. Receivables from students increased by ₱653.4 million from ₱591.3 million to ₱1,244.7 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱59.2 million as at March 31, 2024, posting an increase of ₱49.2 million from ₱10.0 million as at June 30, 2023.

Inventories increased by 18% or ₱23.0 million from ₱129.5 million to ₱152.5 million as at June 30, 2023 and March 31, 2024, respectively, mainly due to advance orders made to meet future demands, considering production lead time and the challenges associated with the sourcing of raw materials.

Prepaid expenses and other current assets decreased by ₱34.8 million or 18%, from ₱193.0 million to ₱158.2 million as at March 31, 2024 primarily due to the decrease in prepaid taxes as creditable withholding taxes were applied to STI ESG and iACADEMY's income tax due for the nine-month period ended March 31, 2024.

Property and equipment increased by ₱107.5 million from ₱9,684.7 million as at June 30, 2023 to ₱9,792.2 million as at March 31, 2024. This increase is net of depreciation expenses amounting to ₱427.5 million recognized for the nine-month period ended March 31, 2024. STI WNU's property and equipment increased by ₱214.8 million, net of depreciation expenses for the period amounting to ₱14.9 million, substantially due to the construction of its SBE building, rehabilitation works on its main building, and ancillary works done in its Engineering building. Meanwhile, STI ESG is undertaking construction of a new building in its STI Ortigas-Cainta campus, a new three-storey building in STI Lipa, and renovation and rehabilitation projects in some wholly-owned schools.

Investment properties decreased by ₱28.9 million due to depreciation expenses recognized for the nine-month period.

Total current liabilities decreased by ₱841.7 million to ₱2,610.2 million as at March 31, 2024 from ₱3,451.9 million as at June 30, 2023, mainly due to the redemption of STI ESG's Series 7Y bonds, aggregating to ₱2,180.0 million and disbursements to suppliers for ongoing projects. This decline was partially offset by increases in unearned tuition and other school fees and current portion of interest-bearing loans and borrowings amounting to ₱1,129.0 million and ₱297.1 million, respectively.

Total noncurrent liabilities increased by ₱709.1 million to ₱3,130.6 million as at March 31, 2024 from ₱2,421.5 million as at June 30, 2023 largely representing proceeds from STI ESG's loan drawdowns, net of the current portion, amounting to ₱1,000.0 million and ₱500.0 million, from Metrobank and BPI, respectively. On the other hand, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with China Banking Corporation (China Bank) in September 2023, partially mitigating the increase in the long-term portion of the interest-bearing loans and borrowings.

Total equity increased by ₱854.0 million substantially due to the net income and the actuarial gains on pension liabilities recognized by the Group for the nine-month period ended March 31, 2024, net of cash dividends declared by the Parent Company on December 21, 2023 amounting to ₱297.1 million.

III. TOP 6 KEY PERFORMANCE INDICATORS

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

		As at/Nine months ended March 31		
		2024	**2023**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	53%	48%	EBITDA margin improved in 2024 as compared to the same period in 2023 mainly due to the increase in revenues arising from the higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	70%	68%	Gross profit margin improved due to economies of scale, as revenues increased at a faster rate than costs.
Return on equity (ROE)	Net income attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	15%	9%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate.
Debt service cover ratio (DSCR)*	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months	2.59	2.51	The minimum DSCR set by management, the lender banks and the STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest maturing within 12 months (see note below).
Interest Cover Ratio (ICR)	EBITDA for the last twelve months divided by total interest due in the next twelve months.	7.12	4.70	The minimum ICR set by STI ESG bondholders is 3.00 of EBITDA for every peso of interest due within 12 months (see note below).

		As at/Nine months ended March 31		
		2024	**2023**	**Remarks**
Debt-to-equity ratio (D/E ratio)**	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.44	0.61	D/E ratio improved due to the redemption by STI ESG of its Series 7Y bonds and the prepayment made by STI ESG on its Corporate Notes Facility.

**DSCR for bank loan purposes is measured as EBITDA for the last twelve months divided by the total interest-bearing debts and interest due in the next twelve months. 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. The Term Loan Agreement with China Bank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year. Similarly, in accordance with the terms of the Trust Agreement, testing of compliance with required ratios is done every June 30 and December 31 of each year.*

The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement, as defined in the term loan agreements, as at March 31, 2024.

DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the past twelve months. DSCR under both the Term Loan and Bond Trust Agreements is pegged at 1.05:1.00. STI ESG's DSCR as defined in the bond trust agreement are 4.92:1.00 and 2.36:1.00 as at December 31, 2023 and June 30, 2023, respectively. STI ESG is compliant with the required covenants as at the required testing dates of December 31, 2023 and June 30, 2023.

In April 2024, China Bank-Trust and STI ESG executed a second supplemental agreement to (i) replace the financial covenant on DSCR of not less than 1.05:1.00 with an Interest Coverage Ratio (ICR) of not less than 3.00:1.00 and (ii) amendment of the definition of EBITDA (see Note 17 of the Unaudited Interim Condensed Consolidated Financial Statements). STI ESG is compliant with the ICR requirement as at March 31, 2024 at 7.22:1.00.

iACADEMY is compliant with China Bank's DSCR requirement as at March 31, 2024 and June 30, 2023.

***STI ESG monitors its D/E ratio in accordance with the financial covenants prescribed in the loan and trust agreements (see Notes 17 and 18 of the Unaudited Interim Condensed Consolidated Financial Statements). As at March 31, 2024 and June 30, 2023, STI ESG is compliant with the D/E ratio requirement of all its loan and trust agreements.*

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents decreased by 2% or ₱43.4 million from ₱1,958.8 million to ₱1,915.4 million as at June 30, 2023 and March 31, 2024, respectively. Major disbursements include the redemption by STI ESG of its Series 7Y bonds, payment of interest and principal amounts due for the interest-bearing loans and borrowings of STI ESG and iACADEMY, and payment of cash dividends by the Parent Company and STI ESG. These disbursements were funded by the net cash flows from operating activities and loan proceeds received by STI ESG from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI). These loan proceeds were utilized to partially finance the redemption of its Series 7Y bonds.

Operating activities, in particular the collection of tuition and other school fees, generated net cash inflow of ₱2,171.2 million. These funds were utilized to fund financing activities which amounted to ₱1,725.7 million, substantially representing STI ESG's redemption of its ₱2,180.0 million Series 7Y bonds as well as principal and interest payments of ₱657.0 million for the Group's interest-bearing loans and borrowings. Cash dividends of ₱290.4 million were also released by the Group in January 2024. Construction costs, substantially for STI WNU's new SBE building, a new school building in STI Ortigas-Cainta campus, roof deck waterproofing and solar panel installation projects in certain wholly-owned schools, canteen and basketball roofing projects in STI Legazpi, and various major refurbishment and renovation projects in several wholly-owned schools of STI ESG, accounted for most of the ₱497.9 million disbursements for investing activities.

Total receivables are up by ₱674.3 million from ₱470.6 million as at June 30, 2023 to ₱1,144.9 million as at March 31, 2024. Receivables from students increased by ₱653.4 million from ₱591.3 million to ₱1,244.7 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱59.2 million as at March 31, 2024, a difference of ₱49.2 million from ₱10.0 million as at June 30, 2023. Collection from DepEd is expected at end of school year. 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 (PEAC), facilitates the transfer of funds to the participating schools.

Receivables related to DBP RISE increased from ₱1.6 million as at June 30, 2023 to ₱3.2 million as at March 31, 2024. On March 17, 2021, STI ESG executed a MOA with DBP to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, 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 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 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 ₱73.4 million as at March 31, 2024, higher by ₱17.9 million from ₱55.5 million balance as at June 30, 2023. This account comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools. The increase in receivables largely represents receivables for the sale of uniforms and prowares, network charges for the national youth convention and various software subscriptions during the nine-month period ended March 31, 2024. These receivables from franchised schools are expected to be settled within 30 days from the invoice date.

Rent and other related receivables decreased by ₱9.2 million to ₱80.3 million as at March 31, 2024 from ₱89.5 million as at June 30, 2023 representing collection of rentals and reimbursements of fit-out costs from a lessee during the nine-month period ended March 31, 2024.

The Group's allowance for expected credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱382.4 million as at June 30, 2023 to ₱458.3 million as at March 31, 2024 due to the provision for ECL recognized during the nine-month period.

Inventories increased by 18% or ₱23.0 million from ₱129.5 million to ₱152.5 million as at June 30, 2023 and March 31, 2024, respectively. STI ESG and STI WNU increased their inventory levels of student uniforms in anticipation of the demand in the coming year, taking into account the production lead time and availability of raw materials.

Prepaid expenses and other current assets decreased by ₱34.8 million or 18%, from ₱193.0 million to ₱158.2 million as at March 31, 2024 primarily due to the ₱31.1 million decrease in prepaid taxes as creditable withholding taxes were applied to STI ESG and iACADEMY's income tax due for the nine-month period ended March 31, 2024. Current advances to suppliers also declined by ₱7.0 million as advances were fully paid and reclassified to their respective expense accounts.

The carrying value of the equity instruments designated at fair value through profit or loss (FVPL) amounted to ₱5.08 per share or an aggregate of ₱7.9 million as at March 31, 2024 compared to ₱5.80 per share 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 PSE. Dividends collected from this investment amounted to ₱0.5 million for both the nine-month periods ended March 31, 2024 and 2023.

Property and equipment increased by ₱107.5 million from ₱9,684.7 million as at June 30, 2023 to ₱9,792.2 million as at March 31, 2024. This increase is net of depreciation expenses amounting to ₱427.5 million recognized for the nine-month period ended March 31, 2024. STI WNU's property and equipment increased by ₱214.8 million, net of depreciation expenses for the period amounting to ₱14.9 million, substantially due to the construction of its SBE building, rehabilitation works on its main building, and ancillary works done in its Engineering building. Meanwhile, STI ESG is undertaking construction of a new building in its STI Ortigas-Cainta campus, a new three-storey building in STI Lipa, and renovation and rehabilitation projects in some wholly-owned schools.

Investment properties decreased by ₱28.9 million due to depreciation expenses recognized for the nine-month period.

Deferred tax assets (DTA) increased by ₱13.8 million from ₱50.7 million as at June 30, 2023 to ₱64.5 million as at March 31, 2024 primarily reflecting DTA recognized on tuition and other school fees collected in advance and on all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Also, following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Goodwill, intangible and other noncurrent assets increased by ₱9.4 million from ₱435.8 million to ₱445.2 million as at June 30, 2023 and March 31, 2024, respectively. This is largely due to advance payments made by STI ESG for the construction of a new school building in its STI Ortigas-Cainta campus. This five-storey school building, which will have a total floor area of over 7,000 square meters, is expected to accommodate up to 4,500 additional students. The project is expected to be completed in time for SY 2024-2025. STI ESG also made advances to suppliers for the installation of solar panels in select wholly-owned STI schools. The related costs of these projects will be recognized as "Property and equipment" upon the receipt of the goods or when the services have been rendered.

Total current liabilities decreased by ₱841.7 million to ₱2,610.2 million as at March 31, 2024 from ₱3,451.9 million as at June 30, 2023, mainly due to the redemption of STI ESG's Series 7Y bonds, aggregating to ₱2,180.0 million and payments to suppliers for ongoing projects. This decline was partially offset by increases in unearned tuition and other school fees and current portion of interest-bearing loans and borrowings amounting to ₱1,129.0 million and ₱297.1 million, respectively.

Accounts payable and other current liabilities decreased by ₱124.7 million or 16% from ₱773.2 million to ₱648.5 million as at June 30, 2023 and March 31, 2024, respectively, largely due to payments made to various suppliers and contractors of ongoing and recently completed construction and renovation projects, and decrease in accrued expenses. Accrued expenses, primarily for commencement expenses and outside services, decreased by ₱50.9 million, reflecting payments made to suppliers during the nine-month period ended March 31, 2024. Accruals related to salaries and wages decreased from ₱30.6 million to ₱20.1 million as at June 30, 2023 and March 31, 2024, respectively, upon payment of the 13th month pay of employees.

Unearned tuition and other school fees increased substantially by ₱1,129.0 million from ₱141.1 million as at June 30, 2023 to ₱1,270.1 million as at March 31, 2024. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Current portion of interest-bearing loans and borrowings increased by ₱297.1 million from ₱262.8 million as at June 30, 2023 to ₱559.9 million as at March 31, 2024. The balance as at March 31, 2024 represents the current portion of the Term Loan Facility of STI ESG with China Bank, Metrobank and BPI, aggregating to ₱540.0 million and iACADEMY's ₱19.9 million current portion of the Term Loan balance with China Bank, net of the associated deferred transaction cost.

On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement of up to the amount of ₱1,000.0 million. Of this amount, ₱500.0 million subject to an interest rate of 8.4211% per annum was drawn on March 18, 2024. On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million, of which ₱1,000.0

million subject to an interest rate of 7.8503% per annum was drawn on March 18, 2024. STI ESG has elected to fix the principal repayments to ten (10) equal installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date. The proceeds from these loans were used to partially finance the redemption of STI ESG's Series 7Y bonds amounting to ₱2,180.0 million which matured on March 23, 2024.

As at June 30, 2023, STI ESG's outstanding loan balance with China Bank under its Corporate Notes Facility Agreement amounted to ₱210.0 million. On September 19, 2023, STI ESG settled the ₱30.0 million principal payment due. On the same day, STI ESG fully paid the remaining principal balance on the same facility aggregating to ₱180.0 million.

Current portion of lease liabilities declined by ₱16.1 million from ₱98.5 million as at June 30, 2023 to ₱82.4 million as at March 31, 2024 due to payments made during the nine-month period, net of reclassification to current portion of lease obligations due within the next twelve months. Noncurrent portion of lease liabilities decreased by ₱16.0 million from ₱438.2 million as at June 30, 2023 to ₱422.2 million as at March 31, 2024. 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 consolidated financial statements of the Group following the adoption of PFRS 16, *Leases*.

Income tax payable amounted to ₱49.3 million as at March 31, 2024, mainly representing income tax due on the taxable income for the nine-month period ended March 31, 2024 of STI WNU, iACADEMY and some of STI ESG's subsidiaries. The income tax payable of ₱1.1 million as at June 30, 2023 represents income tax payable of STI ESG's subsidiaries and STI WNU for the year ended June 30, 2023. Income tax due on the taxable income of the Parent Company, STI ESG, and some of STI ESG's subsidiaries were covered by their respective tax credits.

Non-current portion of interest-bearing loans and borrowings increased by ₱736.5 million from ₱808.7 million to ₱1,545.2 million as at June 30, 2023 and March 31, 2024, respectively. The balance as at March 31, 2024 represents the outstanding loan balances, net of the current portions and of unamortized deferred finance costs, of STI ESG's Term Loan Agreements with BPI, China Bank, and Metrobank.

Pension liabilities declined by 12% or ₱17.1 million from ₱139.8 million to ₱122.7 million as at June 30, 2023 and March 31, 2024, respectively, representing remeasurement adjustments forming part of STI ESG's pension assets for the nine-month period ended March 31, 2024. This decrease was partially offset by the pension expense recognized for the nine-month period ended March 31, 2024.

Cumulative actuarial gain increased by ₱23.8 million from ₱5.5 million to ₱29.3 million as at June 30, 2023 and March 31, 2024, respectively, reflecting changes in the market value of the equity investments held within the pension plan assets of the Group for the nine-month period ended March 31, 2024.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱2.2 million from ₱15.1 million to ₱17.3 million as at June 30, 2023 and March 31, 2024, respectively. This increase represents fair value adjustments attributed to the appreciation in the market value of quoted investment shares held by STI ESG.

Retained earnings increased by ₱824.4 million due to the net income attributable to equity holders of the Parent Company recognized by the Group for the nine-month period ended March 31, 2024, net of dividends declared on December 21, 2023.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱3,351.1 million during the nine-month period ended March 31, 2024, higher by 38% or ₱930.1 million more than the ₱2,421.0 million generated during the same period last year. The increase was primarily driven by the 27% increase in the total number of students of the Group for SY 2023-2024.

Tuition and other school fees amounted to ₱3,028.2 million for the nine-month period ended March 31, 2024, up by ₱884.3 million or 41% from the same period last year attributed to the 27% or 25,231 increase in the student population in SY 2023-2024 at 119,543 compared to 94,312 enrollees in SY 2022-2023. STI ESG's wholly-owned and franchised schools registered an enrollment of 103,982 students, 22,285 or 27% more than the enrollment in SY 2022-2023. Percentage-wise, STI ESG's owned schools registered the highest increase at 33% for this SY compared to last SY. The number of new students enrolled in CHED programs increased by 33% or 8,425 from 25,849 to 34,274 for SY 2022-2023 and SY 2023-2024, respectively. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to over 83,000 in SY 2023-2024 compared to enrollment in SY 2022-2023 of over 66,000 students. CHED programs bring in higher revenues per student. STI ESG implemented a 5% tuition fee increase for tertiary programs, while iACADEMY implemented a 10% tuition fee increase across all levels. STI WNU implemented tuition fee increases of 5% for old or continuing students and 6% to 8% for new students.

Revenues from educational services and royalty fees both increased by 19% 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 ₱16.2 million or 36% compared to the same period last year from ₱45.5 million to ₱61.7 million for the nine-month period ended March 31, 2024, attributed to the higher number of students this year.

Sale of educational materials and supplies increased by ₱5.3 million year-on-year from ₱103.3 million for the nine-month period ended March 31, 2023 to ₱108.6 million for the nine-month period ended March 31, 2024. The revenues recognized from the sale of educational materials and supplies during the nine months ended March 31, 2024 and 2023 are generally attributed to the sale of uniforms. The cost of educational materials and supplies sold likewise increased concomitant with the increase in the sale of educational materials and supplies.

The cost of educational services increased by ₱204.2 million from ₱709.3 million for the nine-month period ended March 31, 2023 to ₱913.5 million for the nine-month period ended March 31, 2024.

The cost of instructors' salaries and benefits increased by ₱97.6 million due to a bigger faculty roster concomitant with the increased student population. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who have earned a master's degree as part of the faculty members' continuing professional education. Also, as a token of acknowledgment for the collective effort that contributed to the positive enrollment outcome for SY 2023-2024, merit increases and bonuses were distributed to deserving and qualified faculty members, highlighting the Group's appreciation for everyone's dedication and hard work. Depreciation expense increased by ₱12.1 million from ₱275.5 million to ₱287.6 million for the nine-month periods ended March 31, 2023 and 2024, respectively, due to depreciation recorded this period on STI ESG's completed construction projects and iACADEMY's Cebu campus. Rent expense recognized as part of cost of educational services increased by ₱4.5 million due to the rent expense recognized from July 1, 2023 for the building occupied by STI Alabang which became a wholly-owned subsidiary only on March 31, 2023. School materials and supplies increased by ₱14.4 million from ₱6.9 million to ₱21.3 million for the nine-month periods ended March 31, 2023 and 2024, respectively, attributed to expenses associated with conducting students' assessments and examinations and acquisition of other school learning materials. Expenses attributed to school activities and programs, which substantially include costs incurred for local and national talent search, increased by ₱53.6 million from ₱66.0 million to ₱119.6 million for the nine-month periods ended March 31, 2023 and 2024, respectively, driven by the increase in participants and the resumption of the national youth convention in SY 2023-2024. The related revenues for these costs of student activities and programs are reported as part of tuition and other school fees.

General and administrative expenses increased by 16% or ₱151.1 million from ₱961.2 million to ₱1,112.3 million for the nine-month periods ended March 31, 2023 and 2024, respectively. Salaries and benefits are higher by 20% or ₱57.0 million, amounting to ₱337.1 million for the nine-month period ended March 31, 2024 compared with ₱280.1 million for the same period last year, reflecting merit increases granted to deserving employees. Bonuses were given to STI ESG's deserving and qualified non-teaching and administrative personnel, highlighting the Group's appreciation for everyone's dedication and hard work resulting in the positive enrollment outcome for SY 2023-2024. Also, certain plantilla positions were filled up during the nine months ended March 31, 2024. Concomitant with the increased enrollment and the conduct of face-to-face classes, expenses for clerical, security and janitorial services increased by ₱23.9 million or 27% while light and water costs increased by ₱10.4 million or 9% year-on-year. The cost of outside services was likewise affected by the increased minimum wage rate and higher premiums charged by government agencies for employee benefits. The Group recognized a provision for ECL amounting to ₱98.1 million from the nine-month period ended March 31, 2024, largely representing ECLs on outstanding receivables from students' tuition and other school fees as at March 31, 2024. This is higher by ₱23.1 million or 31% compared to ₱75.0 million for the nine-month period ended March 31, 2023. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students pertaining to prior years. Professional fees amounted to ₱66.1 million for the nine-month period ended March 31, 2024, higher by ₱12.2 million compared with the same period last year of ₱53.9 million, largely attributed to professional fees for external panelists and consultants' fees. Advertising and promotions expenses increased by ₱8.3 million from ₱11.6 million to ₱19.9 million for the nine-month periods ended March 31, 2023 and 2024, respectively, as marketing campaigns of STI ESG and iACADEMY, including physical visits to various schools, were intensified. Repairs and maintenance expenses rose by ₱6.5 million to ₱32.9 million from ₱26.4 million for the nine-month periods ended March 31, 2024 and 2023, respectively, due to refurbishment of school facilities and cleaning of air-conditioning units. Taxes and licenses expense is higher by ₱2.7 million from ₱28.9 million to ₱31.6 million for the nine-month periods ended March 31, 2023 and 2024, respectively, reflecting the increase in local taxes concomitant with the increase in revenues. Meetings and conferences, office supplies, software maintenance costs, and communication expenses likewise increased by ₱2.5 million, ₱1.4 million, ₱1.0 million, and ₱1.0 million, respectively, as a result of increased on-site activities. Association dues increased by ₱1.8 million from ₱1.4 million to ₱3.2 million during the nine-month periods ended March 31, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in May 2023. Rent expense increased by ₱1.6 million or 20% due to the portion of rent expense recognized from July 1, 2023 for the building occupied by STI Alabang which became a wholly-owned subsidiary only on March 31, 2023. Insurance and bonds increased by ₱1.2 million from ₱13.4 million to ₱14.6 million for the nine-month periods ended March 31, 2023 and 2024, respectively, reflecting higher insurance premiums paid concomitant with the increase in market values of STI ESG's properties.

The Group generated an operating income of ₱1,243.4 million for the nine-month period ended March 31, 2024, an improvement of ₱569.7 million or 85% from the ₱673.7 million operating income earned during the same period last year, largely due to higher revenues driven by the increase in the student population. Operating income margin for the nine-month period ended March 31, 2024 reached 37% compared to 28% for the same period last year. Operational efficiency was optimized due to efficient control of direct and administrative expenses and the advantage of economies of scale.

Interest expenses decreased by ₱8.3 million from ₱229.2 million for the nine-month period ended March 31, 2023 to ₱220.9 million for the same period this year mainly due to the principal payments made by STI ESG and iACADEMY, full payment made by STI ESG of its Corporate Notes Facility with China Bank, and redemption of STI ESG's Series 7Y bonds in March 2024. This was partially offset by the increase in the interest rate on STI ESG's outstanding interest-bearing loans under the Term Loan Facility which was adjusted from 6.5789% per annum to 8.0472% per annum effective September 19, 2023. The interest rate on iACADEMY's outstanding interest-bearing loans under its Term Loan Facility likewise increased from 5.6699% per annum to 8.0845% per annum effective September 28, 2023. This account likewise includes the related interests recognized from drawdowns made in March 2024 from STI ESG's Term Loan Facility with BPI and Metrobank amounting to ₱500.0 million and ₱1,000.0 million, which are subject to interest rates of 8.4211% and 7.8503%, per annum, respectively.

Rental income increased by ₱42.7 million or 40% year-on-year from ₱107.7 million to ₱150.4 million mainly due to new lease agreements entered into by iACADEMY.

Interest income increased by ₱22.3 million from the previous year's ₱16.2 million to ₱38.5 million for the nine-month period ended March 31, 2024 due to interest earned on the Group's short-term investments and money market placements.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱9.1 million and unrealized loss ₱3.8 million for the nine-month periods ended March 31, 2024 and 2023, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱1.4 million and ₱0.1 million for the nine-month periods ended March 31, 2024 and 2023, respectively.

The Group recognized as income the recovery of previously written-off accounts amounting to ₱4.4 million for the nine-month period ended March 31, 2024 compared to ₱5.9 million for the same period the previous year.

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 nine-month period ended March 31, 2024.

Dividend income amounted to ₱2.2 million for the nine-month period ended March 31, 2024 compared to ₱2.8 million for the nine-month period ended March 31, 2023. This represents dividend income from DLS Medical Center (DLSMC) amounting to ₱0.5 million and ₱1.3 million for the nine-month periods ended March 31, 2024 and 2023, respectively, and ₱0.5 million from RCR both for the nine-month periods ended March 31, 2024 and 2023. Dividend income from STI Marikina, an associate of STI ESG, of ₱1.2 million and ₱1.0 million for the nine-month periods ended March 31, 2024 and 2023, respectively, is also included.

Fair value losses on equity instruments at FVPL amounting to ₱1.1 million and ₱0.6 million were recognized for the nine-month periods ended March 31, 2024 and 2023, respectively, representing a decline in the market value of STI ESG's quoted equity shares.

Equity in net earnings of associates and joint venture amounted to ₱1.6 million for the nine-month period ended March 31, 2023 and negative ₱0.2 million for the current period.

The Group reported other income (expenses) amounting to ₱5.6 million and negative ₱0.8 million for the nine-month periods ended March 31, 2023 and 2024, respectively. The ₱5.6 million income for the nine-month period ended March 31, 2023, substantially represents the donation from a third-party institution as part of STI ESG and the third-party institution's partnership program in delivering certification courses, simulation tools, and training materials to eligible students. This is net of the maintenance costs associated with STI ESG's bond issue amounting to ₱0.7 million. For the same period this year, STI ESG recognized other expenses amounting to ₱0.8 million maintenance costs for the bond issue incurred during the period.

The Group reported provision for income tax amounting to ₱111.9 million and ₱1.4 million for the nine-month periods ended March 31, 2024 and 2023, respectively. Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July 1, 2020 up to June 30, 2023. The special tax rate for proprietary educational institutions reverted to 10.0% starting July 1, 2023.

Net income after tax of ₱1,118.1 million was recorded for the first nine months of the current fiscal year, as against ₱579.3 million for the same period last year, an improvement of ₱538.8 million or 93%, attributed to the substantial improvement in the Group's enrollment this SY 2023-2024. Net income margin likewise improved from 24% to 33% year-on-year.

The Group recognized a remeasurement gain on pension liabilities amounting to ₱24.2 million and ₱2.2 million, both net of income tax effect, for the nine-month periods ended March 31, 2024 and 2023, respectively, due to the adjustments in the market value of equity shares forming part of STI ESG's pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱2.2 million and ₱2.0 million for the nine-month periods ended March 31, 2024 and 2023, respectively, due to the movements in the market price of quoted equity shares held by STI ESG.

Total comprehensive income of ₱1,144.5 million was generated for the nine-month period ended March 31, 2024, compared to ₱583.6 million for the same period last year, an improvement of 96% or ₱560.9 million.

EBITDA is up by 52% or ₱604.2 million from ₱1,163.5 million to ₱1,767.7 million for the nine-month periods ended March 31 2023 and 2024, respectively. EBITDA margin for the nine-month period ended March 31, 2024 is at 53% compared to 48% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱1,105.8 million for the nine-month period ended March 31, 2024 compared to ₱581.2 million core income for the same period last year.

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 in withdrawing the funds anytime. The Group regularly evaluates available financial products and monitors market conditions for opportunities to enhance yields at acceptable risk levels.

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

As at March 31, 2024 and June 30, 2023, the Group's current assets amounted to ₱4,399.6 million and ₱3,781.6 million, respectively, while current liabilities amounted to ₱2,610.2 million and ₱3,451.9 million, respectively. The current liabilities as of June 30, 2023 include STI ESG's Series 7Y bonds amounting to ₱2,175.1 million net of unamortized issue costs, which matured and were redeemed in full in March 2024.

STI ESG entered into five-year Term Loan Agreements with Metrobank and BPI in March 2024. Drawdowns were made in the same month for the partial refinancing of its Series 7Y bonds which were redeemed in full in March 2024. The DSCR of not less than 1.05:1.00 is also one of the financial covenants and is measured annually based on the audited consolidated financial statements of STI ESG as of and for the year ended June 30 of each year.

In relation to the Group's interest-bearing loans and borrowings from China Bank, the DSCR, based on the consolidated financial statements of STI ESG, is also monitored on a regular basis. The DSCR is equivalent to the consolidated EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the next twelve months. The Group monitors its DSCR to keep it at a level acceptable to the Group, the lender banks and the STI bondholders. The Group's policy is to keep the debt service cover ratio not lower than 1.05:1.00. STI ESG's DSCR as defined in the loan agreement with China Bank, are 0.59:1.00 and 0.47:1.00 as at December 31, 2023 and June 30, 2023, respectively. In anticipation of the reclassification to current liabilities of STI ESG's Series 7Y bonds which matured in March 2024, STI ESG requested for a waiver of the DSCR from China Bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by China Bank on August 15, 2022. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023 and December 31, 2023. Under STI ESG's Term Loan Agreement with China Bank, the debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. Under STI ESG's Term Loan agreements with BPI and Metrobank, the Debt-to-equity ratio and DSCR testing is done annually, based on its audited consolidated financial statements as at June 30 of each year. STI ESG is compliant with the Debt-to-equity ratio as at March 31, 2024 and June 30, 2023. iACADEMY is compliant with the DSCR required by the local lender bank.

On April 26, 2024, the Interest Cover Ratio (ICR) was introduced as one of the financial covenants under the Trust Agreement governing the STI ESG's 10-year bonds (see Note 18 to the Unaudited Interim Condensed Consolidated Financial Statements).

<u>Credit risk</u> – Credit risk is the risk that the Group will incur a loss arising from students, franchisees or counterparties who fail to discharge their contractual obligations. The Group

manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for each counterparty and by monitoring expenses in relation to such limits.

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

Interest rate risk – Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating-rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 10-year tenor.

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

Capital risk – The Group aims to achieve an optimal capital structure to reduce its cost of capital in pursuit of its business objectives, which include maintaining healthy capital ratios and strong credit ratings, maximizing shareholder value and providing benefits to other stakeholders. The Group likewise aims to ensure that cash is available to support its operations and all other projects undertaken by the Group and to maintain funds on a long-term basis.

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

The Group monitors capital using the debt-to-equity ratio, which is computed in accordance with the financial covenants prescribed in the loans and trust agreements (see Notes 17 and 18 of the Unaudited Interim Condensed Consolidated Financial Statements). The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender banks and the STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

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

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

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

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

f. The various loan agreements entered into by STI ESG and iACADEMY and the issuance of fixed-rate bonds of STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG and iACADEMY are fully compliant with all the covenants in the loan agreements. Please see Notes 17 and 18 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

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

h. The Group's business is linked to the academic cycle. The academic cycle, which is one academic year, begins in late August and September, for JHS and SHS, and the tertiary level, respectively, and ends in June of the following year for STI ESG and STI WNU, while the academic year for iACADEMY begins in August and ends in May and July for SHS and tertiary, respectively, of the following year. Meanwhile, classes for STI WNU's School of Graduate Studies started on September 2, 2023. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, the 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 days if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 18 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements). STI ESG redeemed in full its Series 7Y bonds in March 2024.

j. On February 27, 2024, the BODs of Philippine School of Business Administration (PSBA Manila) and Philippine School of Business Administration, Inc. – Quezon City (PSBA Quezon City) or collectively referred to as "PSBA," and STI Holdings (the "Company"), its affiliates, assignees, or successors-in-interest ratified the execution of a term sheet which covers the takeover by STI Holdings of the operations of PSBA as well as the acquisition of licenses, trademarks, trade names, and school-related assets owned by PSBA (the "transaction").

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

   On May 2, 2024, STI Holdings disclosed to the SEC and the PSE the developments regarding the transactions by and among STI Holdings and PSBA involving the following: (a) the acquisition by the Company or its affiliates, assignees or successors-in-interest of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City which forms part of the properties owned by PSBA Manila (the "Subject Property"); (b) the acquisition by the Company or its affiliates, assignees or successors-in-interest of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City (collectively, the "PSBA Schools"); and (c) the grant by PSBA of a right of first refusal over the properties owned by PSBA Manila located in Manila (the "PSBA Manila Property") and Quezon City, net of the Subject Property (the "Remaining PSBA Quezon City Properties").

   On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of the Subject Property. The purchase price of the Subject Property is less than ten percent (10%) of the total assets of the Company. The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

   On the same date, STI Novaliches, an affiliate of the Company, entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the School Related Assets. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute a Deeds of Assignment for the sale and purchase of the School Related Assets.

k. Former President Rodrigo Duterte signed into law on March 26, 2021 RA No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability.

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

- Preferential income tax rate for proprietary educational institutions is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million. All other domestic corporations are subject to 25% regular corporate income tax (RCIT) effective July 1, 2020.
- Minimum corporate income tax (MCIT) is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.
- Exemption from the determination of gain or loss from any exchange of property for stocks in corporations under certain conditions amending Section 40, Subsection C of the National Internal Revenue Code of 1997 which includes among others, merger and consolidation.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Pursuant to the provisions of the CREATE Act, the schools in the Group adopted the 1% income tax rate effective July 1, 2020 while the Parent Company and AHC adopted the 25%/1% and 20%/1% RCIT/MCIT rates, respectively.

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