COVER SHEET

1746

S T I E D U C A T I O N S Y S T E M S
H O L D I N G S , I N C .

(Company's Full Name)

7 T H F L O O R , S T I H O L D I N G S C E N T E R
6 7 6 4 A Y A L A A V E N U E
M A K A T I C I T Y

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

ARSENIO C. CABRERA, JR.	(632) 8844 9553
Contact Person	Company Telephone Number

0 6	3 0	Preliminary Information Statement	Third Friday of November
Month	*Day*	FORM TYPE	*Month* *Day*
Fiscal Year			Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stocholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") will be held and conducted virtually via remote communication through Microsoft Teams on **Wednesday, 18 December 2024, at 3:00 p.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 21 December 2023
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2024
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 21 December 2023 Annual Stockholders' Meeting up to 18 December 2024
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

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

The 2024 Annual Stockholders' Meeting of STI Holdings will be conducted virtually. Stockholders of Record may attend/participate via proxy, remote communication or vote in absentia. For the detailed registration and voting procedures, please visit http://www.stiholdings.com/2024ASM and refer to the **"Guidelines for Participation via Remote Communication and Voting in Absentia and through Proxy"**.

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to corsec@stiholdings.com.ph on or before 6 December 2024. Validated stockholders will be provided access to the live streaming of the meeting through Microsoft Teams and can cast their votes in absentia on or before 13 December 2024 through the Company's secure online voting facility. All votes cast shall be subject to validation.

The Company is not soliciting for proxies. Stockholders who are unable to join the meeting but wish to vote on items in the agenda by proxy must submit their duly accomplished proxy forms via email to corsec@stiholdings.com.ph, not later than **13 December 2024**.

Stockholders of record may send their queries and comments to the Management Report and other items in the Agenda to corsec@stiholdings.com.ph on or before 13 December 2024.

The Definitive Information Statement containing the attendance/voting (via remote communication) and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, and other information related to the Annual Stockholders' Meeting can be accessed at http://www.stiholdings.com/disclosures.php and the PSE Edge portal.

Very truly yours,

ARSENIO C. CABRERA, JR.
Corporate Secretary

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

AGENDA OF 2024 ANNUAL STOCKHOLDERS' MEETING

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 21 December 2023
4. Management Report
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8. Appointment of External Auditor
9. Other Matters
10. Adjournment

EXPLANATION AND RATIONALE OF EACH ITEM IN THE AGENDA

1. Call to order

   The Chairman of the Board (the "Board"), Mr. Eusebio H. Tanco, will call the meeting to order.

2. Certification of notice and quorum

   The Corporate Secretary will certify the date when notice of the Annual Stockholders' Meeting ("ASM") was published in the business section of two (2) newspapers of general circulation in print and on-line print for two (2) consecutive days.

   A copy of the ASM Notice was also posted at the Company's website and disclosed to the PSE Edge.

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

   All the items in the agenda requiring approval by the stockholders will need the affirmative vote of stockholders representing at least a majority of the outstanding voting capital stock of the Company present at the ASM. Each one (1) outstanding share of stock entitles the registered stockholders to one (1) vote.

3. Approval of the Minutes of the Annual Stockholders Meeting held on 21 December 2023

   The minutes are available at the Company website:
   http://www.stiholdings.com/disclosures.php

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

   > *"RESOLVED, That the Minutes of the Annual Stockholders' meeting held on 21 December 2023 as appearing in the Minutes Book of the Corporation be approved."*

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

4. The Management Report

   The President, Mr. Monico V. Jacob, shall render the Management Report, which provides the highlights of the performance of the Company for FY 2023-2024 and the outlook of the Company for FY 2024-2025 and beyond.

The President shall also report on the significant operational and financial performance as well as the milestones and achievements of the Company for FY 2023-2024. The report will also include significant events affecting the Company's performance for FY 2023-2024.

The Annual Report is also posted on the Company's website: http://www.stiholdings.com/disclosures.php and PSE Edge portal. A resolution noting the Management Report will be presented to the stockholders for adoption.

Below is the proposed resolution:

> *"RESOLVED, that that the Management Report for FY 2023-2024 be noted and approved."*

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

5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2024

   The approval of Parent and Consolidated Audited Financial Statements (FS) of the Company as at and for the fiscal year ended 30 June 2024 prepared by SyCip Gorres Velayo & Co., contained in the Annual Report will be presented to the stockholders. The FS will also be embodied in the Definitive Information Statement. The Audit and Risk Committee has recommended, and the Board has approved, the FS.

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

   Below is the proposed resolution:

   > *"RESOLVED, that the Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2024 as discussed in the Annual Report be noted and approved."*

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

6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management since the 21 December 2023 Annual Stockholders' Meeting up to 18 December 2024. A list of the corporate acts to be ratified are enumerated in Item 16, page 24 of the Definitive Information Statement.

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

> *"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business, since the 21 December 2023 Annual Stockholders' Meeting up to 18 December 2024 be approved, confirmed and ratified."*

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

7. Election of directors, including independent directors

In accordance with Section 2, Article IV of the Company's By-Laws and the 2017 Manual on Corporate Governance, the deadline for nominations to the Board was on 25 October 2024. After the deadline, the Corporate Governance Committee evaluated the nominees to the Board and determined that all the nominees, including the nominees for independent directors, have all the qualifications of a director pursuant to the By-Laws and applicable laws. Copies of the curriculum vitae and profiles of the candidates to the Board are provided in the Definitive Information Statement.

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

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

8. Appointment of external auditor

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

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

Below is the proposed resolution:

> *"RESOLVED, that the auditing firm of SyCip Gorres Velayo & Co. be, as it is hereby appointed as external auditor of the Corporation for the FY 2024-2025."*

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

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

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

10. Adjournment

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

EDUCATION SYSTEMS HOLDINGS, INC.
2024 ANNUAL STOCKHOLDERS' MEETING
Wednesday, 18 December 2024 at 3:00 p.m.
Via remote communication through Microsoft Teams

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

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

1. Stockholders intending to participate by remote communication through Microsoft Teams and/or voting in absentia should notify the Office of the Corporate Secretary through a Letter of Intent (LOI) to be sent via e-mail to corsec@stiholdings.com.ph on or before **6 December 2024**, complete with the following requirements for validation purposes:

   1.1 Indicate the following required information:

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

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

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

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

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

   1.2.3 Other supporting document, as applicable

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

3. Once validated/verified, a stockholder shall be provided a confirmation correspondence with secure links for virtual meeting and voting in absentia. For security purposes, the confirmation correspondence which includes access

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

3.1 A verified stockholder shall have to access the corresponding link in order to be able to join the virtual meeting on the ASM day.

3.2 A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on **13 December 2024**. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of the Information Statement.

B. Attendance by Proxy

1. In case a stockholder cannot attend the virtual meeting and wishes to be represented, said stockholder shall designate an authorized representative ("Proxy") by submitting a duly-accomplished proxy instrument which may be downloaded at http://www.stiholdings.com/2024ASM and submitted on or before **13 December 2024** via email to corsec@stiholdings.com.ph, complete with the following requirements for validation purposes:

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

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

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

      1.2.1 Valid government-issued ID (with photo)

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

2. The Office of the Corporate Secretary shall forward the email containing the duly-accomplished proxy instrument and its attachments to the Company's stock transfer agent, Professional Stock Transfer, Inc. The validation process will be completed by the stock transfer agent no later than three (3) business days from its receipt of the duly accomplished proxy instrument. The Company's stock transfer agent reserves the right to request for additional information and

documents, as needed/necessary. Moreover, electronic signature for the required documents shall be allowed while notarization requirement shall not be considered for the meantime, as applicable, given the current situation.

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

C. Participation and Determination of Quorum and Votes

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

2. Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to corsec@stiholdings.com.ph not later than **13 December 2024** to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

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

4. The Office of the Corporate Secretary shall ensure confidentiality of all votes for tabulation, including those cast in absentia and by proxy, with assistance from the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting. For information on counting and tabulation of votes, please refer to "Item 19. Voting Procedures" of this Information Statement.

For ASM-related matters, please go to http://www.stiholdings.com/2024ASM. For ASM-related queries, please send an email to corsec@stiholdings.com.ph. For account updating/validation concerns, please get in touch with the Company's Stock Transfer Agent, Professional Stock Transfer, Inc. (Attention: Mr. Crescencio P. Montemayor), via email to info@professionalstocktransfer.com].

Date :

From :

To : The Office of the Corporate Secretary
(corsec@stiholdings.com.ph)

Subject: Letter of Intent (LOI) to Participate in STI EDUCATION SYSTEM HOLDINGS, INC. ("STI HOLDINGS") 2024 Annual Stockholders' Meeting ("ASM")

This is to express my intent to participate in STI HOLDINGS' 2024 ASM to be held virtually on Wednesday, 18 December 2024 at 3:00 p.m..

Please see my contact information below:

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

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

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

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

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

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

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

Looking forward to your favorable response.

Thank you.

____
(Signature over Printed Name)

PROXY

The undersigned stockholder of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") hereby appoints ____________________________ or in his/her absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual Stockholders' Meeting** of the Company to be held via remote communication through Microsoft Teams on **Wednesday, 18 December 2024 at 3:00 p.m.,** and at any of the adjournments thereof for the purpose of acting on the following matters:

		Votes Taken		
		For	Against	Abstain
1.	Approval of Minutes of Annual Stockholders' Meeting held on 21 December 2023			
2.	Approval of the Management Report for FY 2023-2024			
3.	Approval of Parent Company and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2024			
4.	Ratification of all acts of Management and the Board of Directors from 21 December 2023 to 18 December 2024			
5.	Election of Directors			
	Eusebio H. Tanco			
	Monico V. Jacob			
	Maria Vanessa Rose L. Tanco			
	Joseph Augustin L. Tanco			
	Martin K. Tanco			
	Paolo Martin O. Bautista			
	Jesli A. Lapus			
	Robert G. Vergara (Independent Director)			
	Ma. Leonora Vasquez-De Jesus (Independent Director)			
	Raymond Anthony N. Alimurung (Independent Director)			
	Justice Antonio T. Carpio (Ret.) (Independent Director)			
6.	Appointment of SyCip Gorres Velayo & Co. as external auditor for FY 2024-2024			

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

_________________________ *Date*

_________________________ *Printed Name of Stockholder*

_________________________ *Signature of Stockholder/ Authorized Signatory*

This proxy should be received by the Corporate Secretary **on or before 13 December 2024**, the deadline for submission of proxies.

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

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

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

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

1. Check the appropriate box:

   [x] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **STI Education Systems Holdings, Inc.**

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

4. SEC Identification Number **1746**

5. BIR Tax Identification Code **000-126-853**

6. **7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City** **1226**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 8844-9553**

8. **18 December 2024, 3:00 p.m. via Remote Communication through Microsoft Teams**
   The presiding officer will preside over the meeting through remote communication at STI Holdings Center, 6764 Ayala Avenue, Makati City.
   Date, time and place of the meeting of security holders

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

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

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

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

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date of Meeting	:	18 December 2024
Time of Meeting	:	3:00 p.m.
Place of Meeting	:	To be conducted via Remote Communication through Microsoft Teams The presiding officer will preside over the meeting through remote communication at 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City.
Registrant's Mailing Address	:	7/F STI Holdings Center 6764 Ayala Avenue, Makati City
Approximate Date on Which the Information Statement is First Sent Or Given to Security Holders	:	28 November 2024

Item 2. Dissenters' Right of Appraisal

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

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

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

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

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

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

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

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

(2) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the corresponding certificate(s) of stock within 10 days after demanding payment for his shares, the fair value thereof, provided the Company has unrestricted retained earnings; and

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

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

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

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

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

(1) Market Information

The Company's common stock is traded on the PSE under the stock symbol "STI". As of the date of this Information Statement, the Company has 9,904,806,924 shares outstanding.

As of 30 June 2024, the high share price of the Company was ₱0.90 and the low share price was ₱0.89. As of 30 September 2024, the high share price of the Company was ₱1.31 and the low share price was ₱1.22.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second and third quarters of 2024:

	High	Low
2024		
Third Quarter	1.35	0.76
Second Quarter	1.00	0.75
First Quarter	0.86	0.46
2023		
Fourth Quarter	0.50	0.39
Third Quarter	0.43	0.36
Second Quarter	0.41	0.34
First Quarter	0.39	0.33
2022		
Fourth Quarter	0.35	0.32
Third Quarter	0.36	0.32
Second Quarter	0.37	0.31
First Quarter	0.38	0.32

The Company's public float as of 30 June 2024 is 3,049,740,687 shares equivalent to 30.79% and 3,060,932,687 shares equivalent to 30.90% as of 30 June 2023 of the total issued and outstanding shares of the Company. As of 30 September 2024, the Company's public float is 2,942,593,687 shares equivalent to 29.71% of the total issued and outstanding shares of the Company.

(2) Holders

As of 15 October 2024, there were 1,264 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 15 October 2024:

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,623,937,264	36.59%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%
TANCO, EUSEBIO H.	1,253,666,793	12.66%
PCD NOMINEE CORP (NON-FILIPINO)	870,512,512	8.79%
EUJO PHILIPPINES, INC.	806,157,130	8.14%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
TANTIVY HOLDINGS, INC. (FORMERLY: INSURANCE BUILDERS, INC.)	626,776,992	6.33%
EXIMIOUS HOLDINGS, INC.	272,990,566	2.76%
CLASSIC FINANCE, INC.	15,013,155	0.15%
TANCO, ROSIE L.	13,000,000	0.13%
DEL PRADO, EMMANUEL P.	3,500,000	0.04%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR, LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
TACUB, PACIFICO B.	200,000	0.00%
NOLASCO, MA. CHRISTMAS R.	140,000	0.00%
VICSAL SECURITIES & STOCK BROKERAGE, INC.	129,500	0.00%

(3) Cash Dividends

(a) On December 21, 2023, cash dividends amounting to ₱0.030 per share or the aggregate amount of ₱297.1 million were declared by the Board of Directors in favor of all stockholders on record as at January 10, 2023 payable on January 31, 2023.

(b) On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2023 payable on January 31, 2023.

(c) On December 3, 2021, cash dividends amounting to ₱0.01 per share or the aggregate amount of ₱99.0 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2022 payable on January 31, 2022.

(4) Recent Sales of Unregistered or Exempt Securities

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(1) Voting securities entitled to be voted at the meeting as of 15 October 2024

Title of Each Class	Number of Shares Outstanding	Number of Votes
Common Stock	9,904,806,924	One (1) vote per share

(2) Record date

Only stockholders of record on the books of the Company at the close of business on 25 November 2024 will be entitled to vote at the Annual Meeting.

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

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

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

(a) Security Ownership of Certain Record/Beneficial Owners as of 15 October2024

As of 15 October 2024, the following stockholders are the only owners of more than 5% of the Company’s voting capital stock, whether directly or indirectly, as record owner or beneficial owner.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Filipino	3,623,937,264[1]	36.59%
Common	Prudent Resources, Inc. 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the Chairman and President of Prudent Resources, Inc. is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect- thru PCD Filipino) Total	 1,614,264,964 6,820,085 ------------------ 1,621,085,049 ==========	 16.30% .06% ----------- 16.36% ======
Common	Mr. Eusebio H. Tanco (Chairman of the Board) (Direct and Indirect shares through PCD Nominee Corporation) 543 Fordham Street, Wack-Wack Village, Mandaluyong City	Mr. Eusebio H. Tanco	Filipino (Direct) (Indirect- thru PCD Filipino) Total	 1,253,666,793 409,710,651 ------------------- 1,663,377,444 ===========	 12.66% 4.13% ----------- 16.79% ======
Common	PCD Nominee 37/F Tower I, Enterprise Center, 6766 Ayala Avenue cor. Paseo de Roxas, Makati City		Non-Filipino	870,512,512	8.79%
Common	Eujo Philippines, Inc. (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Eujo Philippines, Inc. is authorized to vote its shares in the Company.	Filipino (Direct)	 806,157,130	 8.14%

[2] Eusebio H. Tanco is the beneficial owner of 409,710,651 shares. Prudent Resources, Inc. is the beneficial owner of 6,820,085 shares. Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.) is the beneficial owner of 18,282,861 shares. STI Education Services Group, Inc. is the beneficial owner of 477,432,895 shares. Tantivy Holdings, Inc. (Formerly: Insurance Builders, Inc.) is the beneficial owner of 3,000,000 shares. Eximious Holdings, Inc. is the beneficial owner of 152,844,766 shares.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record owner	Citizenship	No. of Shares Held	Percent
Common	Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect-thru PCD Filipino) Total	794,343,934 18,282,861 ---------------- 812,626,795 =========	8.02% .18% --------- 8.20% =====
Common	Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) (Direct and Indirect shares through PCD Nominee Corporation) 7/F STI Holdings Center, 6764 Ayala Avenue, Makati City	Mr. Eusebio H. Tanco, the President of Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.) is authorized to vote its shares in the Company.	Filipino (Direct) (Indirect-thru PCD Filipino) Total	626,776,992 3,000,000 ------------------ 629,776,992 ===========	6.33% 0.03% ----------- 6.36% ======

Note: PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository, Inc. (PCD), and is the registered owner of the shares in the records of the Parent Company's transfer agent. The participants of the PCD (with respect to securities in the principal accounts) or the clients of such participants (with respect to securities in the participants' client accounts) are, as far as the PCD and PCD Nominee Corporation are concerned, the presumed beneficial owners of such lodged shares. PCD Nominee Corporation merely holds legal title (and not beneficial title) to the Parent Company's lodged shares to facilitate the book-entry trading and settlement of the Parent Company's shares. Except as disclosed above, no natural person or juridical entity whose shares are lodged in the name of PCD Nominee Corporation is known to the Parent Company to be directly or indirectly the record or beneficial owner of more than five percent (5%) of the Parent Company's voting securities.

(b) Security Ownership of Management as of 15 October 2024

The following table sets forth as of 15 October 2024, the beneficial ownership of each director and executive officer of the Company:

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Eusebio H. Tanco (Director and Chairman of the Board)	1,253,666,793 409,710,651 ----------------- 1,663,377,444 =========	Direct Indirect – thru PCD Total	Filipino	12.66% 4.13% ----------- 16.79% =======
Common	Monico V. Jacob (Director, President and CEO)	1 33,784,056 -------------- 33,784,057 =======	Direct Indirect – thru PCD Total	Filipino	0.00% 0.34% ----------- 0.34% =======

Title of Class	Name of Beneficial Owner	Amount & Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Ma. Vanessa Rose L. Tanco (Director)	1 28,818,000 ------------- 28,818,001 ======	Direct Indirect – thru PCD	Filipino	0.00% 0.29% ------------ 0.29%
Common	Joseph Augustin L. Tanco (Director and VP for Investor Relations)	1 2,500,000 --------------- 2,500,001 =========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.03% ------------ 0.03% ======
Common	Martin K. Tanco (Director)	114,491,907	Indirect – thru PCD	Filipino	1.16%
Common	Paolo Martin Bautista (Director and Chief Investment Officer and Head of Corporate Strategy)	4,000,000	Indirect – thru PCD	Filipino	0.04%
Common	Jesli A. Lapus (Non-Executive Director)	6,000,000	Indirect – thru PCD	Filipino	0.06%
Common	Robert G. Vergara (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Ma. Leonora V. De Jesus (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Raymond N. Alimurung (Independent Director)	1,000	Direct	Filipino	0.00%
Common	Antonio T. Carpio (Independent Director)	10,0000	Direct	Filipino	0.00%
Common	Yolanda M. Bautista (Treasurer & Chief Finance Officer)	1 5,000,000 -------------- 5,000,001 ========	Direct Indirect – thru PCD Total	Filipino	0.00% 0.05% ----------- 0.05% =======
Common	Arsenio C. Cabrera, Jr. (Corporate Secretary)	6,500,000	Indirect – thru PCD	Filipino	0.07%
Common	Directors and Officers as a Group	1,864,484,411	Direct and Indirect	Filipino	18.82%

(c) Voting Trust Holders of 5% Or More

As of 15 October 2024, no person holds at least 5% or more of a class under a voting trust or similar agreement.

(d) Changes in Control

There has been no change of control in the Company since 1 April 2014.

Item 5. Directors and Executive Officers

(1) Certain Relationships and Related Transactions

(a) Directors and Executive Officers

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

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

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

(1) Eusebio H. Tanco
(2) Monico V. Jacob
(3) Joseph Augustin L. Tanco
(4) Ma. Vanessa Rose L. Tanco
(5) Martin K. Tanco
(6) Paolo Martin O. Bautista
(7) Jesli A. Lapus
(8) Robert G. Vergara
(9) Ma. Leonora Vasquez-De Jesus
(10) Raymond N. Alimurung
(11) Justice Antonio T. Carpio (Ret).

All of the foregoing incumbent directors have been nominated to the Board for the ensuing year. Messrs. Robert G. Vergara, Raymond N. Alimurung and Justice Antonio T. Carpio (Ret.) as well as Ms. Ma. Leonora Vasquez-De Jesus have been nominated as independent directors by Eximious Holdings, Inc. (formerly Capital Managers & Advisors, Inc.) ("EHI"), a stockholder of the Company. EHI has no business or professional relationship with the aforementioned persons nominated as independent directors.

The Certifications of Messrs. Vergara and Alimurung, Ms. Vasquez-De Jesus and Justice Antonio T. Carpio (Ret.) as independent directors are attached hereto as Annexes "A" to "D".

Pursuant to the Certifications of Independent Director submitted by Messrs. Vergara and Alimurung, Ms. Vasquez-De Jesus and Justice Carpio (Ret.), they each possess all of the qualifications and none of the disqualifications to serve as the Company's independent directors for the ensuing year.

In accordance with Section 11, Article II of the Company's By-Laws and the 2017 Manual on Corporate Governance, the nomination of all of the members of the Company's Board of Directors, including independent directors, shall be conducted by the Corporate Governance Committee prior to the annual stockholders' meeting in accordance with the following procedure:

(1) All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity of the would-be nominees and shall be

submitted to the Corporate Governance Committee and the Corporate Secretary.

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

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

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

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

The Chairman of the Corporate Governance Committee is Justice Antonio T. Carpio (Ret). Ms. Ma. Leonora Vasquez-De Jesus and Mr. Raymond N. Alimurung are the members of the Corporate Governance Committee.

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

Candidate for Nomination as Director	Nominating Stockholder	Relationship	Citizenship
Eusebio H. Tanco	Eximious Holdings, Inc. ("EHI")	Chairman	Filipino
Monico V. Jacob	EHI	President	Filipino
Joseph Augustin L. Tanco	EHI	Director	Filipino
Ma. Vanessa Rose L. Tanco	EHI	N/A	Filipino
Martin K. Tanco	EHI	N/A	Filipino
Paolo Martin O. Bautista	EHI	N/A	Filipino
Jesli A. Lapus	EHI	N/A	Filipino
Robert G. Vergara	EHI	N/A	Filipino
Ma. Leonora Vasquez-De Jesus	EHI	N/A	Filipino
Raymond N. Alimurung	EHI	N/A	Filipino
Justice Antonio T. Carpio (Ret.)	EHI	N/A	Filipino

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

Summary of Term of Office of Directors:

(1) Eusebio H. Tanco – director since 17 March 2010 up to the present
(2) Monico V. Jacob – director since 17 March 2010 up to the present
(3) Joseph Augustin L. Tanco – director since 27 October 2010 up to the present
(4) Ma. Vanessa Rose L. Tanco – director since 27 October 2010 up to the present
(5) Martin K. Tanco – director since 19 December 2012 up to the present

(6) Paolo Martin O. Bautista – director since 19 December 2012 up to the present
(7) Jesli A. Lapus –Independent director from 4 October 2013 up to 19 December 2022 and non-executive director from 19 December 2022 up to the present
(8) Robert G. Vergara – independent director since 27 July 2017 up to the present
(9) Ma. Leonora Vasquez-De Jesus – independent director since 20 September 2019 up to the present
(10) Raymond N. Alimurung - independent director since 20 September 2019 up to the present
(11) Justice Antonio T. Carpio (Ret.)- independent director since 19 December 2022 up to the present

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

Eusebio H. Tanco, 75, Filipino, Chairman of the Board, Executive Director

Mr. Tanco has been Chairman of STI Holdings since March 17, 2010. He is also the Chairman of the Executive Committee of STI Holdings.

Mr. Tanco is a Director of STI ESG. He serves as the Chairman Emeritus of the Executive Committee and the Chairman of the Compensation Committee and Retirement Committee.

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

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

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

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

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

Monico V. Jacob, 79, Filipino, President and CEO, Executive Director

Mr. Jacob has been the President and CEO of STI Holdings since March 17, 2010. He is likewise a member of the Executive Committee of STI Holdings.

Mr. Jacob is the Vice Chairman and CEO of STI ESG and a member of the Executive Committee, Compensation Committee, and Retirement Committee.

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

Mr. Jacob is the Chairman of Maestro Holdings, Inc. (formerly STI Investments, Inc.), Philippine Life Financial Assurance Corporation, PhilhealthCare, Inc., Total Consolidated Asset Management, Inc., Global Resource for Outsourced Workers, Inc., GROW Vite Staffing Services, Inc. and Rosehills Memorial Phils., Inc.

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

Prior to his present positions, Mr. Jacob was the Chairman and CEO of Petron Corporation, and the Philippine National Oil Company (PNOC) and all of its subsidiaries. He also served as the General Manager of the National Housing Authority (NHA), and Chief Executive Officer of the Home Development Mutual Fund. He was also an Associate Commissioner for the Securities and Exchange Commission in 1986.

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

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

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

Joseph Augustin L. Tanco, 44, Filipino, Executive Director

Mr. Tanco has been a Director of STI Holdings since 27 October 2010. He is likewise the Vice President for Investor Relations.

Mr. Tanco is a Director and a member of the Executive Committee of STI ESG.

Mr. Tanco is the Chairman of the Board of PhilPlans First, Inc. He also serves as a Director of iACADEMY, STI West Negros University and Philippines First Insurance Co., Inc.

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

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

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

Ma. Vanessa Rose L. Tanco, 46, Filipino, Executive Director

Ms. Tanco has been a Director of STI Holdings since 27 October 2010.

Ms. Tanco also serves as a Director and the Chairperson of the Executive Committee of STI ESG.

Ms. Tanco also holds directorships at Maestro Holdings, Inc., STI West Negros University, STI ESG, PhilPlans First, Inc., Philhealthcare, Inc. and Chantilly Nutriment Corporation and iACADEMY.

Currently, she is the Chairperson of iACADEMY, Inc.

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

Martin K. Tanco, 58, Filipino, Non-Executive Director

Mr. Tanco has been a Director of STI Holdings since 19 December 2012. He is likewise a member of the Executive and Audit and Risk Committees of STI Holdings.

Mr. Tanco is also a director of STI ESG and TechZone Philippines, Inc..

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

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

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

Paolo Martin O. Bautista, 55, Filipino, Executive Director

Mr. Bautista has been a Director of STI Holdings since 19 December 2012. He is likewise the Chief Investment Officer and the Chief Risk Officer of STI Holdings.

Mr. Bautista is also a director of STI ESG.

Mr. Bautista is an advisor to the Investment Committee of PhilPlans First, Inc. and a member of the board of directors. He is also a member of the board of directors at PhilhealthCare, Inc., Philippine Life Assurance Corporation and Maestro Holdings Inc. He has over 20-year experience in the areas of corporate finance, mergers and acquisitions, debt and equity capital markets, credit risk management, and securities law. Prior to joining STI Holdings, he was a director at Citigroup Global Markets and a Vice President at the Investment Banking Division of Credit Suisse.

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

Jesli A. Lapus, 75, Filipino, Non-Executive Director

Mr. Lapus was first elected as an Independent Director of STI Holdings on October 4, 2013. He served as the Chairman of the Audit and Risk Committee as well as a member of the Corporate Governance and Related Party Transactions Committees of STI Holdings.

Mr. Lapus was first elected as a non-executive director of STI Holdings on 19 December 2022.

Mr. Lapus was first elected as Chairman and Independent Director of STI ESG on 25 September 2013. He also served as a member of the Executive and Corporate Governance Committees as well as the Chairman of the Audit and Risk Committee of STI ESG. He was first elected as a Non-Executive Director of STI ESG on 16 December 2022.

Mr. Lapus is a member of the Board of Governors/Independent Director of iACADEMY, Inc.. He is also an Independent Director of Philippine Life Financial Assurance Corporation.

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

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

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

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

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

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

Robert G. Vergara, 63, Filipino, Independent Director

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

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

Mr. Vergara was appointed as an Independent Director of SM Investments Corporation (SMIC) on April 24, 2019, Metro Pacific Health (MPH) [formerly known as Metro Pacific Hospital Holdings, Inc.) on December 9, 2019 and AIG Philippines Insurance, Inc. on 2 January 2024.

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

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

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

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

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

Ma. Leonora Vasquez- De Jesus, 73, Filipino, Independent Director

Ms. Vasquez-De Jesus has been an independent director of STI Holdings since 20 September 2019. She is the Chairperson of the Related Party Transactions Committee as well as a member of the Audit and Risk and Corporate Governance Committees.

Ms. Vasquez-De Jesus is an Independent Director of STI ESG. She is the Chairperson of the Corporate Governance Committee and a member of the Audit and Risk Committee of STI ESG.

Ms. Vasquez-De Jesus is currently an independent director of BDO-One Network Bank, Inc., a position which she has held since May 19, 2018.

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

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

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

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

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

Ms. Vasquez-De Jesus was a member of the cabinets of Presidents Corazon C. Aquino, (as Undersecretary in the Office of the President); of Fidel V. Ramos (as Head of the Presidential Management Staff , and concurrently Secretary of the Cabinet; and of Joseph E. Estrada as Head, Presidential Management Staff and later as Chairman of the Housing and Urban Development Coordinating Council.
Ms. Vasquez-De Jesus holds Bachelor’s (cum laude), Master’s and Doctorate degrees in Psychologyo from the University of the Philippines-Diliman.

Raymond Anthony N. Alimurung, 51, Filipino, Independent Director

Mr. Alimurung has been an independent director of STI Holdings since September 20, 2019. He is a member of the Audit and Risk, Corporate Governance and Related Party Transactions Committees.

Mr. Alimurung presently holds the position of a general partner at Kaya Founders, an early-stage investment firm. Before this role, he served as Lazada's first Filipino CEO, overseeing its Philippine expansion from 2018 to 2022. Additionally, Mr. Alimurung held the position of CEO at aCommerce Philippines and gained experience working with Amazon.

Mr. Alimurung was appointed Independent Director at Paymongo Philippines, Inc. on 2 May 2023 and Philippine Seven Corp. on 20 July 2023.

Mr. Alimurung obtained his MBA from the Stanford Graduate School of Business. He also holds a Doctor of Medicine from the University of the Philippines College of Medicine where he graduated in the top fifteen percent (15%) of his class. He graduated Cum Laude from the Ateneo De Manila University with a degree in BS Biology.

Justice Antonio T. Carpio (Ret.), 75, Filipino, Independent Director

Justice Antonio T. Carpio was first elected as an Independent Director of STI Holdings on 19 December 2022. He is the Chairman of the Corporate Governance Committee and a member of the Related Party Transactions Committee.

Justice Carpio also serves as an Independent Governor of iACADEMY, Inc.

Justice Carpio is a retired Justice of the Supreme Court of the Philippines. He served in the Supreme Court for eighteen (18) years from 2001 to 2019. He obtained his law degree from the College of Law of the University of the Philippines, where he graduated valedictorian and cum laude in 1975. He earned his undergraduate degree in Economics from Ateneo de Manila University in 1970.

Fresh out of law school, Justice Carpio went into private practice and founded the Carpio Villaraza and Cruz Law firm. He was a Professorial Lecturer of the U.P. College of Law from 1983 until 1992 when he was appointed Chief Presidential Legal Counsel, with cabinet rank, by then President Fidel V. Ramos. Justice Carpio was a member of the Board of Regents of the University of the Philippines from 1993 to 1998.

For his "distinguished and exemplary service" to the Republic, Justice Carpio was awarded in 1998 the Presidential Medal of Merit by then President Fidel V. Ramos. In 2015, he was named an Outstanding Alumnus in Public International Law by the UP Alumni Association.

In 2015, the Department of Foreign Affairs sponsored Justice Carpio on a world lecture tour on the West Philippine Sea dispute. Justice Carpio presented the Philippines' perspective on the dispute before think-tanks and universities in 30 cities covering 17 countries.

In May 2017, Justice Carpio published the book titled "The South China Sea Dispute: Philippine Sovereign Rights and Jurisdiction in the West Philippine Sea." For his adherence to the Rule of Law and defense of Philippine sovereignty and sovereign rights in the West Philippine Sea, both his alma mater, the University of the Philippines and the Ateneo de Manila University, conferred on him the Doctor of Laws, honoris causa, in December 2020 and May 2021, respectively. Earlier in 2009, his grade school and high school alma mater, the Ateneo de Davao University, conferred on him the Doctor of Laws, honoris causa, for his adherence to the Rule of Law. In February 2021, the De La Salle University awarded Justice Carpio the Ka Pepe Diokno Award for his defense of Philippine sovereignty and the civil liberties of the Filipino people.

Justice Carpio was the Chair of the Second Division of the Supreme Court and the Chair of the Senate Electoral Tribunal. Justice Carpio retired from the Supreme Court with a zero backlog of cases.

Yolanda M. Bautista, 72, Filipino, Treasurer

Ms. Bautista has served as the Treasurer of STI Holdings since March 17, 2010. She is likewise a member of the Executive Committee of STI Holdings.

Ms. Bautista is also the Chief Finance Officer and Treasurer of STI ESG. She is likewise a member of the Compensation and Retirement Committees of STI ESG.

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

Ms. Bautista serves as Director and Treasurer of Eximious Holdings, Inc. (formerly, Capital Managers and Advisors, Inc.), Banclife Insurance Co., Inc., Tantivy Holdings, Inc., DLS-STI College, Inc.,and iACADEMY. She is also the Group Chief Finance Officer of Philippine Life Financial Assurance Corporation and Philhealthcare, Inc. as well as the Chief Finance Officer and Treasurer of STI West Negros University. Ms. Bautista is a Director of Attenborough Holdings Corp., Philippine Healthcare Educators, Inc., Global Resource for Outsourced Workers, Inc., Grow Vite Staffing Services, Inc. and Bloom with Looms Logistics, Inc. She serves as Treasurer of Total Consolidated Asset Management, Inc., Aberlour Holding Company, Daven Holdings, Inc., Harbourside Holding Corporation, Maestro Holdings, Inc., Morray Holdings, Inc., Kusang Loob Foundation, Inc., SG Holdings, Inc., Philippines First Condominium Corporation, Quantum Analytix, Inc., P & O Management Services Phils., Inc., TechGlobal Data Center, Inc., Techzone Condominium Corporation and Techzone Philippines, Inc.

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

Arsenio C. Cabrera, Jr., 64, Filipino, Corporate Secretary, General Counsel, and Corporate Information Officer

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

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

Atty. Cabrera is a Managing Partner of Herrera Teehankee & Cabrera Law Offices. He also serves as Corporate Secretary of Agustin Tanco Foundation, Inc., Amina, Inc., Arani Realty Corporation, Asiateleservices, Inc., Attenborough Holdings Corporation, BOIE Drug, Inc., BOIE, Incorporated, BOIE Prime, Inc., Calatagan Bay Realty, Inc., Canlubang Golf and Country Club, Inc., Cement Center, Inc., Citicore Holdings Investment, Inc., Classic Finance, Inc., Comm & Sense, Inc., Digitalme Services, Inc., Drysor, Inc., ESA Group of Companies, Inc., Eximious Holdings, Inc., EUJO Phils. Incorporated, Fieldtech Asia, Inc., First Optima Realty Corporation, GEOGRACE Resources Philippines, Inc., Greener and Partner Properties, Inc., Heritage Park Management, Inc., iACADEMY, International Hardwood & Veneer Company of the Philippines, Juska, Inc., Lasik Surgery, Inc., Maestro Holdings, Inc., Manila Bay Hosiery Mills, Inc., Manila Bay Spinning Mills, Inc., Megacore Holdings, Inc., NiHAO Mineral Resources International, Inc., Palisades Condominium Corporation, Pay Philexchange, Inc., Philippine American Drug Company, Philippine First Condominium Corporation, PhilsFirst, PhilLife, PhilCare, Inc., Philplans., Renaissance Condominium Corporation, Rosehills Memorial Management Philippines, Inc., Sinoma Energy Conservation (Philippines) Waste Heat Recovery Co., Inc., Sinoma Energy Conservation (Cebu) Waste Heat Recovery Co., Inc., Sonak Holdings, Inc., STI WNU, Tantivy Holdings, Inc., Techglobal Data Center, Inc., TechZone Philippines, Inc., Total Consolidated Asset Management, Inc., Trend Developers, Inc., Ujobi Global Philippines, Inc., Venture Securities, Inc., Villa Development Corporation, Vital Ventures Management Corp. and WVC Development Corporation.

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

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

Anna Carmina S. Herrera, 49, Filipino, Assistant Corporate Secretary

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

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

(b) Significant Employees

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

(c) Family Relationships

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

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

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

(d) Involvement in Certain Legal Proceedings

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

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

(2) any conviction by final judgment;

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

(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization,

to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(2) Certain Relationships and Related Transactions

The Company has the following major transactions with related parties:

Consultancy Agreement with STI ESG

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

Consultancy Agreement with STI WNU

The Parent Company entered into an agreement with STI WNU on the rendering of advisory services starting January 1, 2015.

Service Level Agreement with Comm & Sense

On March 7, 2018, a Service Level Agreement between the Parent Company and Comm & Sense, Inc. owned by Mr. Joseph Augustin L. Tanco, Director and Vice President for Investor Relations of STI Holdings, was executed. Comm & Sense is in charge of the conceptualization and execution of press releases for the Parent Company's 17-A and 17-Q reports during each fiscal year. Comm & Sense shall provide strategic public relations consultation services, media networking and monitoring and editorial/creative services to the Parent Company.

AHC

The Parent Company became a stockholder owning 40% of AHC in November 2014 following the SEC approval of the increase in the authorized capital stock of AHC. In February 2015, STI Holdings acquired the remaining 60% ownership of AHC from various individuals making it a 100% owned subsidiary.

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement ("the Agreements") among Philippine Women's University ("PWU"), Unlad Resources Development Corporation ("Unlad") and the Benitez Group. Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with STI Holdings and Unlad.

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.

Advisory Agreement with iACADEMY

The Parent Company entered into an agreement with iACADEMY on the rendering of advisory services starting January 1, 2019.

To date, there are no complaints received by the Parent Company regarding related-party transactions.

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

Transactions with Promoters

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

(3) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(1) The directors are paid ₱25,000.00 per Board of Directors/committee meetings attended by them. There is no arrangement for compensation of directors.

From FY 2021-2022 up to 2023-2024, the CEO and top four (4) executive officers as a group, did not receive compensation from the Company. There is no employment contract between the Company and any of its executive officers. The directors and executive officers do not have a standard arrangement, compensatory plan or arrangement or outstanding warrants or options with the Company.

(2) The following table summarizes the aggregate compensation for the fiscal years ended June 30, 2022, 2023 and 2024. The amounts set forth in the table below have been prepared based on what the Parent Company paid its directors and named executive officers as a group and other officers for the fiscal years ended June 30, 2022, 2023 and 2024 what the Parent Company expects to pay for the fiscal year ending June 30, 2025.

The compensation for board members comprises of per diems.

ANNUAL COMPENSATION

Name and Principal Position	Year Ended	Salary (₱)	Bonus (₱)	Other annual compensation (₱)
All other Officers as a Group	2022	4,816,367	-	-
	2023	3,411,390	-	-
	2024	5,968,538	-	-
	2025 [a]	5,968,538		
All Named Executive Officers[b] and Board of Directors as a Group	2022			1,814,912
	2023			1,577,485
	2024			3,540,936
	2025[a]			3,540,936

Notes:

[a] Figure is an estimated amount
[b] Named executives include: Eusebio H. Tanco (Chairman of the Board), Monico V. Jacob (President and CEO), Joseph Augustin L. Tanco (Vice President, Investor Relations), Yolanda M. Bautista (Treasurer and CFO) Paolo Martin O. Bautista (Vice President/Chief Investment Officer and Chief Risk Officer) and Atty. Arsenio Cabrera Jr. (Corporate Secretary).

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

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

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

Item 7. Independent Public Accountants

1. The accounting firm of Sycip Gorres Velayo & Co. ("SGV") has been the Company's External Auditors for the past years (2010 up to the present). They were reappointed in the Annual Stockholders' Meeting held on 21 December 2023, as external auditors for the ensuing fiscal year.

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

Pursuant to SRC Rule 68 Part 1 (3) (B) (ix) (Rotation of External Auditors), the Company has engaged Ms. Loubelle V. Mendoza of SGV as the Partner-in-charge of the Company. This is her third year of engagement for STI Holdings.

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

As stated in the June 30, 2024 "Statement of Management Responsibility for Financial Statements", SGV is the appointed independent auditors of STI Holdings. They have examined the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

The Company's Audit and Risk Committee reviews and approves the scope of audit work of the External Auditor and the amount of audit fees for a given year.

The 2017 Manual on Corporate Governance provides that, the Audit and Risk Committee should evaluate and determine the non-audit work of the External Auditor, and periodically review the non-audit fees paid to him in relation to the total fees paid to the External Auditor and to the Company's overall consultancy expenses. The Audit and Risk Committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence (As defined by the Code of Ethics for Professional Accountants).

In the Organizational Meeting of the Board of Directors immediately succeeding the stockholders' meeting held on 21 December 2023, the following were elected as the Chairman and Members of the Audit and Risk Committee of the Company to serve as such for the ensuing year and until the election and qualification of their successors:

Chairman:	Robert G. Vergara, Independent Director
Members:	Ma. Leonora Vasquez-De Jesus, Independent Director Raymond Anthony N. Alimurung, Independent Director Jesli A. Lapus, Non-Executive Director Martin K. Tanco, Non-Executive Director

The fees for the professional services rendered by SGV to the Company, particularly for the audit of the financial statements for the past three years are shown below:

	Year ended June 30, 2024	Year ended June 30, 2023	Year ended June 30, 2022
Audit fees	₱1,850,000	₱1,680,000	₱1,550,000

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 12. Mergers, Consolidation, Acquisition and Similar Matters

No action will be taken with respect to any of the following: (a) the merger or consolidation of the Company into or with any other person or of any other person into or with the Company; (b) the acquisition by the Company or any of its security holders of securities of another person; (c) the acquisition by the Company of any other ongoing business or of the assets thereof; (d) the sale or other transfer of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company.

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Board of Directors of the Company recommends a vote for confirmation, ratification and approval of the minutes of the 21 December 2023 Annual Stockholders' Meeting. The Minutes of the 21 December 2023 Annual Stockholders' Meeting contained the following items:

1. Call to Order
2. Certificate of Notice and Quorum
3. Rules of Conduct and Voting Procedures
4. Declaration of Dividends
5. Approval of the Minutes of the 19 December 2022 Annual Shareholders' Meeting
6. Presentation of Management Report
7. Approval of Parent and Consolidated Audited Financial Statements as at and for the fiscal year ended 30 June 2023
8. Ratification of Legal Acts, Proceedings and Resolutions of the Board of Directors and of Management from 19 December 2022 to 21 December 2023
9. Election of Directors
10. Appointment of External Auditor
11. Adjournment

Item 16. Matters Not Required to be Submitted

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

The Board of Directors recommends a vote for approval, confirmation and ratification of all acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 21 December 2023 up to 18 December 2024. Said acts and resolutions of the Board of Directors and of Management since the Annual Stockholders' Meeting on 21 December 2023 include, among others: (a) the appointment of officers; (b) the opening of bank accounts and the appointment of signatories; (c) execution of contracts in the ordinary course of business; (d) declaration of cash dividends; (e) subscription to shares at STI College Novaliches, Inc.; (f) acquisition of assets, permits, licenses of PSBA, Inc.; and (g) the approval of Audited Financial Statements.

Once the ratification has been given, all acts or transactions entered into by the Board of Directors and of Management since the Annual Stockholders' Meeting on 21 December 2023 up to the present become finally and absolutely binding and neither the Company nor individual stockholders nor strangers can afterwards sue to set them aside or otherwise attack their validity.

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

There are no amendments to the Articles of Incorporation or the By-Laws of the Company that will be presented for approval to the stockholders during the Annual Stockholders' Meeting.

Item 18. Other Proposed Action

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

Item 19. Voting Procedures

(1) Vote required

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

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

(2) Method

A verified stockholder may cast his vote on each of the agenda items as contained in the link included in the confirmation correspondence. Deadline to vote in absentia through its corresponding link is on 13 December 2024. Beyond this date, stockholders may no longer avail of the option to vote in absentia. The Office of the Corporate Secretary shall then tabulate all votes, including those casts in absentia and by proxy, to be assisted by the Company's stock transfer agent, Professional Stock Transfer, Inc. The Corporate Secretary shall report the results of voting during the meeting.

Due to logistical limitations of the meeting conducted virtually, voting and open forum/discussion will not be possible during the virtual meeting. However, a stockholder, once verified/ registered, will be given an opportunity to raise any relevant questions or express an appropriate comment limited to the agenda items by sending an email to a designated email address not later than 13 December 2024 to be properly noted and addressed accordingly. Any relevant questions or comments received by the Office of the Secretary via email within the prescribed period given by registered stockholders shall be properly acknowledged, noted and addressed accordingly. Questions and comments not taken up during the meeting shall be addressed directly via email by the Company.

The Company will seek the approval of the following:

(a) Approval of the Minutes of the Annual Stockholders' Meeting held on 21 December 2023

(b) Approval of Management Report

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

(d) Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business, from 21 December 2023 to 18 December 2024

(e) Election of Directors

(f) Appointment of external auditor

Discussion on Compliance with Leading Practices on Corporate Governance

The Company filed the latest version of its Manual on Corporate Governance with the Securities and Exchange Commission (SEC) on May 31, 2017 (the "Revised Manual").

The Company strives to fully comply with the best practices and principles of good corporate governance contained in the Revised Manual. The Company annually assesses its compliance with the SEC Code of Corporate Governance for Publicly Listed Companies and the Revised Manual though the Integrated Annual Corporate Governance Reports (the "iACGR Reports") that are submitted to the SEC. Moreover, the Board of Directors of the Company also completes annual Board performance self-assessments. The results of these Board performance self assessments are submitted to the Compliance Officer who prepares and files the iACGR Reports.

On January 27, 2020, the Company submitted to the SEC, a duly notarized Certification issued by the Compliance Officer, stating that it had substantially adopted all the provisions of the Revised Code of Corporate Governance, as prescribed by SEC Memorandum Circular No. 9, Series of 2014, as amended.

The 2023 Integrated Annual Corporate Governance Report of STI Holdings was submitted to the SEC and PSE on May 28, 2024 and posted in the Parent Company's Official Website http://www.stiholdings.com on May 29, 2024.

There have been no deviations from the Revised Manual.

The Company ensures that it has at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the total number of directors on its Board of Directors, whichever is higher but in no case less than two (2) independent directors. There are four (4) incumbent independent directors on the Board of Directors of STI Holdings.

The Company is exerting all efforts to further strengthen compliance to principles and practices of good corporate governance. Once a year, it organizes an in-house corporate governance seminar for all the directors and key officers of the Company and its subsidiaries and affiliate companies.

The Company's Board of Directors and Management, employees, and Stockholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

The purpose of the Company is to maximize the organization's long-term success, creating sustainable value for its stockholders, stakeholders, and the nation.

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

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the 21 December 2023 Annual Stockholders' Meeting with the directors, officers and stockholders who attended the meeting is attached hereto as Annex "F".

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

Board	Name	No. of Meetings held during the year	No. of Meetings Attended	%
Chairman	Eusebio H. Tanco	5	5	100%
Director	Monico V. Jacob	5	4	90%
Director	Joseph Augustin L. Tanco	5	5	100%
Director	Ma. Vanessa Rose L. Tanco	5	5	100%
Director	Martin K. Tanco	5	5	100%
Director	Paolo Martin O. Bautista	5	5	100%
Non-Executive Director	Jesli A. Lapus	5	5	100%
Independent Director	Robert G. Vergara	5	5	100%
Independent Director	Ma. Leonora Vasquez-De Jesus	5	5	100%
Independent Director	Raymond Anthony N. Alimurung	5	4	80%
Independent Director	Justice Antonio T. Carpio (Ret).	5	5	100%

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

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

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into related party transactions. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Company in 2024.

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

STI EDUCATION SYSTEMS HOLDINGS, INC., AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A AS OF 30 JUNE 2024 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2024. SUCH WRITTEN REQUESTS SHOULD BE ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 29 October 2024.

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Annex "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

Company/Organizations	Position/Relationship	Period of Service
AIG Philippines Insurance, Inc.	Independent Director	January 2, 2024 to present
Cabanatuan Electric Corporation	Chairman/ Director	August 2022 to present 26 June 2010 to present
Metro Pacific Health	Independent Director	9 December 2019 to present
SM Investments Corporation	Independent Director	24 April 2019 to present
Vergara Advisory Management, Inc.	President/Director	June 2018 to present
STI Education Services Group, Inc.	Independent Director	27 July 2017 to present
SEA CREST Fund	Director	30 March 2009 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Director this OCT 29 2024 day of October 2024 at Makati City.

ROBERT G. VERGARA

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

OCT 29 2024

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

Doc. No. 185;
Page No. 38;
Book No. IV;
Series of 2024.

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

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

Annex "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 20 September 2019 to present.

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

Company/Organizations	Position/Relationship	Period of Service
BDO- One Network Bank, Inc.	Independent Director	September 2018 to present
Risks, Opportunities Assessment and Management Corporation	Director	2011 to present
STI Education Services Group, Inc.	Independent Director	16 December 2022 to present
New Generation Organization of Women Corporate Directors	Member	September 2023 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors this _____ day of October 2024 at Makati City.
OCT 29 2024

MA. LEONORA VASQUEZ-DE JESUS

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

OCT 29 2024
SUBSCRIBED AND SWORN to before me this ____ day of October 2024 at Makati City, affiant personally appeared to me and exhibited to me her Passport No. P6145077A issued on 22 February 2018 at DFA Manila.

Doc. No. 187 ;
Page No. 39 ;
Book No. IV ;
Series of 2024.

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

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

Annex "C"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAYMOND ANTHONY N. ALIMURUNG**, Filipino, of legal age, with residence address at 90 Berlin Avenue, Capitol Homes, Matandang Balara, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 20 September 2019 to present.

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

Company/Organizations	Position/Relationship	Period of Service
Kaya Founders Investment, LLC	General Partner	11 April 2023 to present
Paymongo Philippines, Inc.	Independent Director	2 May 2023 to present
Philippine Seven Corp.	Independent Director	20 July 2023 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certificate of Independent Directors this OCT 29 2024 day of 2024 at Makati City.

RAYMOND ANTHONY N. ALIMURUNG

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

OCT 29 2024

SUBSCRIBED AND SWORN to before me this _____ day of October 2024 at Makati City, affiant personally appeared to me and exhibited to me his Tax Identification No. 212-599-852.

Doc. No. 186;
Page No. 39;
Book No. IV;
Series of 2024.

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

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

Annex "D"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUSTICE ANTONIO T. CARPIO (RET.)**, Filipino, of legal age, with residence address at 16-B Avignon TWR 144 HV Dela Costa, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of STI Education Systems Holdings, Inc. and have been an independent director since 19 December 2022 to present

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

Company/Organizations	Position/Relationship	Period of Service
Megatron Holdings Inc.	President	2020 to present
Bernardo and Sol Carpio Foundation Inc.	Director	2020 to present
1sambayan Corporation	Chairman	2022 to present

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

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

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

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

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

IN WITNESS WHEREOF, I have executed this Certification of Independent Director on this OCT 29 2024 day of October 2024 at Makati City.

JUSTICE ANTONIO T. CARPIO (RET.)

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

OCT 29 2024

SUBSCRIBED AND SWORN to before me this _____ day of October 2024 at Makati City, affiant personally appeared to me and exhibited to me his Driver's License N11-69-037194 issued on 17 October 2022 at Department of Transportation, Land Transportation Office, Philippines and Senior Citizen's Identification No. 34760 issued on 26 October 2009 at Makati City.

Doc. No. 188;
Page No. 39;
Book No. IV;
Series of 2024.

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

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

Annex "E"

SECRETARY'S CERTIFICATE

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

1. I am the Corporate Secretary of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Corporation"), a corporation duly organized and existing, under and by virtue of Philippine laws with office address at the 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

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

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this 29th day of October 2024 at Makati City.

ARSENIO C. CABRERA, JR.
Corporate Secretary

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

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

Doc. No. 190;
Page No. 39;
Book No. IV;
Series of 2024.

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

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

Annex "F"

MINUTES OF THE
ANNUAL STOCKHOLDERS' MEETING
OF
STI EDUCATION SYSTEMS HOLDINGS, INC.
Held on 21 December 2023, 3:00 p.m.
Conducted virtually via remote communication

PRESENT:	**NO. OF SHARES**
Total Number of Shares Present in Person	**1,866,864,977**
Total Number of Shares Present by Proxy	**5,809,924,026**
Total Number of Shares Represented In Person and By Proxy	**7,676,789,003**
Total Outstanding Shares	**9,904,806,924**
Attendance Percentage to Total Outstanding Shares	**77.51%**

I. CALL TO ORDER

The Chairman, Mr. Eusebio H. Tanco, called the meeting to order and presided over the same. The Corporate Secretary, Atty. Arsenio C. Cabrera, Jr., recorded the minutes of the meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that:

(a) In accordance with the Securities and Exchange Commission's Notice dated 20 April 2020 and the provisions of the Securities Regulation Code, notice for this meeting was published in the business section of two (2) newspapers of general circulation, namely: The Philippine Star and The Manila Standard, in print and online format, for two (2) consecutive days at least twenty-one (21) days prior to the date of this meeting;

(b) Electronic copies of the Definitive Information Statement and its attachments were also made available on the Corporation's website and the PSE Edge portal;

(c) Accordingly, stockholders of record as of 24 November 2023 were notified of this meeting. The stockholders were also notified of the internal guidelines of the Corporation for participation in this meeting through remote communication in accordance with applicable rules; and

(d) Present in person and represented in proxy are 7,676,789,003 shares or 77.51% of the total issued and outstanding capital stock of Nine Billion Nine Hundred Four Million Eight Hundred Six Thousand Nine

Hundred Twenty Four (9,904,806,924) shares of the Corporation, and that a quorum existed for the valid transaction of business.

The Affidavit of Publication dated 1 December 2023 executed by The Philippine Star and Affidavit of Publication dated 1 December 2023 executed by The Manila Standard, respectively, attesting the publication of the notice of this meeting are attached hereto as Annexes "A" and "B", respectively.

III. RULES OF CONDUCT AND VOTING PROCEDURES

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

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

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

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

3. Votes cast as of 15 December 2023 for each proposed resolution have been tabulated and results will be announced during the meeting.

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

5. Relevant questions which have been submitted on or before 15 December 2023 will be addressed accordingly under the Other Matters item in the Agenda. Questions and comments not taken up during the meeting shall be addressed by the Corporation directly to the stockholder via email.

IV. DECLARATION OF DIVIDENDS

The Chairman announced to the stockholders that, at the Meeting of the Board of Directors held earlier that morning, the Board approved the declaration of cash dividends in the amount of Php0.030 per share or an aggregate amount of Two Hundred Ninety Seven Million One Hundred Forty Four Thousand Two Hundred Seven Pesos and Seventy

Two Centavos (Php297,144,207.72) (the "Cash Dividends") from the unrestricted retained earnings of the Company as of 30 June 2023 based on the Parent Company Audited Financial Statements as of 30 June 2023.

The Cash Dividends are payable to stockholders of record as of 10 January 2023 and shall be payable on or before 31 January 2024, upon compliance with all necessary regulations.

V. APPROVAL OF PREVIOUS MINUTES

The Corporate Secretary stated that electronic copies of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022 were uploaded for inspection on the Corporation's website.

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

> *"**RESOLVED**, that the Minutes of the Annual Stockholders' Meeting held on 19 December 2022 as appearing in the Minutes Book of the Corporation be approved."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,676,789,003	-	
% of Shares of Shareholders Present	100%	-	

VI. PRESENTATION OF MANAGEMENT REPORT

The President, Mr. Monico V. Jacob, rendered the Management Report for Fiscal Year 2022-2023. The Management Report for Fiscal Year 2022-2023 is attached hereto as Annex "C".

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

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

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the Management Report for Fiscal Year 2022-2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,676,789,003	-	
% of Shares of Shareholders Present	100%	-	

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

The Corporate Secretary stated that copies of the Corporation's Parent and Consolidated Audited Financial Statements for the fiscal year ended 30 June 2023 were included in the Definitive Information Statement which were uploaded on the Corporation's website.

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

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

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

	For	Against	Abstain
Number of Voted Shares	7,676,789,003	-	
% of Shares of Shareholders Present	100%	-	

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

The Corporate Secretary stated that a summary of the acts, proceedings, and resolutions to be ratified by the stockholders since the 19 December 2022 Annual Stockholders' Meeting up to today's meeting has been included in the Definitive Information Statement which was uploaded on the Corporation's website.

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

> *"**RESOLVED**, that all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business, since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023, be approved, confirmed and ratified."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in the ordinary course of business, since the Annual Stockholders' Meeting held on 19 December 2022 up to 21 December 2023 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,676,789,003	-	
% of Shares of Shareholders Present	100%	-	

IX. ELECTION OF DIRECTORS

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

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

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

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

1. Eusebio H. Tanco
2. Monico V. Jacob
3. Joseph Augustin L. Tanco
4. Ma. Vanessa Rose L. Tanco
5. Martin K. Tanco
6. Paolo Martin O. Bautista
7. Jesli A. Lapus

For Independent Directors:

8. Robert G. Vergara
9. Ma. Leonora Vasquez-De Jesus
10. Raymond N. Alimurung
11. Justice Antonio T. Carpio (Ret.)

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

Nominee	***Votes***
Eusebio H. Tanco	*7,676,789,003*
Monico V. Jacob	*7,676,789,003*
Joseph Augustin L. Tanco	*7,676,789,003*
Ma. Vanessa Rose L. Tanco	*7,676,789,003*
Martin K. Tanco	*7,676,789,003*
Paolo Martin O. Bautista	*7,676,789,003*
Jesli A. Lapus	*7,676,789,003*
Robert G. Vergara (Independent Director)	*7,676,789,003*
Ma. Leonora Vasquez-De Jesus (Independent Director)	*7,676,789,003*
Raymond N. Alimurung (Independent Director)	*7,676,789,003*
Justice Antonio T. Carpio (Ret.) (Independent Director)	*7,676,789,003*

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

X. APPOINTMENT OF EXTERNAL AUDITOR

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

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

> *"**RESOLVED**, that the auditing firm of SyCip Gorres Velayo & Co. be, as it is hereby appointed as external auditor of the Corporation for the fiscal year ended 30 June 2024."*

As tabulated, the votes for the adoption of the foregoing resolution providing for the approval of the appointment of SyCip Gorres Velayo &

Co. as the Corporation's external auditor for the fiscal year ended 30 June 2024 are as follows:

	For	Against	Abstain
Number of Voted Shares	7,676,789,003	-	
% of Shares of Shareholders Present	100%	-	

XI. OTHER MATTERS

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

XII. ADJOURNMENT

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

ARSENIO C. CABRERA, JR.
Corporate Secretary

ATTEST:

EUSEBIO H. TANCO
Chairman

Annex "A"

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) s.s.

AFFIDAVIT OF PUBLICATION

I, **ARLYN F. SERVAÑEZ**, of legal age, single, Filipino and with office address at c/o **PhilSTAR Daily, Inc.,** Amvel Business Park, A. Santos Avenue, Brgy. San Dionisio, Parañaque City, after being duly sworn to in accordance with law, depose and state:

That I am the **CLASSIFINDER MANAGER** of the **PhilSTAR Daily, Inc.** a domestic corporation duly organized and existing under by virtue of Philippine laws with office and business address at Amvel Business Park, A. Santos Avenue, Brgy. San Dionisio, Parañaque City.

That the said corporation publishes **THE PHILIPPINE STAR**, a daily broadsheet newspaper published in English and of general circulation.

That the order of STI EDUCATION SYSTEMS HOLDINGS

captioned as follows: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please see attached printed text which had been published in **The Philippine STAR** in its issues of: November 30 and December 1, 2023

FURTHER AFFIANT SAYETH NAUGHT.
Quezon City, Philippines

ARLYN F. SERVAÑEZ
Affiant

SUBSCRIBED AND SWORN to before me this 1st day of December 2023 affiant exhibited to me her Driver's License No. N01-01-259491 issued by LTO on September 19, 2023 which expiry date is September 24, 2033.

Doc. No. 172
Page No. 36
Book No. VIII
Series of 2023

ATTY. GARY A. SANCIO
Notary Public
Until December 31, 2024
Adm. Matter No. 177
Roll No. 44261
IBP No. 1082447 (LIFETIME) / 06-30-17 / QC
PTR No. 4029362 / 01-06-2023 / QC
MCLE Compliance No. VII-0011638 / 03-01-22

Annex "B"

Manila Standard

PHILIPPINE MANILA STANDARD PUBLISHING, INC.

STI EDUCATION SYSTEMS HOLDINGS

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Please be informed that the Annual Stockholders' Meeting of **STI EDUCATION SYSTEMS HOLDINGS, INC.** (the "Company") will be held and conducted virtually via remote communication through Microsoft Teams on **Thursday, 21 December 2023, at 3:00 p.m.** for the following purposes:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 December 2022
4. Management Report
5. Approval of Parent and Consolidated Audited Financial Statements of the Company as at and for the fiscal year ended 30 June 2023
6. Ratification of all legal acts, resolutions and proceedings of the Board of Directors and of Management, done in ordinary course of business since the 19 December 2022 Annual Stockholders' Meeting up to 21 December 2023
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

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

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

Stockholders who wish to participate in the meeting via remote communication and to vote in absentia should notify the Office of the Corporate Secretary through a Letter of Intent to be sent via e-mail to corsec@stiholdings.com.ph on or before 11 December 2023. Validated stockholders will be provided access to the live streaming of the meeting through Microsoft Teams and can cast their votes in absentia on or before 15 December 2023 through the Company's secure online voting facility. All votes cast shall be subject to validation.

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

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

The Definitive Information Statement containing the attendance/voting (via remote communication) and election procedures, along with the Notice, Agenda, Proxy, Management Report, SEC Form 17-A, and other information related to the Annual Stockholders' Meeting can be accessed at http://www.stiholdings.com/disclosures.php and the PSE Edge portal.

Very truly yours,

(SGD.) ARSENIO C. CABRERA, JR.
Corporate Secretary

AFFIDAVIT OF PUBLICATION

I, Mario R. Policarpio Jr., Chief Accountant of Manila Standard, with office address at 6th Floor Universal Re Building, 106 Paseo de Roxas, Makati City, hereby depose and state that:

Manila Standard is a newspaper of general circulation and is distributed nationwide;

Manila Standard at the same time, publishes its online version through its website https://manilastandard.net;

Manila Standard is qualified to publish all kinds of judicial notices.

Manila Standard published on

November 30, 2023 & December 1, 2023

a Notice:

STI EDUCATION SYSTEMS HOLDINGS INC.

RE: NOTICE OF ANNUAL STOCKHOLDERS' MEETING

IN WITNESS WHEREOF, I hereby affix my signature this 1ST day of DECEMBER 2023 in Makati City.

MARIO R. POLICARPIO JR.
Authorized Signatory

SUBSCRIBED AND SWORN to before me this 1ST day of DECEMBER, 2023 in Makati City, affiant exhibiting to me his SSS No. 33-0476897-7.

Doc. No.: 93
Page No.: 20
Book No.: 1
Series of 2023.

ATTY. SHERL... JUN C. VILLEGAS
Notary Public for Makati City
Appt. No. M-274 until Dec. 31, 2024
Roll No. 70642
IBP No. 180/25/ 11-22-2022/ Pasig City
PTR No. 9583091 / 01-17-2023/ Makati City

Annex "C"

Good afternoon, ladies and gentlemen, and thank you for joining us for the annual stockholders' meeting of STI Education Systems Holdings.

We would like to start by updating you with a highlight from each of the schools:

STI Education Services Group signed a partnership with international cruise company Carnival Cruise Line (CCL) in November 2022.

The agreement aims to add an avenue for aspiring Filipino seafarers to pursue maritime studies. It will also allow Carnival to operate a portion of the STI College Pasay-EDSA campus as their recruitment center in cooperation with Carnival’s recruitment agency United Philippine Lines (UPL).

STI ESG will also provide facilities oriented to Carnival’s standard such as kitchens and state-of-the-art lobby & lounge areas.

STI WNU:
Most Awarded and Accredited
Educational Institution in Region VI-Western Visayas

For STI West Negros University, we are proud to report that during the 49th Founding Year of the Philippine Association of Colleges and Universities Commission on Accreditation or PAASCU, the University was awarded as the Institution with the highest number of accredited programs in Region 6 with 11 accredited programs.

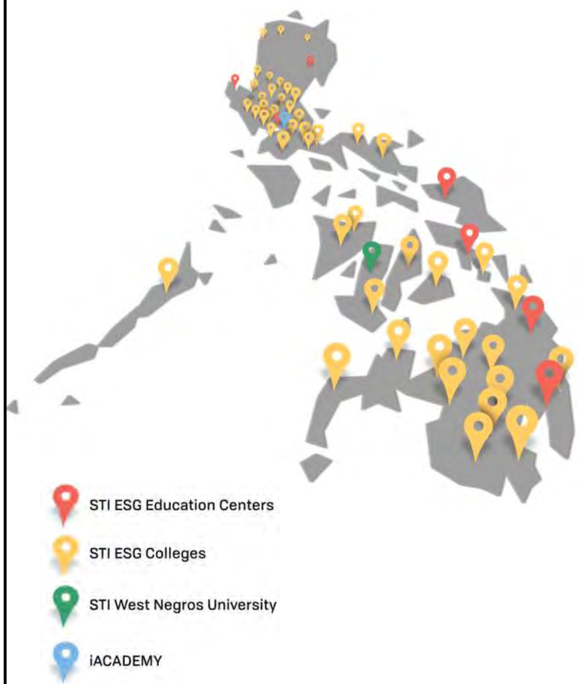
The university was also given four special awards for being the first institution in Region 6 to reach Level 4 accreditation for its Liberal Arts, Business Administration, Secondary Education, and Elementary Education programs.

And last but not least, for iACADEMY, we are also proud to share that it has opened its first regional campus in Cebu City located in the Cebu I.T. Park, and has received permits for some of its programs in time for school year 2022-2023.

Its initial academic offerings are BS Computer Science with major in Software Engineering, Bachelor of Science in Entertainment and Multimedia Computing with specialization in Game Development, Bachelor of Science in Real Estate Management, Bachelor of Arts in Animation, and Bachelor of Arts in Multimedia Arts and Design.

I will now present the financial highlights of STI Holdings for the fiscal year ended June 30, 2023.

Campuses



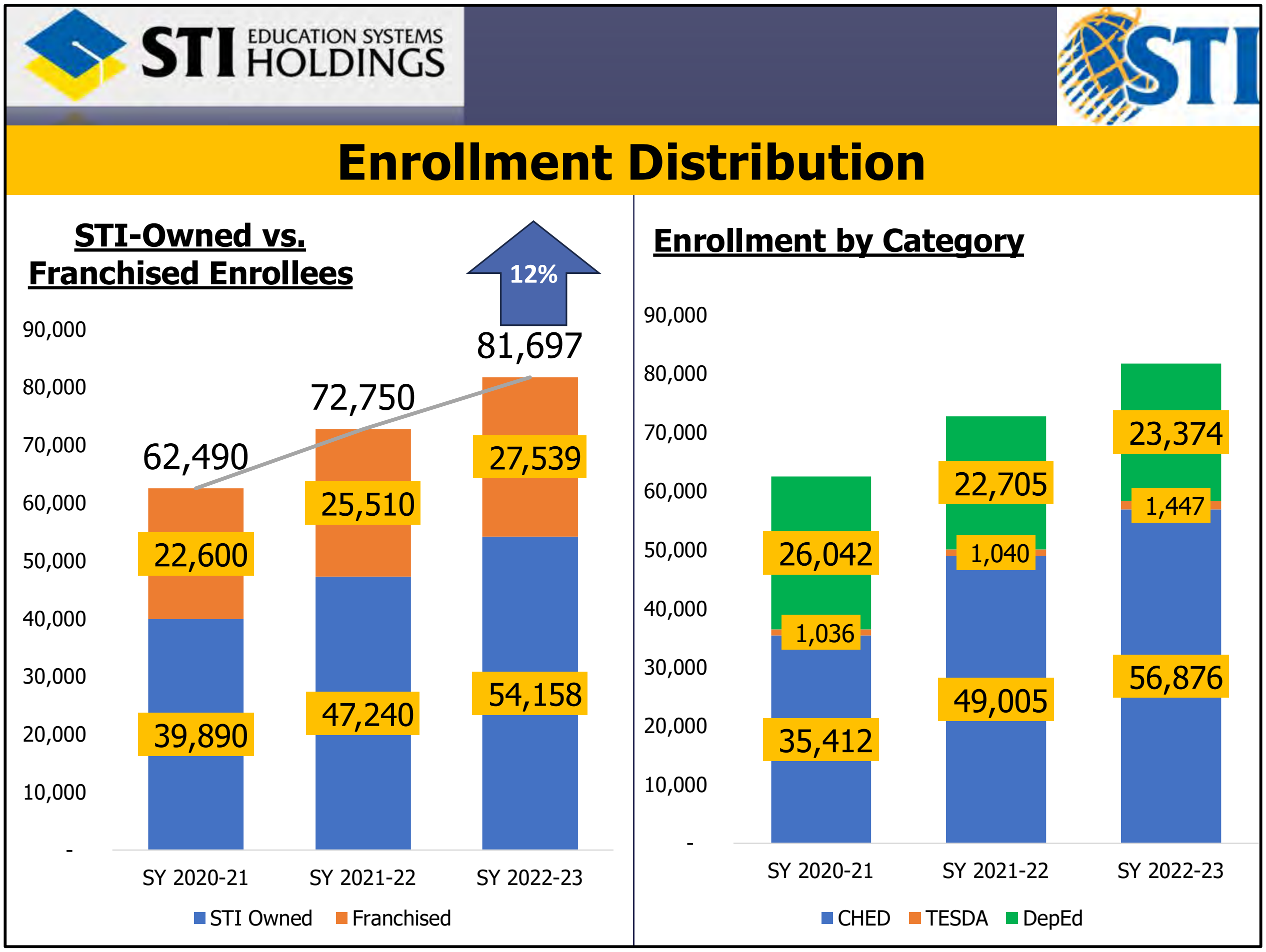
	STI-branded	Non-STI
Owned	37	1
Franchised	26	-
University	1	
Total	64	**1**

STI Branded	University	Colleges	ECs
Owned	1	36	1
Franchised		24	2
Total	1	**60**	3

As of June 30, 2023, STI Holdings has a network of 65 operating schools which includes iACADEMY and STI West Negros University.

STI ESG has 63 schools with 37 wholly-owned and 26 franchised, comprising 60 colleges and 3 education centers.

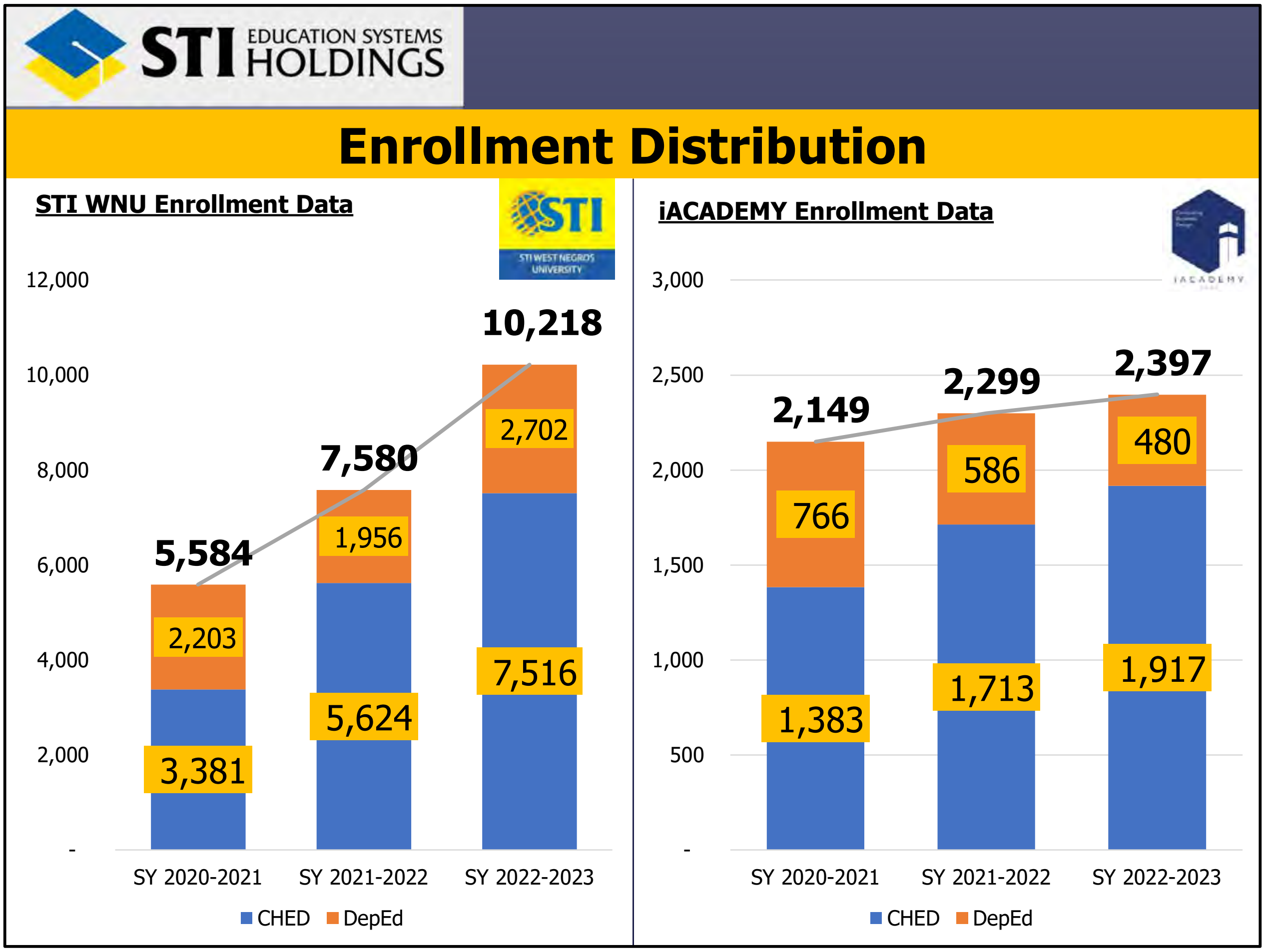
All of the schools under STI Holdings greatly contributed to the success of the group.



We are proud to present to you the enrollment numbers under each component of STI Holdings.

We start with STI ESG which registered a growth of 12% for the period under review. STI ESG enrollment increased by 8,947 students, or a total of 81,697 from last year's total enrollment of 72,750.

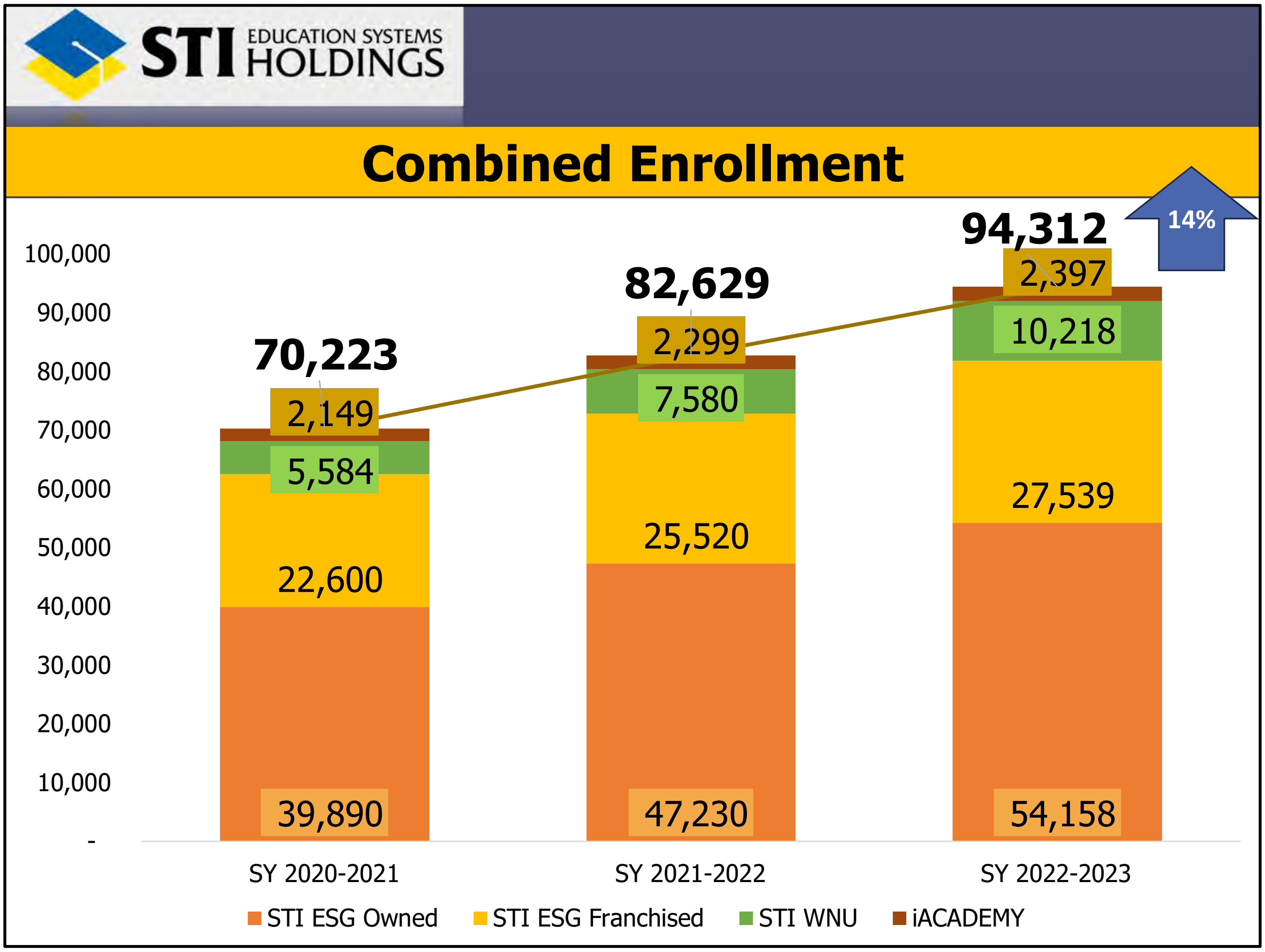
By category, CHED programs make up the majority of STI ESG enrollees, growing by 16% for the year under review. Senior high school enrollees, meanwhile, increased by 3%.



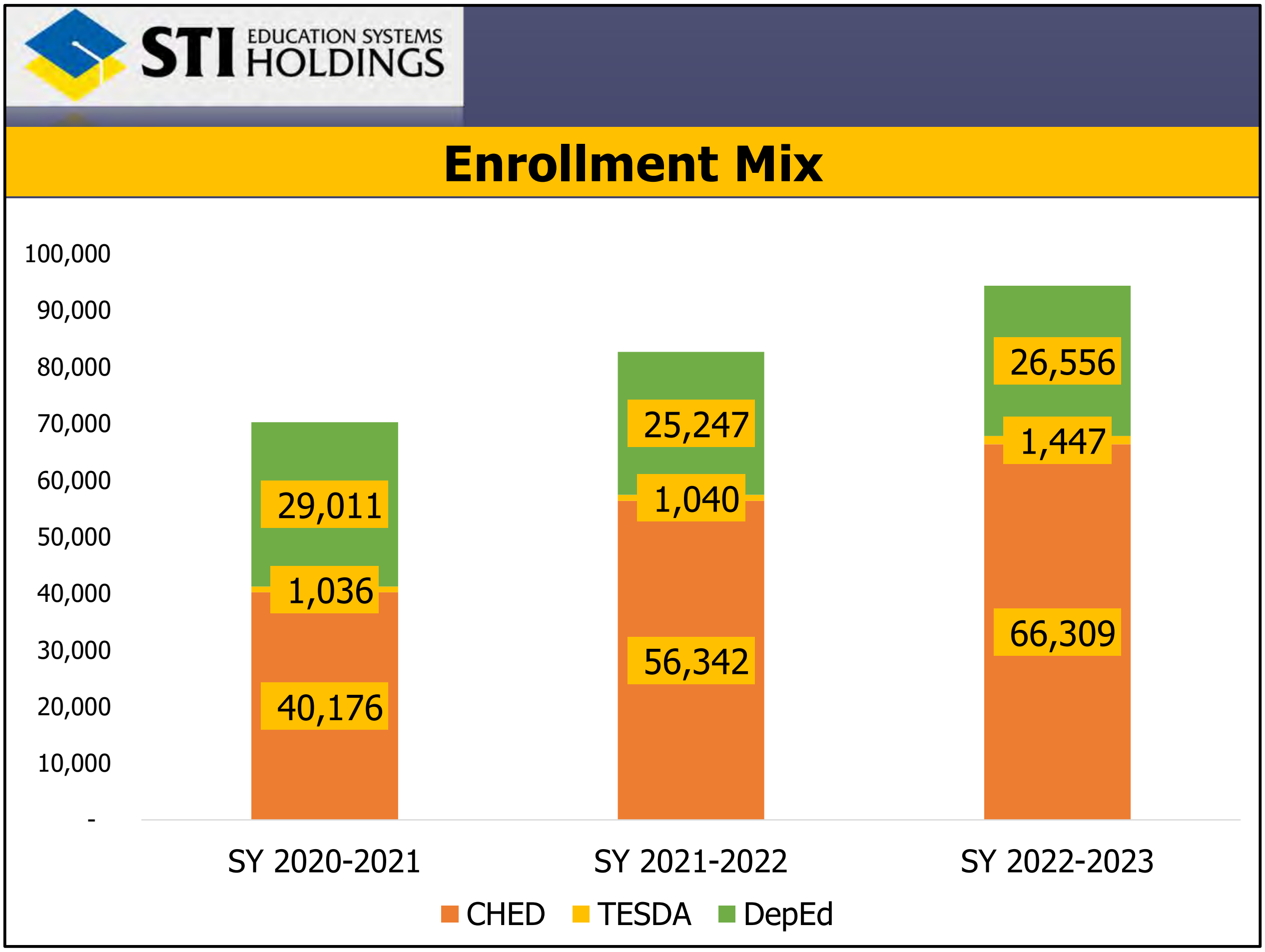
STI West Negros and iACADEMY also registered increases in their student population for the year under review.

STI West Negros has 10,218 students for the year under review versus 7,580 students for school year 2021 to 2022, or a 35% increase.

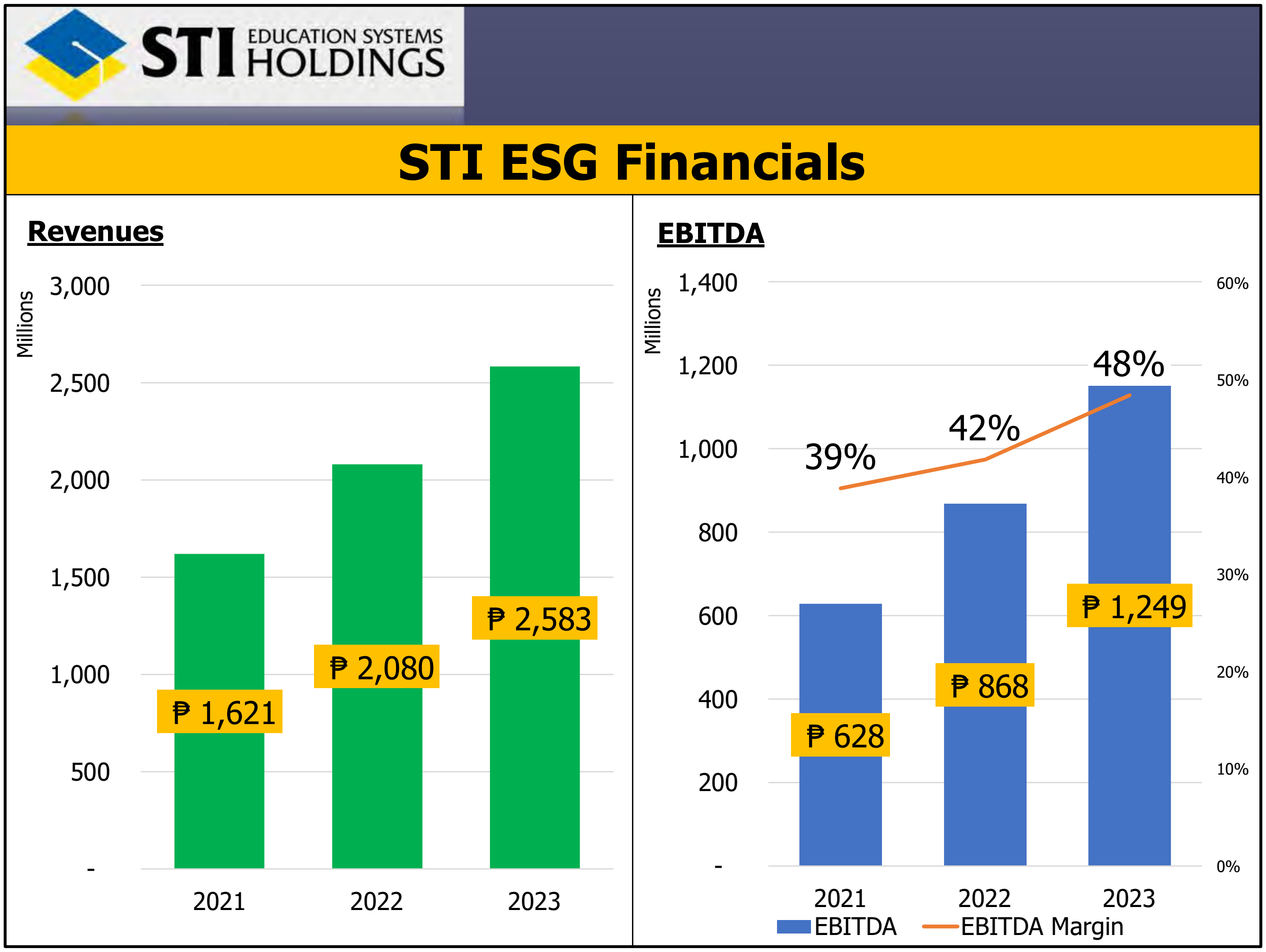
iACADEMY also recorded a gain for the year under review, registering 2,397 students for the current school year from last year's 2,299, or a 4% increase.



For the school year 2022-2023, the Group registered a 14% increase in overall enrollment from 82,629 in SY 2021-2022 to this year's 94,312 students. The Group's total number of new students reached 41,565 compared with the 35,566 new students in SY 2021-2022, showing a 17% increase in the total new student population.

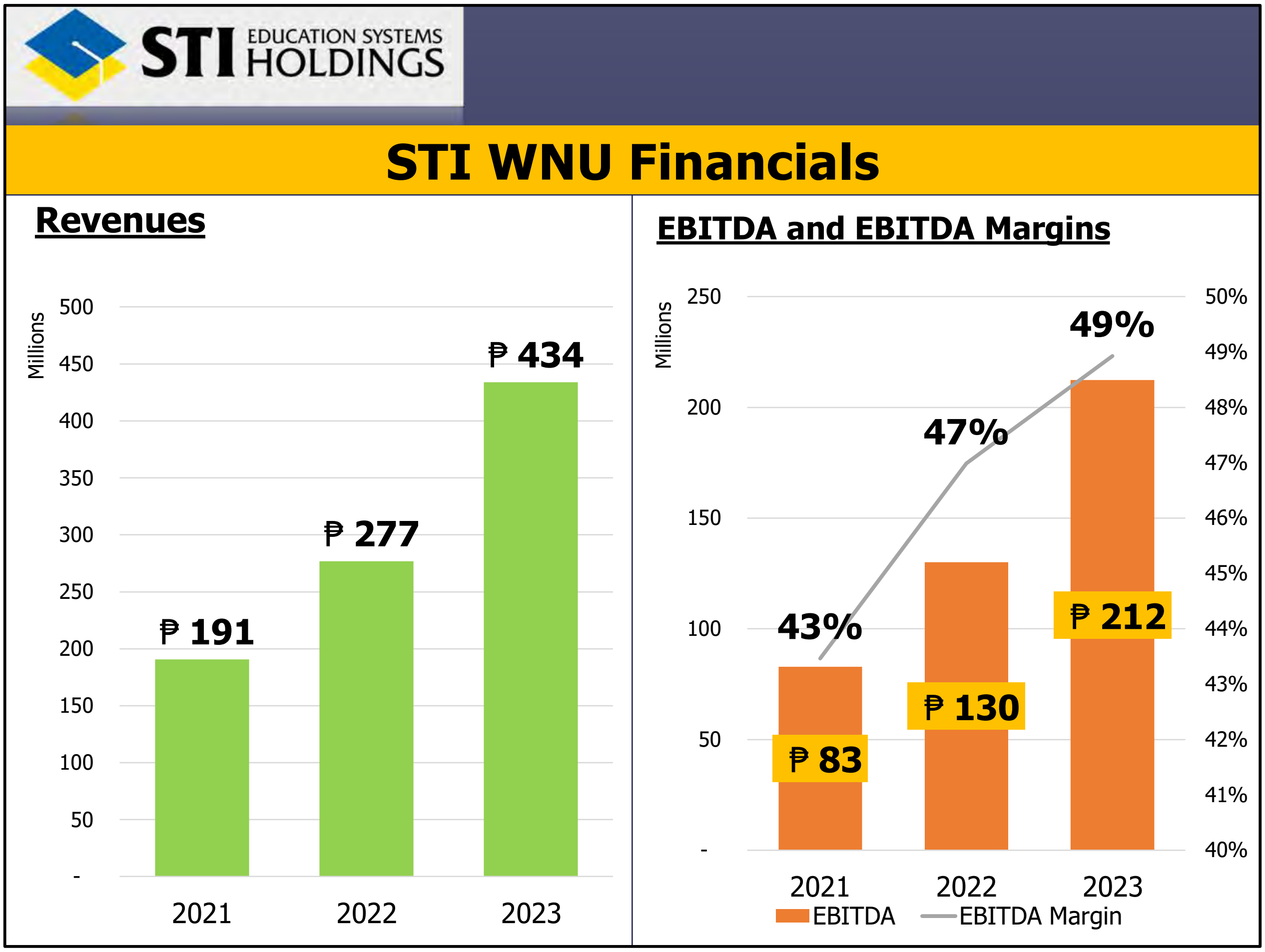


The total figure was boosted by the number of students in the programs regulated by CHED showing a robust 18% increase from 56,342 students in SY 2021-2022 to 66,309 students in school year 2022-2023.



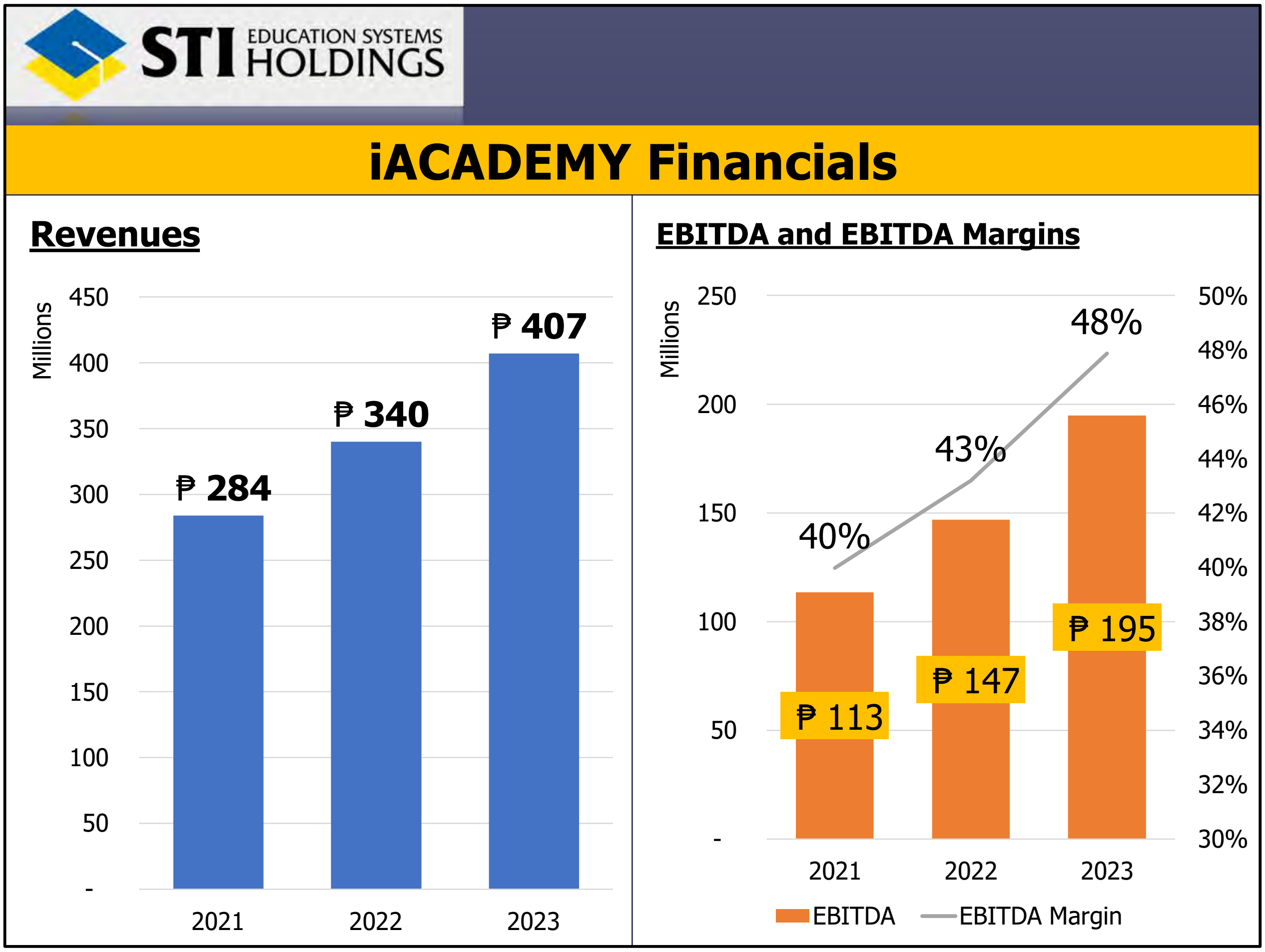
The high enrollment figures for STI ESG translated to a healthy revenue for the year under review. Gross revenues for the year ended June 30, 2023 amounted to P2,583.2 million marking a significant increase from P2,080 million for the year ended June 30, 2022. This was driven by the 12% growth in enrollees for 2022-2023, as well as increased enrollment in CHED-regulated programs which brings in higher revenues per student.

STI ESG's EBITDA likewise grew from ₱868 Million in 2022 to ₱1,249 Million in 2023. Margins also increased from 42% last year to 48% this year.



The same is true for STI WNU, increasing its revenues by 57% from last year's ₱277 Million to this year's ₱434 Million.

EBITDA and EBITDA Margins have also increased due to the increase in the total number of students.



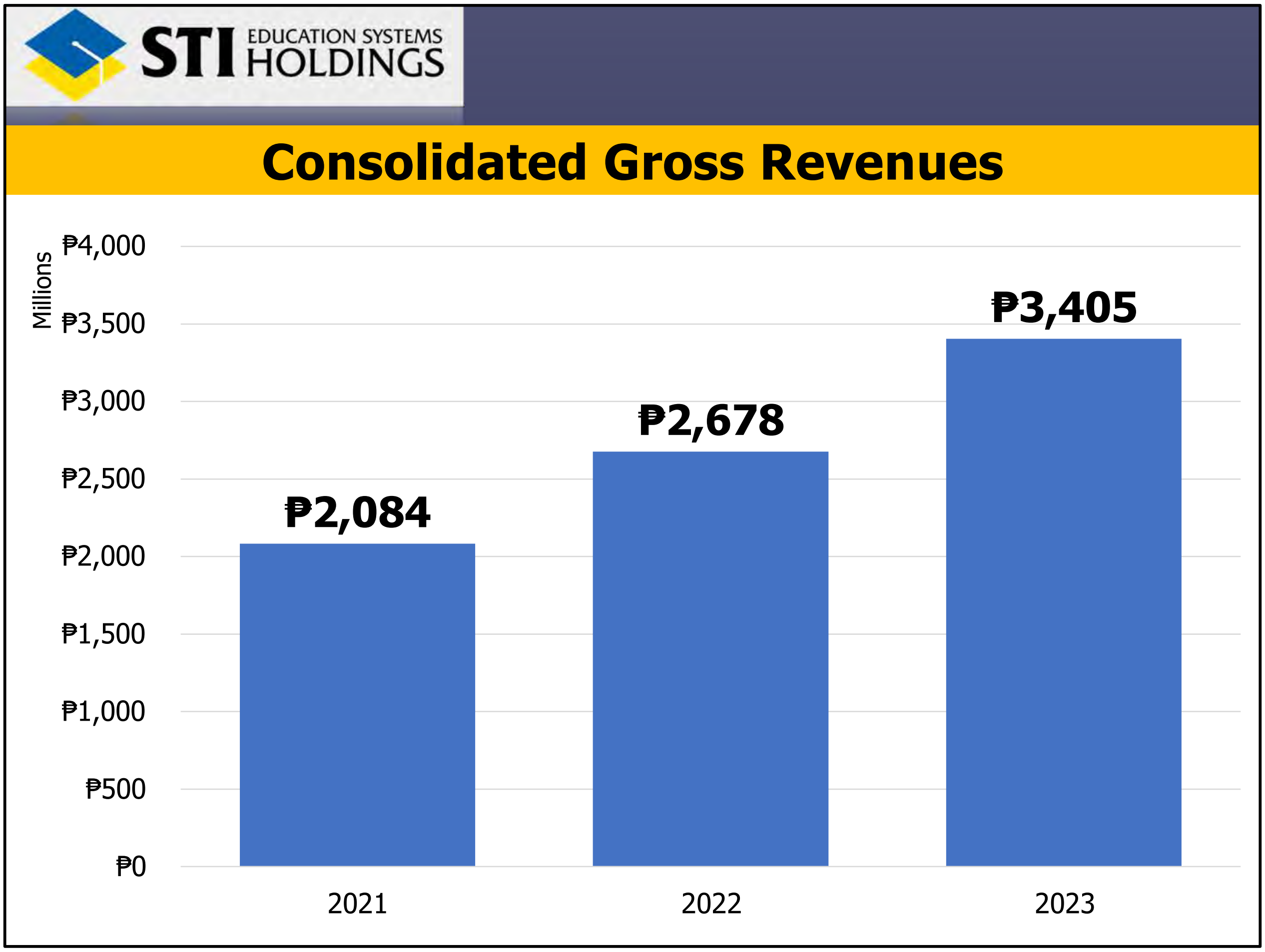
iACADEMY's revenues have likewise increased by 20% from ₱340 Million last year to ₱407 Million this year.

EBITDA has also been steadily increasing at ₱195 Million this year versus ₱147 Million last year.

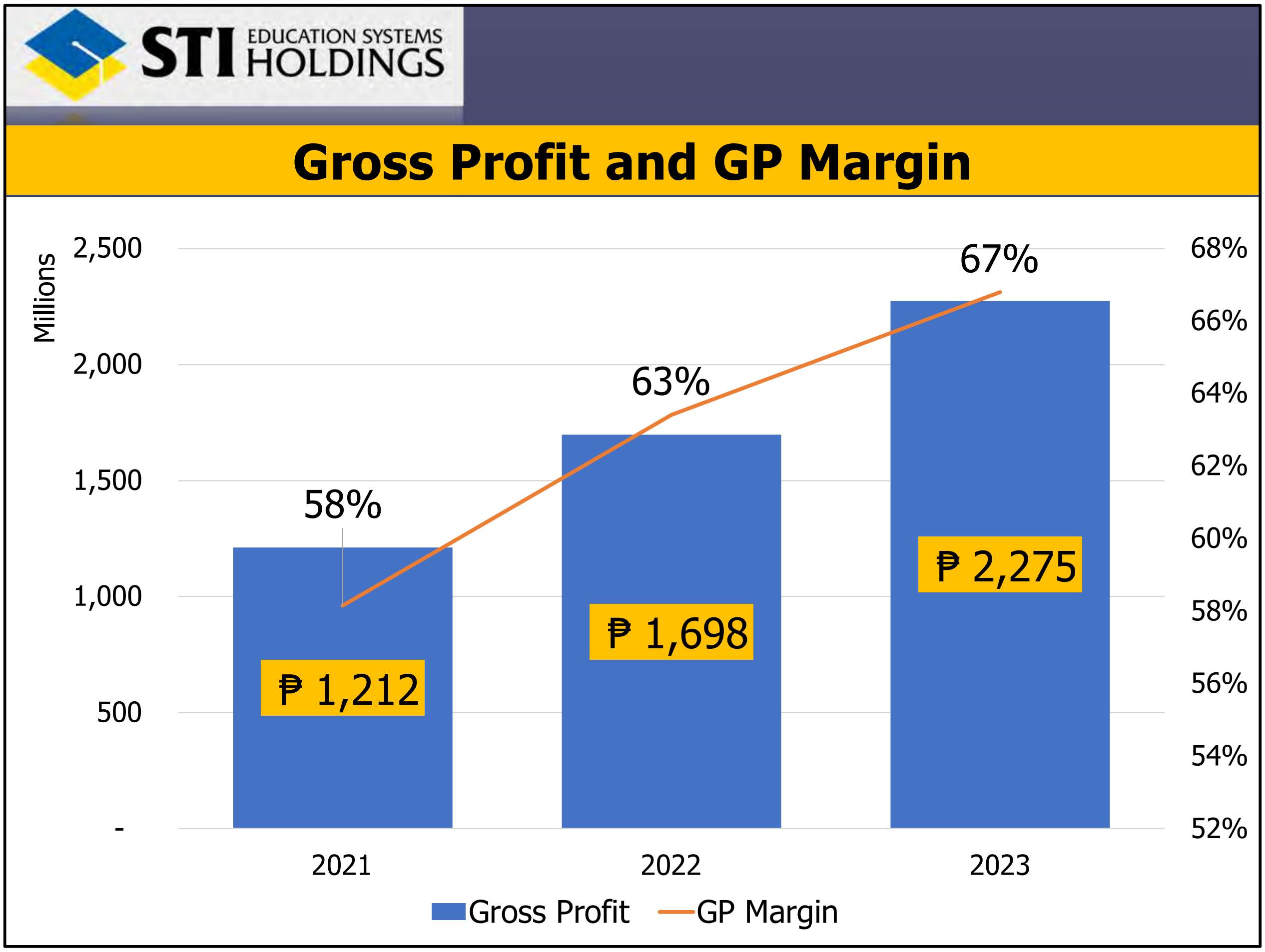
STI EDUCATION SYSTEMS HOLDINGS

FINANCIAL RESULTS
For the Year Ended June 30, 2023

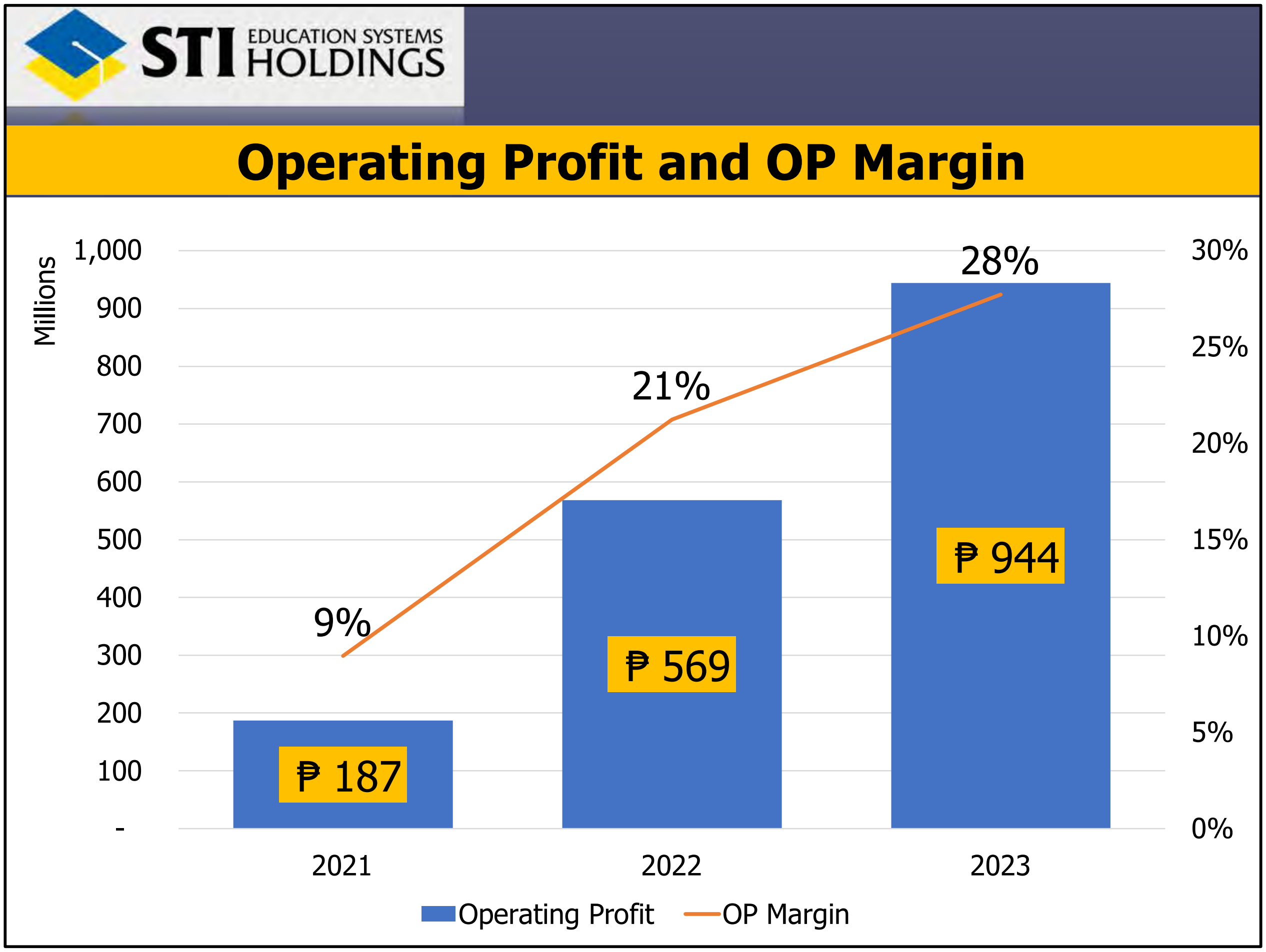
I will now present the financial highlights of STI Holdings for the fiscal year ended June 30, 2023.



The consolidated gross revenues of the Group for the year ended June 30, 2023 amounted to ₱3,405.5 million, reflecting a 27% increase compared to ₱2,677.6 million generated for the year ended June 30, 2022.



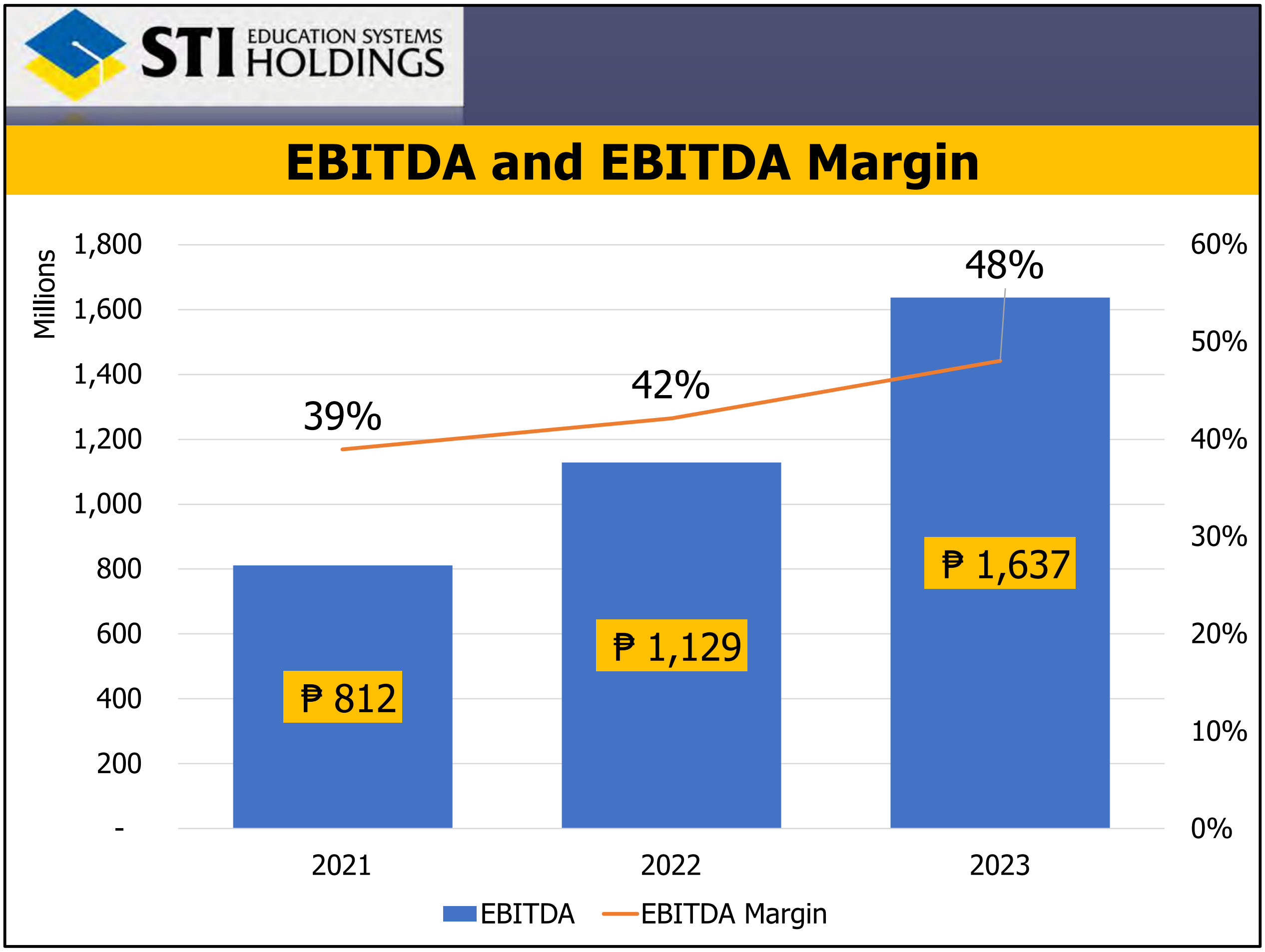
Gross profit improved by 34% from ₱1,698.0 million to ₱2,274.9 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment.



Our operating profit stood at 944 Million this year versus 569 Million last year.

This is an improvement of ₱375 million, or 66%, from the operating income of ₱569 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with the increase in the number of students enrolled in CHED programs, as well as strict control of direct and administrative expenses.

Operating margins likewise improved from 21% to 28% for the years ended June 30, 2022 and 2023, respectively.



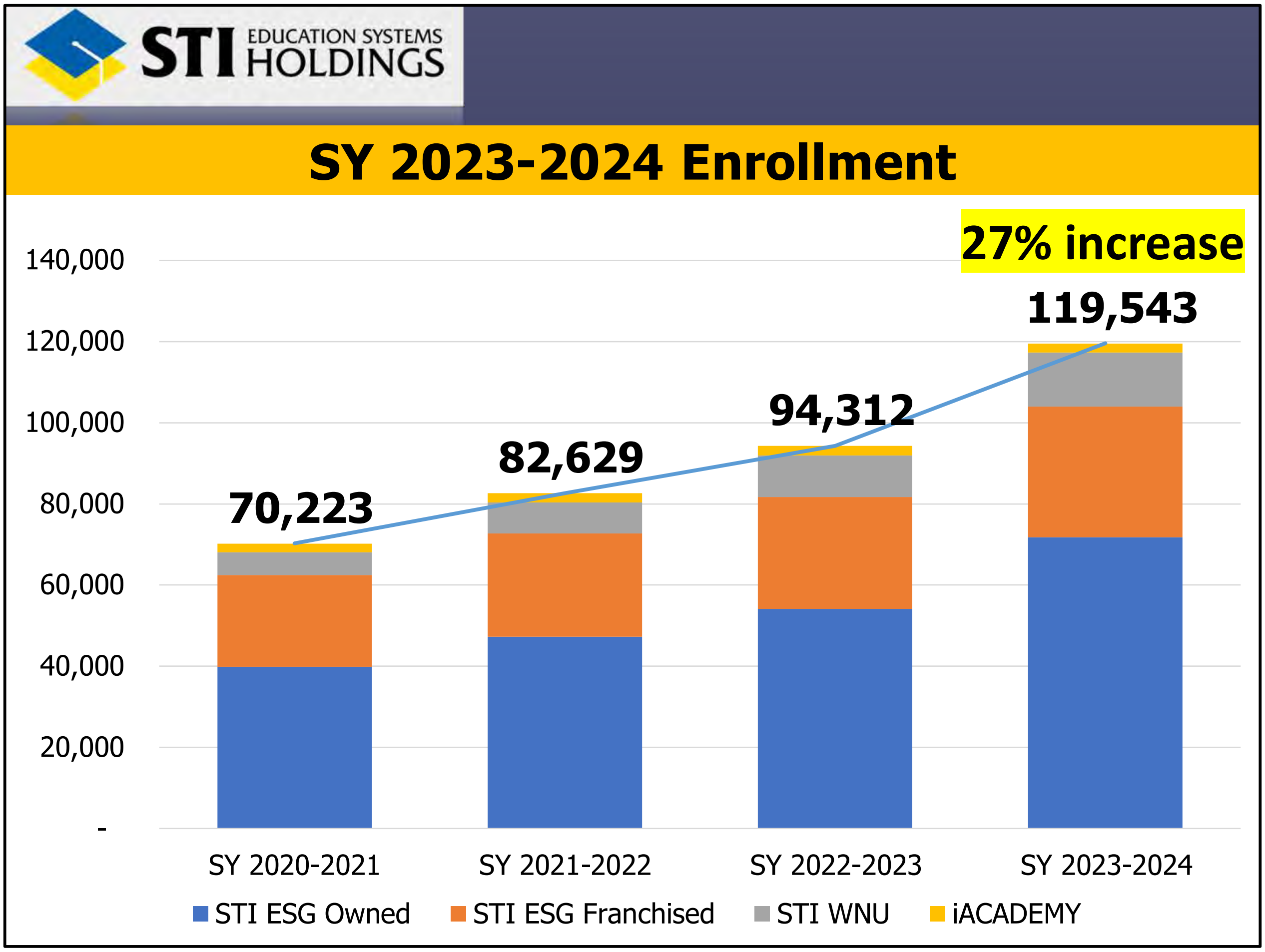
Our EBITDA likewise increased from ₱1,129 million for the year ended June 30, 2022 to ₱1,637 million for the year ended June 30, 2023.

EBITDA margins stood at 48% this year compared to last year's 42%.

Key Financial Ratios

Years Ended June 30	2022	2023
Liquidity Ratios		
Current Ratio	2.85	1.10
Solvency Ratios		
Debt-to-Equity Ratio	0.70	0.62
Asset to Equity Ratio	1.72	1.64
Debt Service Cover Ratio	1.95	0.60

Finally, we would like to show some key financial ratios for the year ending June 30, 2023. Our financial position remains strong, with cash resources generated mostly by operating activities. Moreover, our financial ratios are healthy, and well within the covenants entered into by the subsidiaries of the group with various banking institutions.



We would also like to update our shareholders on the enrollment results for school year 2023-2024.

While it is not part of the report for the year under review, we are nonetheless very proud to say that we have further increased our total student population by 27%. This means an increase of over 25,000 students over the entire network and represents a banner year for STI Holdings.

Thank you for your support

Thank you and this concludes my report.

MANAGEMENT REPORT

Group History and Structure

STI Education Systems Holdings, Inc.

STI Education Systems Holdings, Inc. STI Education Systems Holdings, Inc. (STI Holdings or the Parent Company) 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 in 1946. After many years of operations as part of the Jardine-Matheson group, STI Holdings was sold to local Philippine investors in 2006. In March 2010, it became part of the Tanco Group of Companies.

STI Holdings is the holding company within the Tanco Group that drives investment in its education business. It is a publicly-listed company in the Philippine Stock Exchange (PSE) and its registered office address and principal place of business is 7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City. Unless indicated otherwise or the context otherwise requires, reference to the "Group" are to STI Holdings and its subsidiaries.

In June and August 2012, the Board of Directors and stockholders of the Parent Company, respectively, approved the share-for-share swap transaction (the "Share Swap") between the shareholders of the Parent Company and the shareholders of STI Education Services Group, Inc. (STI ESG Shareholders) and the corresponding increase in the Company's authorized capital stock from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion. The Securities and Exchange Commission (SEC) approved both the Share Swap and increase in authorized capital stock in September 2012.

In the latter part of August 2012, the Board of Directors of STI Holdings approved the offering and issuance by way of a follow-on offering of up to a maximum of 3 billion common shares of the Parent Company. The Offer, comprised of Primary Offering, Secondary Offering and the Over Allotment Option were all executed and completed in November 2012 where a total of 2,900,000,000 shares were issued following its listing in the PSE.

As of June 30, 2024 and June 30, 2023, STI Holdings has outstanding shares totaling 9,904,806,924 out of its authorized capital stock of 10 billion shares.

STI Holdings has four (4) subsidiaries as of June 30, 2024, namely: STI Education Services Group, Inc. (STI ESG), STI West Negros University, Inc. (STI WNU), iACADEMY, Inc. (iACADEMY, formerly Information and Communications Technology Academy, Inc.), and Attenborough Holdings Corporation (AHC).

STI Holdings received a Golden Arrow for the year 2023 from the Institute of Corporate Directors (ICD), a non-stock, not-for-profit national association of corporate directors and other stakeholders engaged in corporate governance. The Golden Arrow is awarded to top-performing Philippine publicly-listed companies and insurance companies based on the ASEAN Corporate Governance Scorecard (ACGS) and Corporate Governance Scorecard (CGS) Assessment Results. This is the third straight year STI Holdings has received a Golden Arrow.

Consolidation of STI ESG into STI Holdings

In August 2012, STI Holdings' shareholders approved an increase in share capital from 1,103,000,000 shares with an aggregate par value of ₱551.5 million to 10,000,000,000 shares with an aggregate par value of ₱5 billion and a share swap agreement with the STI ESG Shareholders. The SEC approved the agreement and the increase in the authorized capital of the Parent Company in September 2012. By the end of October 2012, the consolidation of the two companies was completed.

In view of the increase in its authorized capital stock and pursuant to the Share Swap, STI Holdings issued 5,901,806,924 shares to STI ESG Shareholders in exchange for 907,970,294 common shares of STI ESG. As a result, immediately after the Share Swap, the STI ESG Shareholders who joined the Share Swap owned approximately 84% interest in STI Holdings while STI Holdings increased its shareholdings to 96.0% of the total issued and outstanding capital stock of STI ESG.

In November and December 2012, STI Holdings subscribed to 2.1 billion STI ESG shares. In July 2013, the Parent Company acquired an additional 328,125 shares. STI Holdings' ownership of STI ESG is at 98.7% as of June 30, 2024 and 2023.

Acquisition of West Negros University

On October 1, 2013, STI Holdings acquired 99.45% of the issued and outstanding common shares and 99.93% of the issued and outstanding preferred shares of West Negros University Corp., now known as STI West Negros University, a leading university in the City of Bacolod in Negros Occidental.

STI WNU offers a wide variety of programs and complements the courses offered by the Parent Company's other subsidiary, STI ESG.

The acquisition is part of the planned expansion of the Parent Company. It not only widened its course offerings at the tertiary level but also provided STI Holdings another entry into basic education which is the focus of the government's K to 12 program, and into the graduate school level which is vital in uplifting the development of human capital in the country.

In May 2015, the SEC approved the change in the corporate name of West Negros University Corp. to STI West Negros University, Inc.

Acquisition of iACADEMY

On September 27, 2016, STI Holdings purchased One Hundred Million (100,000,000) iACADEMY shares or 100% of iACADEMY's issued and outstanding capital stock from STI ESG. STI Holdings also subscribed to ₱100 million of the ₱400 million increase in the authorized capital stock of iACADEMY. On November 9, 2016, the SEC approved the increase in the authorized capital stock of iACADEMY. As of said date, the authorized capital stock of iACADEMY is at ₱500 Million with ₱200 million subscribed and fully paid by STI Holdings. As a result, iACADEMY is now a 100% subsidiary of STI Holdings.

AHC

The Parent Company became a stockholder owning 40% of AHC in November 2014 following the SEC approval of the increase in the authorized capital stock of AHC. In February 2015, STI Holdings acquired the remaining 60% ownership of AHC from various individuals making it a 100% owned subsidiary.

AHC is a holding company which is a party to the Joint Venture Agreement and Shareholders' Agreement (the "Agreements") among Philippine Women's University (PWU), Unlad Resources Development Corporation (Unlad) and the Benitez Group. Under the Agreements, AHC is set to own up to 20% of Unlad. AHC is also a party to the Omnibus Agreement it executed with STI Holdings and Unlad.

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.

Market for Company's Common Equity and Related Stockholder Matters

(1) Market Information

As of 30 June 2024, the high share price of the Company was ₱0.90 and the low share price was ₱0.89. As of 30 September 2024, the high share price of the Company was ₱1.31 and the low share price was ₱1.22.

The following table sets forth the Parent Company's high and low intra-day sales prices per share for the past two (2) years and the first, second and third quarters of 2024:

	High	**Low**
2024		
Third Quarter	1.35	0.76
Second Quarter	1.00	0.75
First Quarter	0.86	0.46
2023		
Fourth Quarter	0.50	0.39
Third Quarter	0.43	0.36
Second Quarter	0.41	0.34
First Quarter	0.39	0.33
2022		
Fourth Quarter	0.35	0.32
Third Quarter	0.36	0.32
Second Quarter	0.37	0.31
First Quarter	0.38	0.32

The Company's public float as of 30 June 2024 is 3,049,740,687 shares equivalent to 30.79% and 3,060,932,687 shares equivalent to 30.90% as of 30 June 2023 of the total issued and outstanding shares of the Company. As of 30 September 2024, the Company's public float is 2,942,593,687 shares equivalent to 29.71% of the total issued and outstanding shares of the Company.

(2) Holders

As of 15 October 2024, there were 1,264 shareholders of the Company's outstanding capital stock. The Company has common shares only.

The following table sets forth the top 20 shareholders of the Company's common stock, the number of shares held, and the percentage of total shares outstanding held by each as of 15 October 2024:

NAME OF STOCKHOLDER	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
PCD NOMINEE CORP (FILIPINO)	3,623,937,264	36.59%
PRUDENT RESOURCES, INC.	1,614,264,964	16.30%

TANCO, EUSEBIO H.	1,253,666,793	12.66%
PCD NOMINEE CORP (NON-FILIPINO)	870,512,512	8.79%
EUJO PHILIPPINES, INC.	806,157,130	8.14%
BIOLIM HOLDINGS AND MANAGEMENT CORP. (FORMERLY: RESCOM DEVELOPERS, INC.)	794,343,934	8.02%
TANTIVY HOLDINGS, INC. (FORMERLY: INSURANCE BUILDERS, INC.)	626,776,992	6.33%
EXIMIOUS HOLDINGS, INC.	272,990,566	2.76%
CLASSIC FINANCE, INC.	15,013,155	0.15%
TANCO, ROSIE L.	13,000,000	0.13%
DEL PRADO, EMMANUEL P.	3,500,000	0.04%
VITAL VENTURES MANAGEMENT CORPORATION	2,800,000	0.03%
YU, JUAN G. YU OR JOHN PETER C. YU	1,300,000	0.01%
CASA CATALINA CORPORATION	1,000,000	0.01%
EDAN CORPORATION	861,350	0.01%
MENDOZA, ROSELLER ARTACHO	600,000	0.01%
YU, JUAN G. OR JOHN PHILIP YU	600,000	0.01%
CASTIGADOR, LERIO CABALLERO AND/OR VICTORINA P. CASTIGADOR	399,000	0.00%
TACUB, PACIFICO B.	200,000	0.00%
NOLASCO, MA. CHRISTMAS R.	140,000	0.00%
VICSAL SECURITIES & STOCK BROKERAGE, INC.	129,500	0.00%

(3) Cash Dividends

(a) On December 21, 2023, cash dividends amounting to ₱0.030 per share or the aggregate amount of ₱297.1 million were declared by the Board of Directors in favor of all stockholders on record as at January 10, 2023 payable on January 31, 2023.

(b) On December 19, 2022, cash dividends amounting to ₱0.015 per share or the aggregate amount of ₱148.6 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2023 payable on January 31, 2023.

(c) On December 3, 2021, cash dividends amounting to ₱0.01 per share or the aggregate amount of ₱99.0 million were declared by the Board of Directors in favor of all stockholders on record as at January 6, 2022 payable on January 31, 2022.

(4) Recent Sales of Unregistered or Exempt Securities

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

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

This discussion summarizes the significant factors affecting the financial condition of STI Education Systems Holdings, Inc. ("STI Holdings" or the "Parent Company") and its subsidiaries (hereafter collectively referred to as the "Group") as at June 30, 2024 and 2023 and operating results for the years ended June 30, 2024, 2023 and 2022.

The following discussions should be read in conjunction with the attached audited consolidated financial statements of the Group as at and for the years ended June 30, 2024 and 2023, and for all the other periods presented.

Financial Condition

June 30, 2024 vs. June 30, 2023

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2024**	**June 30, 2023**	**June 2024 vs. June 2023**	
			Increase (Decrease)	
			Amount	%
Consolidated financial position				
Cash and cash equivalents	1,855.5	1,958.8	(103.3)	(5.3%)
Current assets	3,679.2	3,781.6	(102.4)	(2.7%)
Total assets	15,441.8	15,083.2	358.6	2.4%
Current liabilities	1,770.5	3,451.9	(1,681.4)	(48.7%)
Total liabilities	4,869.4	5,873.4	(1,004.0)	(17.1%)
Equity attributable to equity holders of the parent	10,481.1	9,127.9	1,353.2	14.8%
Total Equity	10,572.4	9,209.8	1,362.6	14.8%
Financial ratios				
Debt-to-equity ratio	0.44	0.62	(0.18)	(29.0%)
Current ratio	2.08	1.10	0.98	89.1%
Debt service cover ratio (DSCR)*	2.86	0.60	2.26	376.7%
Asset to equity ratio	1.46	1.64	(0.18)	(11.0%)
Interest cover ratio (ICR)*	11.71	7.37	4.34	58.9%

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

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

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

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

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

The Group's consolidated total assets amounted to ₱15,441.8 million as at June 30, 2024 compared to ₱15,083.2 million as at June 30, 2023. Current assets amounted to ₱3,679.2 million, down by ₱102.4 million from ₱3,781.6 million while noncurrent assets grew by ₱461.0 million to ₱11,762.6 million as at June 30, 2024. The overall increase in consolidated total assets is the result of another school year of strong operations. The net decrease in cash and cash equivalents amounting to ₱103.3 million was primarily due to the Group's financing and investing activities, which aggregated to ₱2,835.8 million for the year. The net income after income tax of the Group for the year ended June 30, 2024 is ₱1,608.4 million, 84% higher than the net income generated for the year ended June 30, 2023. The more efficient collection of receivables from students contributed as well to the ₱2,724.5 million net cash generated from operating activities, which funded the Group's capital expenditures and payment of interest bearing loans and borrowings.

Cash and cash equivalents decreased by ₱103.3 million or 5% from last year's ₱1,958.8 million to ₱1,855.5 million as at June 30, 2024. The Group generated net cash from operating activities amounting to ₱2,724.5 million arising from the collection of tuition and other school fees from students and collection from the Department of Education (DepEd) for the Senior High School (SHS) vouchers and Commission on Higher Education (CHED) for the Tertiary Education Subsidy (TES). These funds were partly utilized to pay the contractors and suppliers for the construction of iACADEMY's Cebu campus and STI WNU's new School of Basic Education (SBE) building, and the renovation of STI WNU's Engineering building. Other investing activities include disbursements related to STI ESG's solar panel installation, classroom expansion projects, and recent construction and other renovation and rehabilitation projects in several STI schools. On June 20, 2024, STI ESG acquired from Total Consolidated Asset Management, Inc. (TCAMI) 100% of the total issued and outstanding capital stock of Clinquant Holdings, Inc. (CHI), a company that owns a real estate in Tanauan, Batangas, in the amount of ₱180.0 million. In addition, STI ESG paid TCAMI a 15% deposit or ₱60.5 million to acquire 100% ownership of Phosphene Holdings, Inc. (PHI), which owns the property adjacent to CHI's property described earlier. STI ESG also made a ₱45.1 million downpayment on June 10, 2024 for the acquisition of a parcel of land with a total area of 3,266 square meters, located at South Park District, Alabang, Muntinlupa City. These properties are intended to be sites of STI schools.

In March 2024, STI ESG received the loan proceeds from its drawdowns from Metropolitan Bank & Trust Company (Metrobank) and Bank of the Philippine Islands (BPI) credit facilities. These loan proceeds were utilized to partially finance the full redemption of STI ESG's series 7-year bonds aggregating to ₱2,180.0 million which matured on March 23, 2024. STI ESG and iACADEMY made principal payments for interest-bearing loans and borrowings, substantially with Chinabank, aggregating to ₱333.0 million and ₱140.0 million, respectively. Interest payments on these loans and on STI ESG's bond issue amounted to ₱212.2 million. STI ESG declared cash dividends amounting to ₱0.20 per share or an aggregate amount of ₱616.4 million to stockholders of record as of January 10, 2024, of which ₱608.1 million was paid on January 12, 2024 to the Parent Company and ₱5.4 million was paid to non-controlling interests. STI WNU declared cash dividends amounting to ₱75.3 million to stockholders of record as of December 31, 2023 paid on January 10, 2024. Meanwhile, the Parent Company declared cash dividends amounting to ₱0.03 per share or an aggregate amount of ₱297.1 million to stockholders of record as of January 10, 2024. The cash dividends were paid on January 31, 2024.

Total receivables amounted to ₱466.9 million as at June 30, 2024, posting a decrease of ₱3.7 million from ₱470.6 million as at June 30, 2023. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and

Development Bank of the Philippines (DBP) for the SHS vouchers, TES and financial assistance to students, respectively. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

Receivables from students pertaining to tuition and other school fees decreased significantly by 30% or ₱177.9 million from ₱596.0 million as at June 30, 2023 to ₱418.1 million as at June 30, 2024, reflecting the Group's improved collection efficiency considering the increased number of students. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱16.6 million as at June 30, 2024, compared to ₱10.0 million as at June 30, 2023. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who enroll in participating institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED amounted to ₱2.4 million and ₱3.7 million as at June 30, 2024 and 2023, respectively.

The DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. Receivables related to DBP RISE increased from ₱1.6 million as at June 30, 2023 to ₱2.2 million as at June 30, 2024. Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱62.4 million as at June 30, 2024, higher by 12% or ₱6.8 million from the ₱55.6 million balance as at June 30, 2023. The receivables from franchised schools largely represent receivables for the sale of uniforms and prowares, network charges for the national youth convention and various software subscriptions during the year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Rent and related receivables decreased by ₱16.6 million to ₱72.9 million as at June 30, 2024 from ₱89.5 million as at June 30, 2023 representing improved collection efficiency during the year ended June 30, 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, decreased from ₱382.4 million as at June 30, 2023 to ₱227.4 million as at June 30, 2024 reflecting the write-off of receivables during the year ended June 30, 2024 amounting to ₱185.5 million and ₱30.5 million provision for ECL for the year.

The receivables which were written-off were associated with tuition and other school fees from students for SYs 2019-2020 to 2021-2022. The Boards of Directors (BODs) of STI Caloocan, STI Batangas, and STI Tanauan approved the write-off of receivables from students aggregating to ₱17.4 million for the year ended June 30, 2023. For the fiscal years ended June 30, 2023, and 2022, STI ESG, STI WNU and iACADEMY had adopted an interim policy to defer the write-off of receivables.

Inventories rose by 21% or ₱27.6 million from ₱129.5 million as at June 30, 2023 to ₱157.1 million as at June 30, 2024 due to the receipt of student uniforms during the last quarter of the year ended June 30, 2024 in preparation for SY 2024-2025.

Prepaid expenses and other current assets decreased by ₱22.2 million or 11% from ₱193.0 million as at June 30, 2023 to ₱170.8 million as at June 30, 2024 primarily due to the ₱38.9 million decrease in prepaid taxes as prior years' excess tax credits and creditable withholding taxes were applied to STI ESG and iACADEMY's income tax due for the year ended June 30, 2024. The increase in input VAT is attributed mainly to the acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City, from which STI ESG recognized input VAT amounting to ₱24.7 million. STI WNU's input VAT registered a ₱3.1 million net increase due to the input VAT recognized from payments to contractors for the new SBE building construction. This account also includes input VAT recognized on the purchase of goods and services. Meanwhile, iACADEMY's input VAT decreased by ₱4.6 million upon application of the balance as of June 30, 2023 to its output VAT liabilities. Prepaid subscriptions and licenses, substantially pertaining to Microsoft license and eLMS subscriptions, Adobe Creative Cloud, Sophos Firewall, and Toon Boom Harmony subscriptions, amounted to ₱18.3 million and ₱23.2 million as at June 30, 2023 and 2024, respectively. iACADEMY secured additional software licenses for its Cebu campus. These subscriptions are normally renewed annually and recognized as expense in accordance with the terms of the agreements. The current portion of STI ESG's advances to suppliers as at June 30, 2023, were applied against full payment when the orders for uniforms were completed and delivered in 2024.

The carrying value of STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange, amounted to ₱5.25 and ₱5.80 per share or an aggregate value of ₱8.1 million and ₱9.0 million as at June 30, 2024 and 2023, respectively. STI ESG recognized dividend income from RCR amounting to ₱0.6 million in 2024 and 2023.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2024 and 2023 represents the carrying value of the land, building and land improvements located in Quezon City (the "Quezon City dacion properties"), which were obtained by the Parent Company through the deeds of dacion executed in 2016. 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 ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. 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 real estate group for the sale of the properties. As of June 30, 2024, the Group is still in negotiation with the said real estate group who is currently looking for a real estate developer to partner with in the development of the land.

Property and equipment, net of accumulated depreciation, amounted to ₱9,926.2 million and ₱9,684.7 million as at June 30, 2024 and 2023, respectively. The increase primarily reflects ongoing capital expenditures, including the construction of a new building in STI Ortigas-Cainta campus and a new three-storey building in STI Lipa, installation of solar panels, classroom expansions, and various renovation and rehabilitation projects in certain STI ESG wholly-owned schools. Also, STI ESG acquired 100% ownership of CHI from TCAMI, as stated in the previous discussion on the sources and uses of cash. CHI is the registered and beneficial owner of a 10,000-square-meter parcel of land located at President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property will be the future site of STI Academic Center Tanauan. STI WNU's property and equipment increased by ₱270.0 million, net of depreciation expenses, substantially due to the completion of its SBE building in May 2024, along with rehabilitation works on its main building, and ancillary works done in its Engineering building. The Group likewise invested in new computers, school equipment and furniture. The recognition of the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, Leases also contributed to the increase in property and equipment. These additions to the “Property and equipment” account were offset by the depreciation expense recognized by the Group for the year ended June 30, 2024, reflecting the allocation of costs of these assets over their respective useful lives.

Investment properties increased by ₱149.5 million, net of depreciation expense for the year, from ₱1,037.5 million as at June 30, 2023 to ₱1,187.0 million as at June 30, 2024. The increase reflects the carrying value of STI ESG’s land situated in Diversion Road, Brgy. San Rafael, Mandurriao, Iloilo City which was reclassified from “Property and equipment” to “Investment properties” account as at June 30, 2024.

Deferred tax assets (DTA), net of the related deferred tax liability (DTL), decreased by ₱7.7 million from ₱50.7 million to ₱43.0 million as at June 30, 2023 and 2024, respectively, primarily attributed to changes in the temporary differences related to allowance for expected credit losses (ECL) and application of NOLCO against income tax due recognized during the year ended June 30, 2024. In accordance with Philippine Financial Reporting Standards (PFRS), these temporary differences are accounted for in the calculation of deferred tax assets and liabilities.

Goodwill, intangible and other noncurrent assets increased by ₱72.8 million from ₱435.8 million as at June 30, 2023 to ₱508.6 million as at June 30, 2024. On June 10, 2024, STI ESG and Avida Land Corp. executed a contract to sell for the acquisition of a parcel of land with a total area of 3,266 square meters located at South Park District, Alabang, Muntinlupa City, for a total purchase price of ₱228.8 million. The purchase price is payable in three installments: (i) the amount of ₱45.1 million, inclusive of ₱24.7 million VAT, was settled on June 10, 2024; (ii) the amount of ₱81.6 million was paid by STI ESG on September 30, 2024, upon execution of the Deed of Sale on Installments (the “Deed”); and (iii) the amount of ₱102.1 million shall be paid by STI ESG on the 16th month after the execution of the Deed. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale on September 30, 2024. STI ESG shall be entitled to the physical possession and control over the lot upon execution of the Deed. Similarly, the Deed provides that STI ESG shall start the construction within two years from the execution of the Deed. This lot will be the future site of the new STI Academic Center Alabang.

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

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

Goodwill decreased by ₱14.3 million from ₱266.6 million to ₱252.3 million as at June 30, 2023 and 2024, respectively, due to the recognition of a provision for impairment of goodwill related to NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM), which had ceased operations effective June 30, 2022.

Accounts payable and other current liabilities increased by ₱169.2 million from ₱773.2 million to ₱942.4 million as at June 30, 2023 and 2024, respectively. This increase is largely attributed to outstanding obligations as at June 30, 2024 related to the on-going construction of STI Ortigas-Cainta's new building, recently completed construction projects, and various renovation and rehabilitation projects in several wholly-owned schools of STI ESG. Also included are STI WNU's payables for the ongoing construction of its new university canteen and a kitchen laboratory for its College of Hotel and Tourism Management, as well as for the rehabilitation of the student lounge and walkway.

Unearned tuition and other school fees increased by 27% or ₱38.5 million from ₱141.1 million as at June 30, 2023 to ₱179.6 million as at June 30, 2024. This account refers to the advance payments of tuition and other school fees received for the school year commencing after the financial reporting date and will be recognized as revenues in the related school terms within the next fiscal year.

Income tax payable amounted to ₱25.3 million and ₱1.1 million as at June 30, 2024 and 2023, respectively. The balance as at June 30, 2024 represents the income tax obligations of STI ESG and several of its subsidiaries, as well as the income tax payable of STI WNU and iACADEMY as at June 30, 2024. The notable increase in income tax payable is attributed to the change in preferential income tax rate for proprietary educational institutions which was reduced from 10% to 1% effective July 1, 2020, up to June 30, 2023. After the expiration of the temporary tax relief provided by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law for proprietary educational institutions, the income tax rate reverted to its previous rate of 10%. Income tax obligations of STI ESG, iACADEMY, and the Parent Company for the year ended June 30, 2023 were entirely offset by their respective tax credits.

Current portion of interest-bearing loans and borrowings increased by ₱273.5 million from ₱262.8 million as at June 30, 2023 to ₱536.3 million as at June 30, 2024. The balance as at June 30, 2024 represents the current portion of STI ESG's term loans with Chinabank, BPI and Metrobank. On June 28, 2024, iACADEMY had fully paid its term loan with Chinabank. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with Chinabank amounting to ₱60.0 million and ₱120.0 million, respectively, and the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to ₱3.0 million. It also includes iACADEMY's ₱79.8 million Term Loan balance with Chinabank. On March 19, 2024, STI ESG settled the amortization due on its Term Loan Facility with Chinabank amounting to ₱120.0 million.

The noncurrent portion of interest-bearing loans and borrowings increased by ₱741.1 million from ₱808.7 million to ₱1,549.8 million, net of deferred finance cost, as at June 30, 2023 and June 30, 2024, respectively. On March 7, 2024, STI ESG and BPI entered into a five-year term loan agreement up to the amount of ₱1,000.0 million. Of this amount, ₱500.0 million was drawn on March 18, 2024, subject to an interest rate of 8.4211% per annum. On March 8, 2024, STI ESG and Metrobank entered into a five-year term loan agreement of up to the amount of ₱2,000.0 million, of which ₱1,000.0 million was drawn on March 18, 2024, subject to an interest rate of 7.8503% per annum. STI ESG has elected to fix the principal repayments in ten (10) equal installments based on a semi-annual amortization schedule which will commence six (6) months from the date of initial borrowing until the maturity date. The proceeds from these loans were used to partially finance the full redemption of STI ESG's series 7-year bonds amounting to ₱2,180.0 million which matured on March 23, 2024.

On March 23, 2017, STI ESG successfully listed its ₱3.0 billion Series 7-year Bonds due in 2024 and Series 10-year Bonds due in 2027 (collectively, the "Bonds") on the Philippine Dealing and Exchange Corp. (PDEx) secondary market. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10 year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds payable is carried in the books at ₱815.0 million and ₱2,988.4 million as at June 30, 2024 and 2023, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱5.0 million and ₱11.6 million as at June 30, 2024 and 2023, respectively. The Series 7-Year Bonds amounting to ₱2,180.0 million matured in March 2024. On the other hand, the Series 10-Year Bonds maturing in March 2027 with a carrying value of ₱815.0 million as at June 30, 2024 is reported as "Bonds payable, noncurrent portion" under the "Noncurrent Liabilities" category. The proceeds of the bonds have been fully utilized as at March 31, 2019.

As at June 30, 2023, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.79:1.00 and DSCR at 2.36:1.00. DSCR, as defined in the bond trust agreement, is computed as EBITDA for the last twelve (12) months over total principal and interest due in the last 12 months. In April 2024, Chinabank-Trust and STI ESG signed a second supplemental agreement that changed some financial covenants. The previous DSCR requirement of at least 1.05:1.00 has been replaced with an Interest Cover Ratio (ICR) requirement of at least 3.00:1.00. Henceforth, STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and an ICR of not less than 3.00:1.00 computed based on its consolidated financial statements. As at June 30, 2024, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.59:1.00 and ICR at 9.37:1.00.

Current portion of lease liabilities decreased by ₱11.6 million from ₱98.5 million as at June 30, 2023 to ₱86.9 million as at June 30, 2024, representing payments made during the year net of reclassification of lease obligations due within the next twelve months. Noncurrent lease liabilities decreased by ₱35.0 million from ₱438.2 million as at June 30, 2023 to ₱403.2 million as at June 30, 2024. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, Leases.

Pension liabilities decreased by ₱10.0 million from ₱139.8 million to ₱129.8 million as at June 30, 2023 and 2024, respectively. The Board of Directors (BOD) of STI ESG had approved the adoption of a Multi Employer Retirement Plan for STI ESG and its subsidiaries resulting to recognition of pension expense aggregating to ₱34.7 million for the year ended June 30, 2024. STI ESG recognized remeasurement adjustments attributed to the equity shares forming part of STI ESG's pension assets for the same fiscal year amounting to ₱36.7 million. STI ESG likewise contributed ₱6.7 million to the pension fund on June 20, 2024. Pension/retirement expenses of iACADEMY and STI WNU amounted to ₱4.8 million and ₱4.3 million, respectively, for the year ended June 30, 2024.

Other noncurrent liabilities decreased by ₱21.4 million from ₱112.1 million to ₱90.7 million as at June 30, 2023 and 2024, respectively, as advanced rent and security deposits were applied to rent receivables and refunded to lessees of iACADEMY and STI ESG upon termination of lease contracts. Also included in noncurrent liabilities are the deposits for future stock subscription recognized by STI Training Academy. On January 26, 2024, the BOD of STI Training Academy approved a cash call totaling ₱20.0 million to fund the company's capital expenditures and operating expenses. Of this amount, ₱12.0 million was contributed by STI ESG, while an additional ₱8.0 million was provided by another interested party. The latter's contribution was recognized as a "Deposit for future stock subscription" under "Noncurrent liabilities" as at June 30, 2024. As at October 11, 2024, STI Training Academy is in the process of preparing the necessary documentation for its application to increase its authorized capital stock.

Cumulative actuarial gain increased by ₱38.9 million from ₱5.5 million to ₱44.4 million as at June 30, 2023 and 2024, respectively, due to the impact of unrealized remeasurement gains for the year ended June 30, 2024 resulting from the improvement in market value of the investments under the Group's pension plan assets.

Unrealized fair value adjustment on equity instruments at FVOCI is up by ₱5.2 million representing fair value adjustments resulting from the appreciation in the market value of STI ESG's investment in quoted equity shares.

Retained earnings increased by ₱1,309.1 million from ₱5,219.9 million to ₱6,529.0 million as at June 30, 2023 and 2024, respectively, substantially due to the net income attributable to equity holders of the Parent Company recognized for the year ended June 30, 2024 amounting to ₱1,591.2 million, net of cash dividends declared by the Group in December 2023 amounting to ₱282.1 million.

June 30, 2023 vs. June 30, 2022

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2023**	**June 30, 2022**	**June 2023 vs. June 2022**	
			Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	15,083.2	14,577.9	505.3	3.5%
Current assets	3,781.6	3,421.6	360.0	10.5%
Cash and cash equivalents	1,958.8	1,568.7	390.1	24.9%
Total liabilities	5,873.4	6,083.0	(209.6)	(3.4%)
Current liabilities	3,451.9	1,201.8	2,250.1	187.2%
Total equity	9,209.8	8,495.0	714.8	8.4%
Equity attributable to equity holders of the parent	9,127.9	8,413.6	714.3	8.5%
Financial ratios				
Debt-to-equity ratio	0.62	0.70	(0.08)	(11.4%)
Current ratio	1.10	2.85	(1.75)	(61.4%)
Debt service cover ratio	0.60	1.95	(1.35)	(69.2%)
Asset to equity ratio	1.64	1.72	(0.08)	(4.7%)

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

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

The Group’s consolidated total assets amounted to ₱15,083.2 million as at June 30, 2023 compared to ₱14,577.9 million as at June 30, 2022. Current assets grew by₱359.9 million, from ₱3,421.6 million to ₱3,781.5 million. The overall increase in consolidated total assets is the result of another school year of strong operations. The net increase in cash and cash equivalents amounting to ₱390.1 million was primarily contributed by cash generated from the Group’s net income for the current fiscal year, which is more than double that of the previous year. The more efficient collection of receivables from students was also a key factor in the huge increase in cash balances. This is also reflected in the reduction of the receivables balance from ₱531.0 million as at June 30, 2022 to ₱470.6 million as at June 30, 2023 even with the increase in the number of students this SY 2022-2023.

Cash and cash equivalents increased by ₱390.1 million or 25% from last year’s ₱1,568.7 million to ₱1,958.8 million as at June 30, 2023. The Group generated net cash from operating activities amounting to ₱1,885.3 million arising from the collection of tuition and other school fees from students and collection from the Department of Education (DepEd) for the Senior High School (SHS) vouchers and Commission on Higher Education (CHED) for Tertiary Education Subsidy (TES). These funds were partly utilized to acquire parcels of land in Meycauayan City, Bulacan and to pay the contractors and suppliers for the construction of iACADEMY’s Cebu campus and STI WNU’s new School of Basic Education (SBE) building, and the renovation of STI WNU’s Engineering building. Net cash used in investing activities aggregated to ₱497.9 million. The Group registered ₱999.7 million net cash used in financing activities, composed substantially of the ₱459.5 million principal payments on interest-bearing loans, ₱263.7 million interest payments on the said loans and on STI ESG’s bonds, and ₱143.0 million dividend payments to the stockholders of STI Holdings and STI ESG.

Total receivables amounted to ₱470.6 million as at June 30, 2023, posting a decrease of ₱60.4 million from ₱531.0 million as at June 30, 2022. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and Development Bank of the Philippines (DBP) for the SHS vouchers, TES and financial assistance to students, respectively. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year.

Receivables from students pertaining to tuition and other school fees decreased by ₱17.5 million from ₱613.5 million as at June 30, 2022 to ₱596.0 million as at June 30, 2023. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱10.0 million as at June 30, 2023, compared to ₱14.6 million as at June 30, 2022. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who enroll in participating institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED amounted to ₱3.7 million and ₱12.9 million as at June 30, 2023 and 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement (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 for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables related to DBP RISE decreased from ₱2.0 million as at June 30, 2022 to ₱1.6 million as at June 30, 2023. Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱55.5 million as at June 30, 2023, lower by ₱20.0 million from ₱75.5 million as at June 30, 2022, representing an improvement in the collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Rent receivables increased by ₱21.6 million to ₱63.3 million as at June 30, 2023 from ₱41.7 million as at June 30, 2022 as receivables from the new tenants of STI ESG and iACADEMY were recognized on June 30, 2023. STI ESG entered into a lease agreement with a third party for a segment of its STI Academic Center PasayEDSA property comprising a total area of 610 square meters. STI ESG funded the fit-out requirements in advance, and the third party will reimburse these costs with an additional 7.5% to cover the cost of money. The related fit-out costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date. Also, iACADEMY entered into a sublease agreement with a third party for portions of their leased building at Sen. Gil Puyat Avenue in Makati City for a period of five (5) years commencing on March 15, 2023 and ending on March 15, 2028. The rent receivables are expected to be collected within the next fiscal year.

The Group's allowance for expected credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments, increased from ₱312.4 million as at June 30, 2022 to ₱382.4 million as at June 30, 2023 due to the provision for ECL recognized during the year. Further, STI ESG and STI WNU implemented an interim policy on the deferral of write-off of receivables for the years ended June 30, 2023 and 2022 as approved by the respective BODs of the two companies.

Inventories decreased by 18% or ₱28.7 million from ₱158.2 million as at June 30, 2022 to ₱129.5 million as at June 30, 2023 representing substantially the sale of school uniforms, net of acquisitions, during the year ended June 30, 2023.

Prepaid expenses and other current assets increased by ₱78.6 million or 69% from ₱114.3 million as at June 30, 2022 to ₱192.9 million as at June 30, 2023, attributed primarily to advances to suppliers, increase in input VAT, increases in creditable withholding taxes/prior years' excess tax credits, and prepaid rent. Current advances to suppliers as at June 30, 2023 amounting to ₱32.6 million primarily relate to prepayments for the procurement of school uniforms in preparation for the upcoming SY 2023-2024. The increase in the Input VAT of ₱24.6 million from ₱23.0 million as at June 30, 2022 to ₱47.6 million as at June 30, 2023 arose mainly from the acquisition of two parcels of land in Meycauayan City, Bulacan from which STI ESG recognized input VAT amounting to ₱16.2 million and the payments made by STI WNU for the construction of its new SBE building and the renovation of its Engineering Building which included ₱9.8 million input VAT. This account also includes input VAT recognized on the purchase of goods and services. Prepaid taxes posted an increase of ₱20.5 million or 36% from ₱57.2 million as at June 30, 2022 to ₱77.7 million as at June 30, 2023 representing business taxes and excess prior year's credits and creditable taxes that can be applied against future tax liabilities. Business taxes paid to local governments will be recognized as expense over the respective periods covered. Prepaid rent increased to ₱6.1 million as at June 30, 2023 from ₱0.8 million as at June 30, 2022 representing advance rental payments by iACADEMY for its Cebu campus. On July 15, 2022, iACADEMY entered into a lease agreement with Filinvest Land Inc. for the 5th floor of Filinvest Cebu Cyberzone Tower Two located in Cebu City for a period of 10 years, subject to renewal upon mutual agreement.

In September 2021, STI ESG invested in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust company listed on the Philippine Stock Exchange, amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG's subscription to REIT is presented as "Equity instruments designated at fair value through profit or loss (FVPL)" in the Group's consolidated statements of financial position as at June 30, 2023 and 2022. The carrying value of the equity instruments designated at FVPL amounted to ₱5.80 and ₱6.20 per share or an aggregate value of ₱9.0 million and ₱9.6 million as at June 30, 2023 and 2022, respectively. STI ESG recognized dividend income from RCR amounting to ₱0.6 million and ₱0.4 million in 2023 and 2022, respectively.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2023 represents the carrying value of the land, building and land improvements located in Quezon City (the "Quezon City dacion properties"), which were obtained by the Parent Company through the deeds of dacion executed in 2016. The balance of ₱1,039.7 million as at June 30, 2022 includes the Pasig property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. (STI Tanay) as discussed in the succeeding paragraphs. 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. Negotiations with other interested parties are ongoing as at June 30, 2023. With the classification as noncurrent asset held for sale, the Parent Company ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. In the same manner, the Pasig property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property. On July 29, 2022, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig City Property. Accordingly, STI ESG derecognized the noncurrent asset held for sale.

Property and equipment, net of accumulated depreciation, amounted to ₱9,684.7 million from ₱9,672.5 million as at June 30, 2023 and 2022, respectively. On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants for a Dacion Price of ₱81.2 million. STI ESG then released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price. On August 5, 2022, CHED approved the site transfer of STI Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. STI ESG accordingly reclassified the take-up of its Tanay property from "Investment properties" to "Property and equipment" account in September 2022. As of the date of transfer, the Tanay property had a carrying value of ₱115.7 million, inclusive of documentary stamp and transfer taxes. As at June 30, 2023 the said property has a carrying value of ₱112.8 million. The Group acquired new computers and various school equipment and furniture during the year ended June 30, 2023, as more classes were conducted onsite. Property and equipment likewise increased as the Group recognized the right-of-use (ROU) assets on new and renewed lease agreements following PFRS 16, Leases. The property and equipment balance as at June 30, 2023 also includes costs related to the construction of iACADEMY's campus in Cebu amounting to ₱40.8 million which was completed in January 2023, the renovation of STI WNU's Engineering building amounting to ₱28.8 million which was completed in February 2023 and the on-going construction of STI WNU's new SBE building with costs of ₱65.3 million as of June 30, 2023. These additions to the "Property and equipment" account were partially offset by the depreciation expense recorded for the year ended June 30, 2023. Further, in 2023, STI ESG reclassified the parcels of land situated in Las Piñas City with a carrying value of₱40.5 million as of June 30, 2023, including the fully depreciated buildings thereon, to "Investment properties." These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

Investment properties increased by ₱33.3 million from ₱1,004.2 million as at June 30, 2022 to ₱1,037.5 million as at June 30, 2023. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate 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. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered into by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property agreeing that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms expiring in 2024 up to 2025. This account also includes STI ESG's parcels of land, including the improvements thereon, located in Las Piñas City. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026. STI ESG also recognized the cost of the renovation of its office condominium units. This project, with a total contract cost of ₱88.0 million, was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022. These additions to "Investment properties" account were partially offset by the reclassification of the Tanay property from "Investment properties" to "Property and equipment" account since the said property is now being used by STI Quezon Avenue as its school building and grounds (as discussed in the previous paragraphs).

Investments in and advances to associates and joint venture increased by 12% or ₱2.2 million from ₱18.5 million to ₱20.7 million as at June 30, 2022 and 2023, respectively, upon recognition of the Group's equity share in net income of associates.

Deferred tax assets (DTA), net of the related deferred tax liability (DTL), increased by ₱24.7 million from ₱26.0 million to ₱50.7 million as at June 30, 2022 and 2023, respectively, representing taxes due on tuition and other school fees and monthly rentals collected in advance. Following statutory regulations, these revenues that are collected in advance are subject to income tax upon receipt. Also, the notable increase in deferred tax assets is attributed to the change in the preferential income tax rate for proprietary educational institutions. This rate reverted from 1.0% under the CREATE Law to 10.0% effective July 1, 2023. Therefore, the Group remeasured its deferred tax assets and liabilities reflecting the increased income tax rate which resulted to the increase of net DTA to ₱50.7 million as at June 30, 2023.

Goodwill, intangible and other noncurrent assets increased by ₱71.0 million from ₱364.9 million as at June 30, 2022 to ₱435.9 million as at June 30, 2023. Noncurrent advances to suppliers, which increased by ₱52.5 million from ₱19.1 million to ₱71.6 million as at June 30, 2022 and 2023, respectively, substantially pertain to the advance payment made by STI WNU in the amount of ₱53.4 million for the design and construction of a 3-storey SBE building which will house its pre-elementary, elementary, JHS and SHS students beginning SY 2023-2024. This account also includes other payments made in relation to the acquisition of capital assets and various capital expenditures for ongoing projects of the schools. These will be reclassified primarily to "Property and equipment" when the goods are received, or the services are completely rendered.

Goodwill increased by ₱23.0 million from ₱243.6 million to ₱266.6 million as at June 30, 2022 and 2023, respectively, due to the recognition of goodwill by STI ESG on its acquisition of 60% of the issued and outstanding capital stock of STI-College Alabang, Inc. (STI Alabang) from the former franchisee. STI Alabang then became a wholly-owned subsidiary of STI ESG from its purchase of the said 60% in

March 2023. The identifiable assets and liabilities of STI Alabang were recognized based on the assessment of the fair values of these assets and liabilities at the time of acquisition resulting in the ₱23.0 million excess of the purchase consideration.

Accounts payable and other current liabilities increased by ₱37.1 million from ₱736.1 million to ₱773.2 million as at June 30, 2022 and 2023, respectively. Vouchers payable of iACADEMY increased by ₱11.1 million primarily for rental and utilities of its Cebu campus. Accruals for outside services and expenses related to school activities amounted to ₱105.0 million as at June 30, 2023, for an increase of ₱16.3 million from the ₱88.7 million balance as at June 30, 2022, largely representing increased expenses due to face-toface classes and in-person commencement ceremonies.

Unearned tuition and other school fees increased by ₱24.3 million from ₱116.8 million as at June 30, 2022 to ₱141.1 million as at June 30, 2023. This account refers to advance payment of tuition and other school fees for the school year commencing after the financial reporting date and will be recognized to revenues in the related school term(s) within the next fiscal year.

Income tax payable amounted to ₱1.1 million and ₱551.5 thousand as at June 30, 2023 and 2022, respectively. The balances as at June 30, 2023 and 2022 represent the income tax obligations of STI ESG's subsidiaries and STI WNU. Income tax obligations of STI ESG, iACADEMY, and the Parent Company for the years ended June 30, 2023 and 2022 were entirely offset by their available tax credits and previous quarters' payments.

Current portion of interest-bearing loans and borrowings increased by ₱23.7 million from ₱239.1 million as at June 30, 2022 to ₱262.8 million as at June 30, 2023. The balance as at June 30, 2023 represents the current portions of the Corporate Notes and Term Loan Facility Agreements of STI ESG with China Bank amounting to ₱60.0 million and ₱120.0 million, respectively, and the Land Bank of the Philippines (Land Bank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Lending Program loan amounting to₱3.0 million. It also includes iACADEMY's ₱79.8 million Term Loan balance with China Bank. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Bank amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the LandBank ACADEME Program amounting to ₱9.5 million, which was also due within the next twelve months. The current portion of iACADEMY's term loan balance stood at ₱79.6 million as at June 30, 2022.

The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments are to be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. On September 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow principal prepayments in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment has been applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment has been applied in the inverse order of maturity according to the repayment schedule. On September 29, 2022, iACADEMY paid the ₱40.0 million regular amortization. The loan balance of ₱280.0 million was repriced at an interest rate of 5.6699% per annum on September 28,

2022. On September 23, 2022, China Bank approved STI ESG's request to allow a partial principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests, on the outstanding Term Loan Facility balance covering the period September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. On March 9, 2023, China Bank approved iACADEMY's request to partially prepay the term loan and to waive the 3% prepayment penalty. On March 29, 2023, iACADEMY made the prepayment of ₱100.0 million in addition to the regular amortization of ₱40.0 million. The prepayment was applied in the inverse order of maturity according to the repayment schedule.

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

On July 22, 2020, Land Bank 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 that families were facing due to the COVID-19 pandemic. The Land Bank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from Land Bank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students but is not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2023, of which ₱19.1 million has been paid as of June 30, 2023. Of the ₱3.0 million outstanding balance, ₱2.1 million has been settled in August 2023 while the remaining ₱0.9 balance is maturing in January 2024.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱482.8 million due to the partial prepayments made by STI ESG and iACADEMY totaling ₱340.0 million as well as the reclassification of the amount of ₱223.0 million to current portion of interest-bearing loans.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") with the Philippine Dealing and Exchange Corp. (PDEx) on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3- year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,988.4 million and ₱2,980.5 million as at June 30, 2023 and 2022, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱11.6 million and ₱19.5 million as at June 30, 2023 and 2022, respectively. The first tranche of the bond issue with a carrying value of ₱2,175.1 million will mature in March 2024 and thus has been reclassified to current liabilities. The second tranche of the bond issue which will mature in March 2027, with a carrying value of ₱813.3 million is reported as “Bonds payable – net of current portion” under noncurrent liabilities. As at June 30, 2023, STI ESG is compliant with the covenants under the bond trust agreement, with its debt-to-equity ratio at 0.79:1.00 and DSCR at 2.36:1.00. DSCR as defined in the bond trust agreement is computed as EBITDA for the last twelve (12) months over total principal and interest due in the last 12 months. STI ESG is required to maintain a debt-to-equity ratio of not more than 1.50:1.00 and DSCR of not less than 1.05:1.00 computed based on its consolidated financial statements.

Current portion of lease liabilities decreased by ₱10.7 million from ₱109.2 million as at June 30, 2022 to ₱98.5 million as at June 30, 2023, representing payments made during the year net of reclassification of lease obligations due within the next twelve months. Noncurrent lease liabilities increased by ₱74.1 million from ₱364.1 million as at June 30, 2022 to ₱438.2 million as at June 30, 2023 due to the recognition of the Group’s new and renewed lease agreements. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases.*

Pension liabilities increased by ₱31.1 million from ₱108.7 million to ₱139.8 million as at June 30, 2022, and June 30, 2023, respectively, representing increased pension expense and changes in the market value of the investments under the pension plan assets of the Group for the year ended June 30, 2023.

Other noncurrent liabilities increased by ₱88.7 million from ₱23.4 million to ₱112.1 million as at June 30, 2022 and 2023, respectively, representing advance rent and refundable security deposits received by STI ESG and iACADEMY in relation to new lease agreements.

Cumulative actuarial gain decreased by ₱22.2 million from ₱27.7 million to ₱5.5 million as at June 30, 2022 and 2023, respectively, due to the impact of unrealized remeasurement losses for the year ended June 30, 2023 resulting from the decline in market value of the investments under the Group’s pension plan assets. STI ESG also closed to “Retained earnings” the cumulative actuarial gain of schools that had ceased operations.

Unrealized fair value adjustment on equity instruments at FVOCI is up by ₱1.8 million representing fair value adjustments resulting from the increase in the market value of STI ESG’s quoted equity shares, as well as the unquoted equity shares of De Los Santos Medical Center, Inc. (DLSMC).

Retained earnings increased by ₱734.6 million from ₱4,485.3 million to ₱5,219.9 million as at June 30, 2022 and 2023, respectively, substantially due to the net income attributable to equity holders of the Parent Company recognized for the year ended June 30, 2023, net of cash dividends declared by the Parent Company on December 19, 2022 amounting to ₱148.6 million.

June 30, 2022 vs. June 30, 2021

LIQUIDITY AND CAPITAL RESOURCES

(in ₱ millions except financial ratios)	**June 30, 2022**	**June 30, 2021**	**June 2022 vs. June 2021**	
			Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	14,577.9	14,761.5	(183.6)	(1.2%)
Current assets	3,421.6	3,249.6	172.0	5.3%
Cash and cash equivalents	1,568.7	1,470.5	98.2	6.7%
Total liabilities	6,083.0	6,580.3	(497.3)	(7.6%)
Current liabilities	1,201.8	1,193.4	8.4	0.7%
Total equity	8,495.0	8,181.2	313.8	3.8%
Equity attributable to equity holders of the parent	8,413.6	8,100.0	313.6	3.9%
Financial ratios				
Debt-to-equity ratio	0.70	0.79	(0.09)	(11.4%)
Current ratio	2.85	2.72	0.13	4.8%
Debt service cover ratio	1.95	1.50	0.45	30.0%
Asset to equity ratio	1.72	1.80	(0.08)	(4.4%)

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

The Group's consolidated total assets amounted to ₱14,577.9 million as at June 30, 2022 compared to ₱14,761.5 million as at June 30, 2021.

Cash and cash equivalents increased by ₱98.2 million or 7% from last year's ₱1,470.5 million to ₱1,568.7 million as at June 30, 2022. The Group generated net cash from operating activities amounting to ₱1,129.7 million arising from the collection of tuition and other school fees from students and collection from the Department of Education ("DepEd") for the Senior High School ("SHS") vouchers and Commission on Higher Education ("CHED") for Tertiary Education Subsidy ("TES"). These funds were partly utilized to pay the contractors and suppliers of the recent construction and renovation projects of the Group, with net cash used in investing activities aggregating to ₱170.9 million. The Group registered ₱905.1 million net cash used in financing activities due to the ₱449.5 million principal payments on interest-bearing loans, ₱281.6 million interest payments on the said loans and on STI ESG's bonds, and ₱95.7 million dividend payments to the stockholders of STI Holdings and STI ESG.

Total receivables amounted to ₱531.0 million, posting an increase of ₱44.7 million from ₱486.3 million as at June 30, 2021. The receivables balance is composed largely of amounts expected to be collected from students for tuition and other school fees, from DepEd, CHED, and Development Bank of the Philippines ("DBP") for the SHS vouchers, TES and financial assistance to students, respectively. Receivables from students pertaining to tuition and other school fees increased by ₱192.4 million from ₱412.7 million as at June 30, 2021 to ₱605.1 million as at June 30, 2022. Receivables from the franchised schools for the educational services rendered by STI ESG amounted to ₱75.5 million as at June 30, 2022, lower by ₱22.0 million from ₱97.5 million as at June 30, 2021, representing an improvement in the collection experience of the franchised schools compared to the same period last year. Receivables for educational services are recognized as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED. Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱14.6 million as at June 30, 2022, compared to ₱24.6 million as at June 30, 2021. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who enroll in participating institutions. A Qualified Voucher Recipient ("QVR") is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools. Accounts receivable from CHED for TES amounted to ₱23.6 million and ₱9.4 million as at June 30, 2021 and 2022, respectively. On March 17, 2021, STI ESG executed a memorandum of agreement ("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 for SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 covering the implementation of DBP RISE for SY 2021-2022. Receivables from DBP related to DBP RISE decreased from ₱2.9 million as at June 30, 2021 to ₱2.0 million as at June 30, 2022. Receivables from students are normally collected on or before the date of major examinations while receivables from DepEd, CHED and DBP are expected to be collected in full within the next fiscal year. Rent receivables from third parties increased by ₱8.8 million to ₱31.1 million as at June 30, 2022 from ₱22.3 million as at June 30, 2021 as receivables from STI ESG's new tenant was recognized on June 30, 2022. The rent receivables are expected to be collected within the next fiscal year. 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 ₱209.5 million as at June 30, 2021 to ₱312.4 million as at June 30, 2022 due to the provision for ECL recognized during the year.

Inventories decreased by 12% or ₱20.6 million from ₱178.8 million to ₱158.2 million as at June 30, 2021 and 2022, respectively, representing the sale of school uniforms and textbooks, net of acquisitions, during the year ended June 30, 2022.

Prepaid expenses and other current assets increased by ₱20.9 million or 22% from ₱93.4 million to ₱114.3 million, substantially due to the ₱57.2 million creditable withholding tax balance as at June 30, 2022, which increased by ₱12.9 million compared to the ₱44.3 million balance as at June 30, 2021. This creditable withholding tax will be applied to the income tax due in the following period. Current advances to suppliers increased by ₱5.5 million from ₱1.6 million to ₱7.1 million as at June 30, 2021 and 2022, respectively, representing down payments made by STI WNU relative to the construction of its Engineering building. Prepaid insurance decreased by ₱5.1 million from ₱11.8 million as at June 30, 2021 to ₱6.7 million as at June 30, 2022 substantially due to the timing of STI ESG's payment for the health insurance coverage of its employees. Premiums for the period July 1, 2021 to June 30, 2022 were paid before June 30, 2021 while the coverage for July 1, 2022 to June 30, 2023 was settled after the reporting date this year.

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

Noncurrent asset held for sale amounting to ₱1,039.7 million and ₱1,020.7 million as at June 30, 2022 and 2021 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 through the deeds of dacion executed in 2016, and the Pasig property foreclosed on March 16, 2021 by STI ESG in relation to its receivables from STI College Tanay, Inc. ("STI Tanay") as discussed in the succeeding paragraphs. 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. Negotiations with other interested parties are ongoing as at June 30, 2022. With the classification as noncurrent asset held for sale, the Parent Company ceased the accounting for the Quezon City dacion properties as investment properties on June 30, 2021 and carried the said properties at the lower of its carrying amount and fair value less costs to sell. In the same manner, the Pasig property, initially recognized by STI ESG as part of investment properties, was reclassified to noncurrent asset held for sale as at June 30, 2022 and carried at the lower of its carrying amount and fair value less costs to sell or ₱19.0 million, the amount offered by STI Tanay and the third-party mortgagors for the redemption of the said property.

Property and equipment, net of accumulated depreciation, amounted to ₱9,672.5 million from ₱10,041.3 million as at June 30, 2022 and 2021, respectively. The property and equipment balance as at June 30, 2022 includes costs related to the renovation of STI WNU's Engineering Building amounting to ₱22.2 million. This account also includes the costs incurred for the construction of an isolation room as part of iACADEMY's preparation for the implementation of its limited face-to-face classes. The project cost ₱1.0 million and was completed in the third week of May 2022. The property and equipment balance as at June 30, 2021 included costs related to the construction of STI Academic Center Legazpi ("STI Legazpi"), a four-storey school building with an estimated capacity of 2,500 students, built on a 4,149-square-meter property located in Cabangan East, Legazpi City. The construction works for STI Legazpi were completed in August 2021, and consequently, the related depreciation expense was recognized beginning the same month. The aforementioned additions to property and equipment were, however, substantially offset by the depreciation expense recognized during the year.

Investment properties increased by ₱158.1 million from ₱846.1 million as at June 30, 2021 to ₱1,004.2 million as at June 30, 2022. In 2019, STI ESG and DBP executed a Deed of Assignment wherein DBP assigned, transferred, and conveyed, without recourse, all its collectibles from STI Tanay, a franchisee, to STI ESG. DBP likewise granted to STI ESG all the rights, title, and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect, and receive payment on the said loan and Promissory Notes. This loan of STI Tanay is secured by real estate mortgages over the following properties: 1) the land and building where STI Tanay is situated, including all improvements thereon, and registered in the name of STI Tanay, and 2) a third-party mortgage over land and building including improvements therein, located in Pasig City. STI ESG started foreclosure proceedings after several demand/collection letters were sent to STI Tanay. The extrajudicial foreclosure sale for the property located in Tanay, Rizal was conducted on March 15, 2022 by the Office of the Clerk of Court of Rizal. At the conclusion of the extrajudicial foreclosure sale, STI ESG was declared as the winning bidder for the said Tanay property. The Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the Certificate of Sale on April 11, 2022, which certified that the real estate covered by a mortgage, where STI Tanay is situated, was sold at a public auction to STI ESG as the highest bidder on March 15, 2022. The Certificate of Sale was annotated on the title on May 5, 2022. The one (1) year redemption period commenced on the date the Certificate of Sale was annotated on the title. STI ESG recognized the said property as part of its "Investment Properties" amounting to ₱44.1 million and ₱66.9 million, equivalent to the latest appraised values of the land and building, respectively. The extrajudicial foreclosure resulted in a gain on settlement of receivable amounting to ₱26.1 million for the year ended June 30, 2022.

The extrajudicial foreclosure sale for the property located in Pasig City was conducted on March 16, 2021 by the Office of the Clerk of Court of Pasig City. At the conclusion of the extrajudicial foreclosure sale, STI ESG was declared as the winning bidder for the said Pasig City property. On July 14, 2021, the Clerk of Court and Ex-Officio Sheriff of Pasig City issued the Certificate of Sale which certified that the real estate covered by a mortgage on the property located in Pasig City was sold at a public auction on March 16, 2021 to STI ESG as the highest bidder. The Certificate of Sale was annotated on the title on August 5, 2021. The one (1) year redemption period commenced to run from the date the Certificate of Sale was annotated on the title. STI ESG recognized the said property as part of its "Investment properties" amounting to ₱44.2 million and ₱9.7 million, equivalent to the latest appraised values of the land and building, respectively. The foreclosure resulted in a gain on settlement of receivable amounting to ₱19.0 million for the year ended June 30, 2022. On June 30, 2022, STI Tanay and the third-party mortgagors sought the redemption of the mortgaged property located in Pasig City for ₱19.0 million. STI ESG executed the Certificate of Redemption which restored the mortgagors to their full ownership of the mortgaged property situated in Pasig City, including all its improvements, free and clear of the mortgage lien thereon. On the same date, STI ESG executed the release and cancellation of the third-party mortgage of the property situated in Pasig City. Pending the actual tender of the redemption price, STI ESG did not recognize the redemption and accordingly reclassified the Pasig Property from "Investment properties" to "Noncurrent asset held for sale" in view of the expected redemption upon actual receipt of the redemption price. Management likewise considered the Pasig Property to have met the criteria for financial statement presentation as noncurrent asset held for sale. Upon cessation of the recognition of the Pasig property as part of investment properties, the property was carried at the lower of its carrying amount or fair value less costs to sell. Consequently, STI ESG recognized a provision for impairment on the Pasig Property amounting to ₱34.3 million to bring the carrying value to its redemption price. The payment for the redemption price was received on July 29, 2022. The gain on settlement of receivable and provision for impairment of noncurrent asset held for sale were presented in the consolidated statement of comprehensive income as "gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale" in the amount of ₱10.8 million.
The "Investment Properties" account also includes properties under construction as at June 30, 2022 pertaining to the renovation of office condominium units owned by STI ESG. The related contract costs amounted to ₱88.0 million, inclusive of mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and the related construction management services. This project was undertaken to complete the office fit-out requirements for a new lease arrangement. The renovation works for the said office condominium units were completed in August 2022.

Investments in and advances to associates and joint ventures decreased by 52% or ₱20.2 million from ₱38.7 million to ₱18.5 million as at June 30, 2021 and 2022, respectively, upon recognition of the Group's equity share in net losses of associates.

Deferred tax assets ("DTA"), net of the related deferred tax liability ("DTL"), decreased by ₱8.8 million from ₱34.8 million to ₱26.0 million as at June 30, 2021 and 2022, respectively, largely due to the application of the Net Operating Loss Carry Over ("NOLCO") as at June 30, 2021 by STI ESG and iACADEMY to their taxable income for the year ended June 30, 2022.

Goodwill, intangible and other noncurrent assets decreased by ₱116.9 million from ₱481.8 million as at June 30, 2021 to ₱364.9 million as at June 30, 2022. As at June 30, 2021, STI ESG had receivables from STI Tanay resulting from the Deed of Assignment executed by STI ESG and DBP wherein DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay. The Extrajudicial Foreclosure Sale for the real estate covered by mortgages on properties located in Pasig City and Tanay, Rizal declared STI ESG as the winning bidder. STI ESG then recognized the real estate mortgaged to secure the said loans as part of its "Investment Properties" and derecognized the receivable from STI Tanay as at June 30, 2022. Receivable from STI Tanay, related to the loans assigned by DBP, amounted to nil and ₱75.5 million as at June 30, 2022 and June 30, 2021, respectively (see foregoing discussions). Noncurrent advances to suppliers decreased by ₱17.9 million representing the amount reclassified to "Property and Equipment" as at June 30, 2022 pertinent to the cost of construction works completed as at June 30, 2022. In November 2020, STI ESG paid an aggregate amount of ₱12.0 million representing deposits for the acquisition of shares of stock in De Los Santos-STI College held by the shareholders owning 48% of the outstanding capital stock. On August 3, 2021, STI ESG paid the remaining ₱4.0 million to one of the shareholders. In the same month, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. STI ESG then applied its deposits as payment for the consideration relative to the acquisition of the non-controlling interest in De Los Santos-STI College.

Accounts payable and other current liabilities decreased by ₱70.9 million from ₱807.0 million to ₱736.1 million as at June 30, 2021 and 2022, respectively, substantially due to payments made by STI ESG to various contractors for obligations related to construction works as well as to suppliers of equipment and furniture for the new STI Academic Center Legazpi. Accounts payable decreased by ₱17.2 million due to payments to the contractors and suppliers of recently completed construction projects. Accrued expenses, on the other hand, increased by ₱17.0 million, largely representing expenses related to in-person commencement ceremonies for SY 2021-2022. Interest payable as at June 30, 2022 decreased by ₱6.9 million as interests accruing as at June 30, 2021 on the Group's Corporate Notes Facility and Term Loan Facility were settled as at June 30, 2022. STI Holdings' nontrade payable decreased by ₱50.0 million. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. On September 6, 2021, the Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement for the payment of ₱25.0 million as final and full settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The payable to STI Diamond amounting to ₱24.1 million as at June 30, 2021, which represents STI Novaliches' obligations to the former resulting from the assignment, transfer, and conveyance of all rights, title, and interest in assets and liabilities of STI Diamond to STI Novaliches in 2016, has been settled in full as at June 30, 2022. Further, the current portion of advance rent and security deposits presented under "Accounts payable and other current liabilities" decreased by an aggregate amount of ₱9.4 million due to reclassifications made to "Other Noncurrent Liabilities" of the advance rent and security deposit related to a lease contract renewed for a three-year term.

Current portion of interest-bearing loans and borrowings increased by ₱30.3 million from ₱208.8 million as at June 30, 2021 to ₱239.1 million as at June 30, 2022. The balance as at June 30, 2022 represents the current portion of the Term Loan Agreement and Corporate Notes Facility Agreement of STI ESG with China Bank amounting to ₱120.0 million and ₱30.0 million, respectively, and the portion of the loan related to the Land Bank of the Philippines ("LandBank") ACADEME Program amounting to ₱9.5 million, which is also due within the next twelve months. It also includes iACADEMY's ₱79.6 million Term Loan balance with China Bank. The Term Loan Agreement entered into by STI ESG and China Bank on May 7, 2019 is for an aggregate amount of ₱1,200.0 million payable over a seven-year term. The agreement provides a grace period in principal repayments of two (2) years from the initial drawdown date. Principal repayments shall be made in ten (10) equal semi-annual installments beginning six (6) months from the end of the grace period or in March 2022. Meanwhile, in July 2020, STI ESG made principal payments on its Corporate Notes Facility amounting to ₱120.0 million. For the remaining outstanding balance of ₱240.0 million after this payment, STI ESG and China Bank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement on January 29, 2021 amending (1) the maturity date of outstanding notes from July 31, 2021 to September 19, 2026, with the first equal semi-annual amortization of ₱30.0 million to start on March 19, 2023; and (2) the interest period and repricing date, among others. In line with this, the ₱240.0 million loan balance was reclassified from current to noncurrent liabilities in 2021. The proceeds from these loans were used for capital expenditures and working capital requirements. On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACcess to Academic Development to Empower the Masses towards Endless Opportunities ("ACADEME") Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties that families are facing due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The loans covered by these promissory notes to be issued by the parents/benefactors/students are interest-free. The school can borrow up to 70% of the amount stated in the Promissory Notes issued by the parents/benefactors of the students. This loan from LandBank is subject to 3% interest per annum. Interest and principal are payable annually in arrears. The term of the borrowing is coterminous with the maturity of the promissory notes issued by the parents/benefactors/students, but not to exceed three (3) years. On September 16, 2020, STI ESG executed the Rediscounting Agreement with LandBank in relation to this loan arrangement. The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company. STI ESG has an aggregate loan drawdown from this facility amounting to ₱22.1 million as at June 30, 2022. In January 2022 and June 2022, STI ESG made principal payments amounting to ₱4.3 million and ₱5.2 million, respectively. The first and second drawdowns with outstanding balances as at June 30, 2022 amounting to ₱5.7 million and ₱6.9 million are maturing in August 2022 and January 2023, respectively, for the 20-month tenor and August 2023 and January 2024, respectively, for the 30-month tenor.

On September 16, 2021, China Bank approved the request of both STI ESG and iACADEMY to allow a principal prepayment in the amount of ₱240.0 million and ₱120.0 million, respectively, to be applied to their existing Term Loan Facilities. Further, China Bank approved the request to reduce the prepayment penalty from 3% to 1.5% based on the amount to be prepaid for STI ESG and the waiver of the prepayment penalty for iACADEMY. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, including the 1.5% prepayment penalty and the gross receipts tax. The prepayment has been applied in the direct order of maturity, and as such, applied to amortizations due on March 19, 2022 and September 19, 2022. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million in addition to the ₱40.0 million regular amortization. The prepayment has been applied in the inverse order of maturity according to the repayment schedule.

Unearned tuition and other school fees increased by ₱15.0 million from ₱101.8 million as at June 30, 2021 to ₱116.8 million as at June 30, 2022. This account refers to advance payment of 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 in the related school term(s) within the financial calendar.

Current portion of lease liabilities increased by ₱33.5 million from ₱75.7 million as at June 30, 2021 to ₱109.2 million as at June 30, 2022, representing reclassification of lease obligations due within the next twelve months. Noncurrent lease liabilities decreased by ₱45.0 million from ₱409.1 million as at June 30, 2021 to ₱364.1 million as at June 30, 2022 due to the reclassification of lease liabilities due within the next twelve months to current portion. This was partially offset by the noncurrent portion of lease liabilities related to new and renewed lease agreements and the related interests. Lease liabilities are recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities are recognized in the audited consolidated financial statements of the Group following the adoption of PFRS 16, *Leases.*

Income tax payable amounted to ₱551.5 thousand and ₱89.5 thousand, as at June 30, 2022 and 2021, respectively. The balance as at June 30, 2022 represents income tax payable of STI ESG's subsidiaries and STI WNU. STI ESG and iACADEMY applied their NOLCO from the previous fiscal year to their taxable income. Income tax due on the taxable income of the Parent Company and STI ESG were covered by creditable withholding taxes, while iACADEMY's income tax due was covered by previous quarters' payments and creditable withholding taxes.

STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 (collectively, the "Bonds") with the Philippine Dealing and Exchange Corp. ("PDEx") on March 23, 2017. This is the first tranche of its ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates. The Bonds Payable is carried in the books at ₱2,980.5 million and ₱2,973.1 million as at June 30, 2022 and 2021, respectively, net of deferred finance charges representing bond issue costs with carrying values of ₱19.5 million and ₱26.9 million, as at June 30, 2022 and 2021, respectively. The proceeds from the bonds had been fully utilized as at March 31, 2019.

The noncurrent portion of interest-bearing loans and borrowings decreased by ₱480.0 million due to the prepayments made by STI ESG and iACADEMY totaling ₱360.0 million as well as the reclassification of the amount of ₱242.7 million to current portion of interest-bearing loans. STI WNU fully paid its loan under China Bank's Corporate Notes Facility in January 2021.

Pension liabilities increased by ₱3.2 million from ₱105.4 million to ₱108.6 million as at June 30, 2021, and June 30, 2022, respectively, representing pension expense for the year 2022, net of the remeasurement gain resulting from the change in the market value of the investments under the pension plan assets of the Group, and the retirement fund contributions made during the year ended June 30, 2022.

Other noncurrent liabilities increased by ₱10.4 million from ₱13.0 million to ₱23.4 million as at June 30, 2021 and 2022, respectively, representing advance rent and security deposit received by STI ESG in relation to a new lease agreement. Also included are the advance rent and security deposit, previously classified as current liabilities, related to a lease contract which was renewed in May 2022. The lease renewal and new lease agreement entered into during the year ended June 30, 2022 cover periods beyond one year.

Cumulative actuarial gain increased by ₱8.4 million from ₱19.3 million to ₱27.7 million as at June 30, 2021 and 2022, respectively, due to the impact of unrealized remeasurement gain for the year ended June 30, 2022 resulting from the increase in market value of the investments under the Group's pension plan assets.

Fair value change in equity instruments at FVOCI is up by ₱1.1 million representing fair value adjustments resulting from the increase in the market value of the unquoted equity shares of De Los Santos Medical Center, Inc. held by STI ESG.

Other equity reserve changed by ₱15.9 million from ₱1,670.5 million as at June 30, 2021 to ₱1,686.4 million as at June 30, 2022 related to STI ESG's acquisition of De Los Santos-STI College shares from minority shareholders. In August 2021, the shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating to 480,000, representing 48% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. The transaction resulted in the recognition of De Los Santos-STI College as a wholly-owned subsidiary of STI ESG effective August 4, 2021. As a result, the equity attributable to non-controlling interest in De Los Santos-STI College was derecognized and reallocated to STI ESG as other equity reserve within the equity section of the June 30, 2022 consolidated financial statements.

Retained earnings increased by ₱320.0 million from ₱4,165.3 million to ₱4,485.3 million as at June 30, 2021 and 2022, respectively, substantially due to the net income attributable to equity holders of the Parent Company recognized for the year ended June 30, 2022, net of cash dividends declared by the Parent Company on December 3, 2021 amounting to ₱99.0 million.

RESULTS OF OPERATIONS

The Consolidated Statements of Comprehensive Income reflect the changes in owners' equity originating from non-owner and traditional income sources. Comprehensive income includes net income and unrealized income/loss arising from fair value changes in equity instruments at FVOCI as well as remeasurement adjustments on pension plans.
The operating results shown in the Group's consolidated statements of comprehensive income reflect the Group's recovery from the economic impact of the Novel Coronavirus Disease 2019 (COVID-19) pandemic and show substantial growth, both in terms of revenue and profitability, over the past three fiscal years.

Years ended June 30, 2024 vs. 2023

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	
			Enrollees	Percentage
STI ESG				
Owned schools[1]	71,782	54,158	17,624	33%
Franchised schools[1]	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	35%
Total Enrollees	**119,543**	**94,312**	**25,232**	**14%**

The grouping of students according to the supervising government regulatory agencies is as follows:

- CHED pertains to students enrolled in tertiary and post-graduate programs.
- Technical Education and Skills Development Authority (TESDA) students are those enrolled in technical-vocational programs.
- DepEd students are those enrolled in primary and secondary education including Junior High School (JHS) and SHS.

	SY 2023-2024			
	CHED	**TESDA**	**DEPED[2]**	**TOTAL**
STI ESG	71,159	1,682	31,1141	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 2022-203			
	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**	**94,812**
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, except for STI WNU's School of Graduate Studies (SGS), which started classes on September 2, 2023 for. 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 were conducted face-to-face for all levels.

iACADEMY implemented the Hyflex Learning Format for tertiary for SY 2022-2023. Meanwhile, SHS followed the Hybrid Learning setup until the end of SY 2022-2023. This allowed grades 11 and 12 students to alternately attend onsite and online classes throughout the week according to a definite schedule. Both the Hyflex and Hybrid Learning Models combine face-to-face and online remote instructions. Classes and learning activities were conducted in-person, synchronously online, and asynchronously online using various learning technologies while classes for specialized and contextualized subjects like Science and ICT, were held onsite in the laboratories.

Under the Hyflex Learning Model, students had the flexibility to choose between attending in-person or online classes. This flexibility was not available in the Hybrid Learning Format, where students followed a fixed schedule alternating between onsite and online classes. The Hyflex model offered greater adaptability during the peak of the COVID-19 pandemic when stringent measures were in place. For SY 2023-2024, iACADEMY implemented the Hybrid Learning Format for all levels.

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

The consolidated gross revenues of the Group for the year ended June 30, 2024 reached ₱4,700.3 million, reflecting a 38% increase compared to ₱3,405.5 million generated for the year ended June 30, 2023.

Tuition and other school fees increased by ₱1,228.7 million from ₱3,073.6 million for the year ended June 30, 2023 to ₱4,302.3 million for the year ended June 30, 2024 attributed to the 27% robust growth in enrollment or the 25,231 increase in the student population for SY 2023-2024 at 119,543 compared to 94,312 enrollees for 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. Percentagewise, STI WNU registered the highest increase at 30% 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 83,152 in SY 2023-2024 compared to enrollment in SY 2022-2023 of 66,309 students. CHED-regulated programs generate higher revenues per student. STI ESG implemented an average of 5% tuition fee increase across all 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 17%, driven by the increase in the student population of franchised schools and improved collection efficiency 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.

Sale of educational materials and supplies increased by 16% or ₱18.1 million from ₱115.0 million for the year ended June 30, 2023 to ₱133.1 million for the year ended June 30, 2024. Sale of educational materials and supplies in the current year largely pertains to the sale of uniforms as enrollment increased. The cost of educational materials and supplies sold likewise increased concomitant with the increase in the sale of educational materials and supplies.

Other revenues increased by ₱19.4 million or 37% compared to the same period last year or from ₱53.1 million to ₱72.5 million for the years ended June 30, 2023 and 2024, respectively, attributed to the higher number of students enrolled in SY 2023-2024.

The cost of educational services increased by 27% or ₱278.2 million from ₱1,040.1 million to ₱1,318.3 million for the years ended June 30, 2023 and 2024, respectively.

The cost of instructors' salaries and benefits increased by ₱139.9 million reflecting the cost of a larger faculty roster concomitant with the increase in student population. Also, merit increases and bonuses were distributed to deserving and qualified faculty members as recognition of their contribution to the positive enrollment outcome for SY 2023-2024, highlighting the Group's appreciation for everyone's dedication and hard work. Rent expense recognized as part of cost of educational services increased by ₱5.0 million due to the rent expense recognized from July 1, 2023 for the building occupied by STI Alabang which became a wholly-owned subsidiary on March 31, 2023. School materials and supplies increased by ₱21.8 million from ₱9.8 million to ₱31.6 million for the years ended June 30, 2023 and 2024, respectively, attributed to expenses associated with conducting students' assessments and examinations and acquisition of other school learning materials and supplies.

Expenses attributed to student activities and programs increased by ₱101.7 million from ₱141.4 million to ₱243.1 million for the years ended June 30, 2023 and 2024, respectively. These expenses substantially include the costs of activities and programs to further the development and test the competencies of the students, which include among others, "Local and National Talent Search," "Tagisan ng Talino at Sining" competitions, educational tours, hotel immersion activities, and the National Youth Convention. The related costs were driven by the increase in the number of graduates/participants, as applicable, concomitant with the increase in the student population. The related revenues for these student activities and programs are reported as part of tuition and other school fees. Similarly, this account includes subscription costs for the use of eLearning Management System, MS License, Amadeus, and the like, which likewise went up due to the increase in the student population.

The cost of developing courseware decreased from ₱3.7 million to ₱1.7 million for the years ended June 30, 2023 and 2024, respectively. In 2023, STI ESG developed courseware materials for JHS and SHS. The Group continuously reviews and updates all courseware materials, monitoring industry trends and regulatory requirements to align all program curricula and materials with current standards and emerging needs.

Gross profit improved by 44% or ₱1,004.5 million from ₱2,274.9 million to ₱3,279.4 million for the years ended June 30, 2023 and 2024, respectively, primarily due to the increased enrollment. Gross profit margins also improved from 67% to 70% year-on-year.

General and administrative expenses increased by 13% or ₱167.7 million from ₱1,330.8 million to ₱1,498.5 million for the years ended June 30, 2023 and 2024, respectively.

Salaries and benefits are higher by 23% or ₱88.3 million, from ₱379.0 million for the year ended June 30, 2023 compared with ₱467.3 million for the year ended June 30, 2024, 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 year. This account also includes pension expenses totaling ₱43.8 million for the year ended June 30, 2024, reflecting the cost impact of the adoption of the Multi Employer Retirement Plan for STI ESG and its subsidiaries. The Multi-Employer Retirement Plan was implemented to ensure consistency and unified management of retirement benefits across STI ESG and its subsidiaries. Additionally, the plan is more comprehensive and provides wider benefits to all eligible members, resulting in an increase in the Group's pension expense by ₱25.6 million, from ₱18.2 million for the year ended June 30, 2023 to ₱43.8 million upon implementation of the retirement plan.

Concomitant with the increased enrollment and the conduct of face-to-face classes, expenses for clerical, security and janitorial services increased by ₱30.6 million or 25% from ₱123.8 million to ₱154.4 million for the years ended June 30, 2023 and 2024, respectively. The cost of outside services was likewise affected by the increased minimum wage rate and higher premiums charged by government agencies for employee benefits. Light and water costs increased by ₱19.7 million or 12% year-on-year from ₱162.6 million to ₱182.3 million.

Professional fees are higher by ₱18.7 million at ₱100.9 million for the year ended June 30, 2024 compared to ₱82.2 million for the year ended June 30, 2023 largely attributed to professional fees for external panelists and consultants' fees.

The Group recognized a provision for ECL, net of reversals, amounting to ₱30.5 million from the year ended June 30, 2024, largely representing ECLs on outstanding receivables from students' tuition and other school fees. This is lower by ₱54.7 million or 64% compared to the ₱85.2 million recognized for the year 2023, indicating improved collection efficiencies during the year ended June 30, 2024. 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.

STI ESG recognized a provision for impairment loss on goodwill amounting to ₱14.3 million representing the impairment of goodwill recognized for NPIM. For SY 2021-2022, NPIM exclusively enrolled students for JHS and SHS. Its former grade school students were advised earlier to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta. Mesa, another school owned and operated by STI ESG. NPIM ceased operations effective June 30, 2022. The cessation of operations of NPIM did not have a material financial impact on the Group.

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

The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and ₱1.0 million for the years ended June 30, 2023 and 2024, respectively, representing outdated School Materials & Supplies (SMS) and proware items which are deemed obsolete.

Advertising and promotions expenses increased by ₱11.5 million from ₱41.1 million to ₱52.6 million for the years ended June 30, 2023 and 2024, respectively, as the marketing campaigns of the schools within the Group were intensified in time for the opening of classes for SY 2024-2025.

Depreciation and amortization expenses classified under General and Administrative expenses increased by ₱10.3 million from ₱228.8 million to ₱239.1 million for the years ended June 30, 2023 and 2024, respectively, as depreciation commenced on newly constructed buildings and additional school equipment, furniture and fixtures. Repairs and maintenance expenses rose by ₱5.9 million to ₱46.8 million from ₱40.9 million for the years ended June 30, 2024 and 2023, respectively, due to the refurbishment of school facilities and cleaning of air-conditioning units.

Taxes and licenses expense is higher by ₱7.9 million from ₱37.6 million to ₱45.6 million for the years ended June 30, 2023 and 2024, respectively, reflecting the increase in local taxes concomitant with the increase in revenues.

Expenses for transportation and travel, entertainment, amusement and recreation, and meetings and conferences likewise increased by ₱5.5 million, ₱5.0 million, and ₱2.3 million, respectively, as a result of increased onsite activities.

Association dues increased by ₱3.7 million from ₱2.1 million to ₱5.8 million for the years ended June 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in May 2023.

Rent expense increased by ₱1.9 million or 18% 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 on March 31, 2023. Insurance and bonds increased by ₱3.0 million from ₱17.0 million to ₱20.0 million for the years ended June 30, 2023 and 2024, respectively, reflecting higher insurance premiums paid concomitant with the increase in market values of STI ESG's properties.

Expenses related to payment channels and bank charges increased from ₱2.4 million to ₱4.9 million for the years ended June 30, 2023 and 2024, respectively, attributed to service charges on the use of STI ESG's alternative payment channels. This increase is primarily due to service charges incurred from the use of STI ESG's other online payment channels. This reflects greater awareness of and the students' preference for the use of STI ESG's payment gateways.

The Group generated an operating income of ₱1,780.8 million for the year ended June 30, 2024, an improvement of ₱836.8 million or 89% from the operating income of ₱944.0 million during the same period last year, due to higher revenues attributed to the increase in the student population. Operating margins likewise improved from 28% to 38% for the years ended June 30, 2023 and 2024, respectively. This improvement likewise reflects the Group's optimized operational efficiency, through effective management of the costs of educational services, general and administrative expenses, alongside the benefits of increased operating leverage.

Interest expenses decreased by ₱17.7 million from ₱311.0 million to ₱293.3 million for the years ended June 30, 2023 and 2024, respectively, mainly due to the principal payments made by STI ESG and iACADEMY, full payment made by STI ESG of its Corporate Notes Facility with Chinabank, 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 ₱19.8 million or 11% year-on-year from ₱178.1 million to ₱197.9 million mainly due to a new lease agreement entered into by iACADEMY, which commenced on March 15, 2023. Consequently, full-year rental income on this new lease was recognized for the year ended June 30, 2024, while for the year ended June 30, 2023, only three and a half months of rental income was earned.

Interest income increased by ₱35.1 million from the previous year's ₱22.6 million to ₱57.7 million for the year ended June 30, 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 ₱2.3 million and ₱7.7 million for the years ended June 30, 2023 and 2024, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.1 million and ₱9.6 million for the years ended June 30, 2023 and 2024, respectively.

The Group recognized as income the recovery of previously written-off receivables amounting to ₱6.5 million for the year ended June 30, 2024 compared to ₱11.3 million collected during the previous year.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with Chinabank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the audited consolidated statement of comprehensive income for the year ended June 30, 2024.

Dividend income amounted to ₱2.9 million and ₱2.5 million for the years ended June 30, 2024 and 2023, respectively. For the year ended June 30, 2024, STI ESG received ₱0.6 million from RCR, ₱1.1 million from DLSMC, and ₱1.2 million from STI Marikina, an associate of STI ESG. For the year ended June 30, 2023, ₱0.6 million and ₱1.9 million were received from RCR and DLSMC, respectively.

Equity share in net income of associates and a joint venture amounted to ₱2.0 million for the year ended June 30, 2024 compared to ₱2.3 million recognized for the same period last year.

Gain on disposal of property and equipment amounted to ₱485.3 thousand for the year ended June 30, 2024 compared to ₱826.7 thousand for the year ended June 30, 2023. This represents gain on the disposal of property and equipment that are no longer in use. The gain recognized in the year 2023 includes the gain from the disposal of iACADEMY's transportation equipment.

The Group reported other expenses – net, amounting to ₱1.1 million for the year ended June 30, 2024. This is composed mainly of STI ESG's bond maintenance fee of ₱2.5 million partially offset by miscellaneous income. For the year ended June 30, 2023, the Group recognized other income – net, amounting to ₱5.7 million, mostly arising from STI ESG's income of ₱4.7 million representing donation from a third-party institution as part of STI ESG and the third-party institution's partnership program in delivering certification courses, simulation tools, and training materials to eligible students.

Income before income tax for the year ended June 30, 2024 amounted to ₱1,773.4 million, double the amount earned for the same period last year of ₱858.1 million, attributable to the significant increase in enrollment and efficient management of costs, maximizing the benefits of economies of scale.

The Group reported provision for income tax amounting to ₱160.5 million and deferred income tax of ₱4.5 million for the year ended June 30, 2024. For the year ended June 30, 2023, the provision for income tax amounted to ₱10.0 million and benefit from income tax of ₱25.7 million. Pursuant to the provisions of the CREATE Act, the Group adopted the 1% income tax rate effective July 1, 2020 up to June 30, 2023. The special tax rate for proprietary educational institutions reverted to 10% starting July 1, 2023.

The Group reported a net income after income tax of ₱1,608.4 million for the year ended June 30, 2024, 84% higher than the ₱873.8 million net income earned for the same period last year. Net income margin likewise improved from 26% to 34% year-on-year.

Remeasurement gain on pension liability, net of income tax effect, amounted to ₱39.4 million for the year ended June 30, 2024 compared to remeasurement loss on pension liability of ₱16.9 million recognized for the same period last year. These fluctuations reflect the movements in the value of equity shares forming part of the Group's pension assets.

The unrealized fair value adjustments on equity instruments at FVOCI amounted to ₱5.3 million for the year ended June 30, 2024, compared to ₱1.9 million for the year ended June 30, 2023 due to the movement in the price of quoted equity shares held by STI ESG.

Total comprehensive income increased to ₱1,653.1 million from ₱858.8 million for the years ended June 30, 2024 and 2023, respectively. This 92% improvement is attributed to the higher number of enrollees for SY 2023-2024 compared to that of SY 2022-2023.
Earnings before interest, taxes, depreciation, and amortization (EBITDA), defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings of associates and joint venture, gain on foreign exchange differences, fair value loss on equity instruments at FVPL, and nonrecurring gains (losses) such as gain on early extinguishment of loan, gain on derecognition of contingent consideration, income on rent concessions, and gain on settlement of receivables (net of provision for impairment of noncurrent asset held for sale) increased from ₱1,637.2 million for the year ended June 30, 2023 to ₱2,489.3 million for the year ended June 30, 2024. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin this year is 53% compared to 48% last year, reflecting the Group's operational efficiencies and the benefits of economies of scale.

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 ₱1,587.7 million for the year ended June 30, 2024 compared to core income for the same period last year of ₱868.9 million. As a percentage of gross revenues, core income improved from 26% last year to 34% this year.

Years ended June 30, 2023 vs. 2022

Enrollment in schools under STI Holdings increased to more than 94,000 students for SY 2022-2023. For the current SY 2022-2023, the total count of new students reached 41,565 compared with the 35,566 new students in SY 2021-2022, showing a 17% increase in the total new student population. The total count of ongoing students for SY 2022-2023 reached 94,312 compared with 82,629 for SY 2021-2022. This represents a 14% or 11,683 increase from the SY 2021-2022 enrollment, with the number of students in the programs regulated by CHED showing a robust 18% increase from 56,342 students in SY 2021-2022.

The enrollment figures at the start of the School Year of the schools under STI Holdings for SY 2022-2023 are as follows:

	SY 2022-2023	SY 2021-2022	Increase	
			Enrollees	Percentage
STI ESG				
Owned schools[1]	54,158	47,230	6,928	15%
Franchised schools[1]	27,539	25,520	2,019	8%
	81,697	72,750	8,947	16%
iACADEMY	2,397	2,299	98	4%
STI WNU	10,218	7,580	2,638	35%
Total Enrollees	**94,312**	**82,629**	**11,683**	**14%**

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, Technical Education and Skills Development Authority (TESDA) students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including Junior High School (JHS) and SHS, yields the following numbers:

	SY 2022-2023			
	CHED	**TESDA**	**DEPED[2]**	**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%**

	SY 2021-2022			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	49,005	1,040	22,705	72,750
iACADEMY	1,713	-	586	2,299
STI WNU	5,624	-	1,956	7,580
Total	**56,342**	**1,040**	**25,247**	**82,629**
Proportion of CHED:TESDA:DepEd	**68%**	**1%**	**31%**	**100%**

[1] Enrollment numbers of STI Alabang are reported as part of owned schools' category effective January 2023.
[2]STI ESG DepEd count consists of 23,077 SHS and 297 JHS students in SY2022-2023 and 22,497 SHS and 208 JHS students in SY2021-2022. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 2,057 SHS students and 645 students enrolled in basic education in SY 2022-2023 and 1,367 SHS students and 589 students enrolled in basic education in SY 2021-2022.

STI ESG and STI WNU introduced the ONline and ONsite Education at STI (ONE STI) Learning Model in SY 2020-2021. This model was implemented in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of COVID-19. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. For SY 2022-2023, classes of JHS and SHS started on August 30, 2022 while classes of tertiary students commenced on September 5, 2022 for both STI ESG and STI WNU. Classes for STI WNU's School of Graduate Studies (SGS) started on September 10, 2022.

iACADEMY implemented its fully online learning program entitled Guided Online Autonomous Learning (GOAL) in SY 2020-2021. GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning and collaborating with parents and guardians. In this setup, all activities or modules are delivered 100% online. Classes for SHS and tertiary students started on August 2, 2022 and August 30, 2022, respectively.

The Group utilizes the electronic Learning Management System (eLMS), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to its students. It features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system that students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a twoway platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have been implementing a blended learning model for the past eight years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

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

From last school year's gradual transition to face-to-face classes for high-stake courses, STI ESG and STI WNU both implemented a flexible learning delivery modality in the first semester of SY 2022-2023. Highstake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. For tertiary courses, all professional and identified general education courses are now delivered onsite while other general education courses are delivered using blended modality, with a distribution of 50% onsite/face-to-face and 50% 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 starting on its second semester of SY 2022-2023. STI WNU continued with its flexible learning delivery modality which it started in the first semester of SY 2022-2023. As for JHS and SHS in STI ESG, classes are all conducted face-to-face since the opening of SY 2022-2023. SHS classes in STI WNU are on a blended modality with 50% onsite/face-to-face and 50% online/asynchronous in the first semester with online classes transitioning to synchronous classes starting in the middle of the first semester up to the present. STI WNU's classes for the National Service Training Program or NSTP are on full face-to-face setup.

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. 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 students from grades 11 and 12 to alternately attend onsite and online classes within the week. Courses, particularly specialized and contextualized subjects like Science and Information and Communications Technology (ICT), are conducted onsite in the laboratories. General Education subjects are delivered online using Microsoft Teams, an online classroom teleconferencing platform. Both onsite and online classes use eLMS as the major platform for the repository of learning materials, assessments, and grades.

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

The consolidated gross revenues of the Group for the year ended June 30, 2023 amounted to ₱3,405.5 million, reflecting a 27% increase compared to ₱2,677.6 million generated for the year ended June 30, 2022.

Tuition and other school fees increased by ₱636.6 million from ₱2,437.0 million for the year ended June 30, 2022 to ₱3,073.6 million for the year ended June 30, 2023 attributed to the 14% robust growth of enrollment or the 11,683 increase in the student population for SY 2022-2023 at 94,312 compared to 82,629 enrollees for SY 2021-2022. STI ESG's wholly owned and franchised schools registered an enrollment of 81,697 students, 8,947 or 12% more than the enrollment in SY 2021-2022. Percentagewise, STI WNU registered the highest increase at 35% for this SY compared to last SY. Further, the Group's enrollment mix showed consistent improvement with enrollees in programs regulated by CHED comprising 70% of the total student population in SY 2022-2023 compared to 68% for SY 2021-2022 and 57% for SY 2020-2021. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 17% or 3,707 from 22,142 to 25,849 for SY 2021-2022 and SY 2022-2023, respectively.

Revenues from educational services and royalty fees both increased by 19%. This resulted from the higher number of enrollees of franchised schools from 25,520 students in SY 2021-2022 to 27,539 in SY 2022-2023 or an 8% increase as well as an improvement in the collection efficiency of the franchised schools. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies increased dramatically by 292% or ₱85.7 million to ₱115.0 million for the year ended June 30, 2023 from ₱29.3 million for the same period last year. Sale of educational materials and supplies recognized in the current year largely pertains to the sale of uniforms as face-to-face classes resumed and enrollment increased while sale of SHS textbooks mainly accounted for the sales in the same period last year. The cost of educational materials and supplies sold likewise increased, concomitant with the increase in the sale of educational materials and supplies.

Other revenues decreased by ₱20.4 million from ₱73.5 million for the year ended June 30, 2022 to ₱53.1 million for the year ended June 30, 2023. During SY 2021-2022, the Group extended internet connectivity assistance to its students. The share of data connectivity costs charged to the franchised schools was recognized as part of other revenues for the year ended June 30, 2022. As more face-to-face classes were held, internet connectivity assistance was no longer provided to students during SY 2022-2023.

The cost of educational services rose by ₱84.5 million from ₱955.5 million to ₱1,040.0 million for the years ended June 30, 2022 and 2023, respectively. Instructors' salaries and benefits increased by ₱75.1 million from ₱359.4 million to ₱434.5 million due to the increased number of faculty members, concomitant with the increase in number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed 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. Depreciation and amortization expenses included as part of direct costs increased by ₱12.0 million from ₱372.6 million to ₱384.6 million for the years ended June 30, 2022 and 2023, respectively, substantially due to the amortization cost of iACADEMY Cebu's right-of-use asset. Direct costs of software subscriptions and maintenance increased by ₱7.1 million from ₱25.8 million for the year ended June 30, 2022 to ₱32.9 million for the current year, mostly driven by the increased enrollment. Rent expense is higher by ₱3.8 million, from ₱20.9 million to ₱24.7 million for the years ended June 30, 2022 and 2023, respectively, attributed to increase in monthly rental rates of renewed lease agreements. The cost of developing courseware during the year ended June 30, 2023 increased by ₱2.7 million due to STI ESG's streamlining of program curricula in response to market needs and industry developments. Courseware materials for JHS and SHS were likewise developed. Expenses related to student activities and programs rose by ₱52.9 million attributed to the expenses incurred for the resumption of in-person activities and programs for the students, higher subscription costs for Microsoft, eLMS and Amadeus software primarily driven by higher enrollment for SY 2022-2023, and distribution of laptops to ninety (90) students across the network. Huawei Philippines (Huawei), donated cash which was partly allocated to the provision of laptops distributed to select students who were awarded multiple certificates at the Huawei ICT Academy. STI ESG, in partnership with Huawei, integrated in-demand ICT technologies into some of its programs tackling five technology domains namely, (1) cloud computing (2) big data (3) artificial intelligence (4) routing and switching, and (5) storage. The savings generated from the shift to a more efficient cloud subscription plan partially offset these increases in costs. Also, the internet connectivity assistance provided to students by STI ESG in SY 2021- 2022 amounting to ₱70.0 million was no longer given in SY 2022-2023 as in-person classes were conducted by all schools.

Gross profit improved by 34% from ₱1,698.0 million to ₱2,274.9 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment.

General and administrative expenses posted an 18% increase or ₱201.5 million from ₱1,129.3 million to ₱1,330.8 million for the years ended June 30, 2022 and 2023, respectively, largely due to the increased enrollment and the resumption of face-to-face classes.

Light and water expenses increased by ₱87.3 million from ₱75.3 million to ₱162.6 million for the years ended June 30, 2022 and 2023, respectively, as more face-to-face classes were held and electric power consumption increased. Salaries and benefits are higher by ₱61.2 million for the year ended June 30, 2023 compared to the same period last year as salary adjustments were implemented this year. Also, certain plantilla positions were filled up during the year in line with the face-to-face classes in SY 2022-2023. Expenses for outside services such as clerical, security and janitorial services increased by ₱41.6 million year-on-year as the Group conducted more in-person classes and activities in SY 2022-2023 while classes for SY 2021-2022 were mostly held online. This also resulted in increases in other administrative expenses such as repairs and maintenance, transportation, and office supplies, which rose by ₱16.3 million, ₱4.8 million, and ₱4.5 million, respectively.

The Group recognized a provision for ECL amounting to ₱85.2 million for the year ended June 30, 2023, largely representing ECLs on outstanding receivables from students' tuition and other school fees as at June 30, 2023. This is lower by ₱27.5 million compared to ₱112.7 million for the year ended June 30, 2022 due mainly to the improvement of the Group's collection efficiencies. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections of receivables from students relating to prior years. The provision for impairment of goodwill amounting to ₱3.8 million which was recognized during the year ended June 30, 2022 is linked to the cessation of operations of STI Iloilo. The Group likewise recognized provision for inventory obsolescence amounting to ₱5.6 million and ₱2.0 million for the years ended June 30, 2023 and 2022, respectively.

The Group generated an operating income of ₱944.0 million for the year ended June 30, 2023, an improvement of ₱375.4 million or 66% from the operating income of ₱568.6 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with the 18%increase in the number of students enrolled in CHED programs, as well as strict control of direct and administrative expenses. Operating margins likewise improved from 21% to 28% for the years ended June 30, 2022 and 2023, respectively.
Interest expense decreased by ₱2.3 million year-on-year from ₱313.3 million to ₱311.0 million mainly due to the partial principal prepayments made by STI ESG and iACADEMY on their loans with China Bank. The reduction in principal balances outstanding partially mitigated the increases in interest rates on the bank loans. Interest rate on the outstanding balance of the Term Loan and Corporate Notes Facilities of STI ESG was repriced at 6.5789% per annum effective September 20, 2022 compared to 5.7895% per annum in the previous year. Interest rate on the ₱280.0 million balance of iACADEMY's Term Loan with China Bank was repriced at an interest rate of 5.6699% per annum effective on September 28, 2022 compared to 3.2068% per annum in the previous year.

Rental income increased by ₱107.1 million year-on-year from ₱71.0 million to ₱178.1 million due to new lease agreements entered into by STI ESG and iACADEMY during the year ended June 30, 2023 in some of their investment properties.

Interest income earned during the year ended June 30, 2023 amounted to ₱22.6 million, down by ₱15.5 million from last year's ₱38.1 million. The interest income recorded for the year ended June 30, 2022 is substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the properties, mortgaged as collateral to STI Tanay's loans, situated in Pasig City and Tanay, Rizal on March 16, 2021 and March 15, 2022, respectively. This account also includes interest income on the Group's investments in short-term placements.

Collection efficiencies resulted in the recovery of previously written-off receivables amounting to ₱11.3 million for the year ended June 30, 2023 compared to ₱9.7 million collected during the previous year.

STI ESG recorded dividend income from RCR and DLSMC amounting to ₱2.5 million and ₱1.2 million for the years ended June 30, 2023 and 2022, respectively.

The Group recognized unrealized gain on foreign exchange rate differences amounting to ₱2.3 million and ₱44.6 million for the years ended June 30, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱0.1 million and ₱1.3 million for the years ended June 30, 2023 and 2022, respectively. These are attributed to STI ESG's and iACADEMY's dollar-denominated cash and cash equivalents.

Equity share in net income of associates and a joint venture amounted to ₱2.3 million for the year ended June 30, 2023 compared to equity in net losses of associates and a joint venture of ₱20.2 million recognized for the same period last year.

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the year ended June 30, 2022. The Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement on September 6, 2021 for the full and final settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The amount of ₱50.0 million had been set up as contingent consideration in prior years. With the full and final settlement in the amount of ₱25.0 million, the balance of ₱25.0 million has been derecognized.

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

The Group recognized a gain on sale amounting to ₱0.8 million for the year ended June 30, 2023 due to the disposal of STI ESG's obsolete and fully depreciated equipment and furniture and iACADEMY's transportation equipment. For the year ended June 30, 2022, gain on sale of STI ESG's transportation equipment largely accounted for the ₱1.6 million income recorded.

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, COVID-19-related Rent Concessions resulting in recognition of other income aggregating to ₱6.1 million for the year ended June 30, 2022, presented as part of "Other income (expenses) - net" in the audited consolidated statements of comprehensive income. Also included in the account "Other income (expenses) – net" is the reversal of interest income from past due accounts of consolidated subsidiaries of STI ESG in the amount of ₱15.9 million.

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

Benefit from income tax amounting to ₱15.7 million was recognized by the Group for the year ended June 30, 2023 compared to ₱10.8 million income tax provision for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10% to 1% following the enactment of the CREATE Act in April 2021. The reduced income tax rate had a retroactive effect beginning July 1, 2020 and would be effective up to June 30, 2023. Upon expiration of the temporary tax relief provided by the CREATE Act for proprietary educational institutions, the Group remeasured its deferred tax assets and liabilities which resulted in an increase in deferred tax assets as at June 30, 2023.

The Group reported a net income of ₱873.8 million for the year ended June 30, 2023, more than double the ₱416.2 million net income earned for the same period last year.

Remeasurement loss on pension liability, net of income tax effect, amounted to ₱16.9 million for the year ended June 30, 2023 compared to remeasurement gain on pension liability of ₱8.5 million recognized for the same period last year. These fluctuations reflect the movements in the value of equity shares forming part of the Group's pension assets.

The unrealized fair value adjustments on equity instruments at FVOCI amounted to ₱1.9 million for the year ended June 30, 2023, compared to ₱1.1 million for the year ended June 30, 2022 due to the movement in the price of quoted equity shares held by STI ESG.

Total comprehensive income increased to ₱858.8 million from ₱425.8 million for the years ended June 30, 2023 and 2022, respectively. This improvement is attributed to the higher number of enrollees and an improvement in the enrollment mix in favor of CHED programs for SY 2022-2023 compared to that of SY 2021-2022.

Earnings before interest, taxes, depreciation, and amortization (EBITDA) which is defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, equity in net earnings (losses) of associates and joint venture and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale (net of capital gains tax), income on rent concessions, gain on derecognition of contingent consideration, gain on settlement of receivable (net of provision for impairment of noncurrent asset held for sale), gain on foreign exchange differences, fair value loss on equity instruments at FVPL and loss on loan modification increased from ₱1,128.6 million for the year ended June 30, 2022 to ₱1,628.4 million for the year ended June 30, 2023. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 48% compared to 42% 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 ₱868.9 million for the year ended June 30, 2023 compared to core income for the same period last year of ₱330.8 million

Years ended June 30, 2022 vs. 2021

The enrollment figures of the schools under STI Holdings for SY 2021-2022 are as follows:

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	SY 2020-2022	SY 2020-2021	Increase	
			Enrollees	Percentage
STI ESG				
Owned schools	47,230	39,890	7,340	18%
Franchised schools	25,520	22,600	2,920	13%
	72,750	62,490	10,260	16%
iACADEMY	2,299	2,149	150	7%
STI WNU	7,580	5,584	1,996	36%
Total Enrollees	**82,629**	**70,223**	**12,406**	**18%**

Grouping the students in terms of government regulatory agencies supervising the programs, wherein CHED pertains to students enrolled in tertiary and post-graduate programs, Technical Education and Skills Development Authority ("TESDA") students are those enrolled in technical-vocational programs while DepEd pertains to primary and secondary education including SHS, yields the following numbers:

	SY 2022-2021			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	49,005	1,040	22,705	72,750
iACADEMY	1,713	-	586	2,299
STI WNU	5,624	-	1,956	7,580
Total	**56,342**	**1,040**	**25,247**	**82,629**
Proportion of CHED:TESDA:DepEd	**68%**	**1%**	**31%**	**100%**

	SY 2020-2021			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	35,412	1,036	26,042	62,490
iACADEMY	1,383	-	766	2,149
STI WNU	3,381	-	2,203	5,584
Total	**40,176**	**1,036**	**29,011**	**70,223**
Proportion of CHED:TESDA:DepEd	**57%**	**2%**	**41%**	**100%**

***** *STI ESG DepEd count includes 22,497 SHS students and 208 students who are enrolled in basic education in SY2021-2022 and 25,801 SHS students and 241 students who are enrolled in basic education in SY2020-2021. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 1,367 SHS students and 589 students enrolled in basic education in SY 2021-2022 and 1,470 SHS students and 733 students enrolled in basic education in SY 2020-2021.*

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

STI ESG and STI WNU continue to implement the ONline and ONsite Education at STI ("ONE STI") Learning Model that was introduced in SY 2020-2021. The ONE STI Learning Model is an innovative approach to student development that uses digital tools and online technology combined with invaluable hands-on practice and onsite engagements to achieve the students' academic objectives through a responsive learning experience. For SY 2021-2022, classes of SHS and tertiary students of both STI ESG and STI WNU started on September 13, 2021. Meanwhile, classes started on October 2, 2021 for STI WNU's School of Graduate Studies ("SGS"). For SY 2022-2023, classes of SHS and tertiary students of both STI ESG and STI WNU started on August 30, 2022 and September 2, 2022, respectively. Meanwhile, classes started on October 2, 2022 for STI WNU's School of Graduate Studies.

iACADEMY implements its fully online learning program entitled Guided Online Autonomous Learning ("GOAL"), introduced in SY 2020-2021. GOAL is iACADEMY's systematic approach to guiding all the activities that involve the delivery of online instruction to the students, including online learning workshops, training for teachers on how to create high-quality modules, integrating project-based learning and teaching strategies into online learning, internationalization, and collaborating with parents and guardians. In this setup, all activities or modules are delivered 100% online. Classes for SHS and tertiary students started on August 2, 2022 and August 30, 2022, respectively.

The Group utilizes the electronic Learning Management System ("eLMS"), a software application running on Amazon cloud, to better manage the delivery of educational courses and/or training programs to students. It features a built-in support for collaboration through various tools such as wikis, forums, and discussion groups; an internal messaging system with bidirectional support for emails and text messaging; and a built-in portfolio system that students can use to collect works to support learning and/or achievements. eLMS is a world-class and award-winning learning management system that schools and universities across the globe are using. This cloud-based eLearning tool gives teachers and students a two-way platform where they can collaborate, assign and submit homework, take assessments, and track learning progress, among others. The concept of online learning is not new to the Group, as the schools in the network have been implementing a blended learning model for the past seven years in order that the students may continue their studies at home uninterrupted even during physical classroom disruptions.

The faculty members of the Group regularly undergo competency-based certifications and training programs to ensure that they are proficient in the subject matter and able to deliver the required day-to-day lessons. Training programs are conducted online to equip the faculty members with technical skills and further cultivate the mindset necessary in an online learning environment.

The Group has gradually started to implement limited face-to-face classes for schools in areas under Alert Level 1 for identified high-stake tertiary courses and selected subjects beginning February 2022, March 2022 and May 2022 for STI ESG, STI WNU and iACADEMY, respectively, and for SHS students starting April and May 2022 for STI ESG and STI WNU, respectively. High-stake tertiary courses refer to subjects or courses with laboratory components where the skills expected to be gained by the students are better acquired in a face-to-face class setup because actual demonstration and practice of competencies are significant in the learning process. The Group is continuously ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("IATF"), CHED, DepEd, local government units ("LGUs"), and all pertinent agencies that have released information on the conduct of the limited face-to-face classes.

The consolidated gross revenues of the Group for the year ended June 30, 2022 amounted to ₱2,677.6 million, reflecting a 28% increase compared to ₱2,084.1 million for the year ended June 30, 2021.

Tuition and other school fees increased by ₱554.3 million from ₱1,882.7 million for the year ended June 30, 2021 to ₱2,437.0 million for the year ended June 30, 2022 attributed to the 18% robust growth or 12,406 increase in the student population for SY 2021-2022 at 82,629 compared to 70,223 enrollees for SY 2020-2021. Private schools reported a dip in enrollment for SY 2020-2021 due to the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. STI ESG's wholly-owned and franchised schools registered an enrollment of 72,750 students for SY 2021-2022, 10,260 or 16% more than the enrollment in SY 2020-2021. Percentage-wise, STI WNU registered the highest increase at 36% for this SY compared to last SY. Further, the increase in tuition and other school fees is also attributable to the improvement in the Group's enrollment mix, with enrollees in programs regulated by CHED comprising 68% of the total student population in SY 2021-2022 compared to 57% for SY 2020-2021. CHED programs bring in higher revenues per student. The number of new students enrolled in CHED programs increased by 75% or 9,463 from 12,679 to 22,142 for SY 2020-2021 and SY 2021-2022, respectively.

Revenues from educational services and royalty fees both increased by 17%. This resulted from the higher number of enrollees of franchised schools from 22,600 students in SY 2020-2021 to 25,520 in SY 2021-2022 or a 13% increase. Revenues from educational services and royalty fees are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Sale of educational materials and supplies increased by 18% or ₱4.4 million to ₱29.3 million for the year ended June 30, 2022 from ₱24.9 million last year. The sale of uniforms increased by ₱6.8 million with the implementation of limited face-to-face classes for identified high-stake tertiary courses. This was partially offset by the decline in sales of textbooks and other education related materials by ₱3.7 million due to the lower number of SHS students. The cost of educational materials and supplies sold increased by 20%, concomitant with the increase in the sale of educational materials and supplies.

Other revenues increased by ₱14.9 million from ₱58.6 million for the year ended June 30, 2021 to ₱73.5 million for the year ended June 30, 2022 associated with the higher number of students.

The cost of educational services rose by ₱103.3 million from ₱852.2 million to ₱955.5 million for the years ended June 30, 2021 and 2022, respectively. Instructors' salaries and benefits increased by ₱73.3 million from ₱286.1 million to ₱359.4 million due to the increased number of faculty members, concomitant with the increase in number of students. In addition, favorable adjustments have been made to the salaries of SHS teachers who passed 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. Software maintenance costs increased by ₱6.0 million from ₱19.8 million to ₱25.8 million for the years ended June 30, 2021 and 2022, respectively. iACADEMY upgraded its subscription to Adobe Creative Cloud-All Apps in line with the increase in the number of its enrollees for SY 2021-2022. Adobe Creative Cloud is a collection of more than 20 desktop and mobile applications and services for photography, design, video, web, User Experience ("UX") design and more, used by the faculty members and administrative staff as well as the students. Further, STI WNU subscribed to GTI Software Developer's School Automate system, an online school management software used to assign teaching loads, schedule classes, maintain students' accounts and academic records, and manage employees' records from recruitment to separation. Other direct expenses increased by ₱37.0 million substantially due to commencement expenses/cost of various student activities and programs and the Group's subscriptions to eLMS and CloudSwyft solutions. Commencement expenses amounted to ₱31.9 million and ₱14.4 million for the years ended June 30, 2022 and 2021, respectively. The Group held in-person graduation ceremonies for SHS and tertiary graduates of SY 2021-2022 while virtual graduation ceremonies were held for graduates of SY 2020-2021. The Group increased its eLMS subscriptions due to the higher enrollment in SY 2021-2022. The Group's subscription to CloudSwyft amounted to ₱3.3 million for the year 2022. CloudSwyft is a tool for the education sector where each student can access multiple applications such as AutoCAD, Microsoft 365, and Adobe Systems, among others. This virtual laboratory technology provides off-the-shelf and customizable virtual laboratory templates that are automated, highly accessible, and available on-demand to foster hands-on digital learning for thousands of STI students nationwide. The Group continued to increase the frequency of cleaning, sanitizing and disinfecting high-touchpoint surfaces, thus, school materials and supplies increased by ₱1.5 million from ₱3.6 million to ₱5.1 million for the years ended June 30, 2021 and 2022, respectively. Depreciation expense decreased by ₱9.7 million, from ₱382.3 million to ₱372.6 million, for the years ended June 30, 2021 and 2022, respectively, due to full depreciation of substantial school equipment as of June 30, 2021 held by closed/suspended schools.

Gross profit improved by 40% from ₱1,211.8 million to ₱1,698.0 million for the years ended June 30, 2021 and 2022, respectively, largely due to the increased enrollment.

General and administrative expenses posted a 10% increase or ₱104.2 million from ₱1,025.1 million to ₱1,129.3 million for the years ended June 30, 2021 and 2022, respectively. The Group recognized a provision for ECL amounting to ₱112.7 million for the year ended June 30, 2022, largely representing ECLs on outstanding receivables from students for tuition and other school fees as at June 30, 2022. This is higher by ₱70.9 million compared to the ₱41.8 million recorded for the year ended June 30, 2021. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group likewise considered the subsequent collections received from the students for the receivables pertaining to SY 2020-2021. Light and water expenses increased by ₱23.6 million from ₱51.7 million to ₱75.3 million for the years ended June 30, 2021 and 2022, respectively. The Group deployed only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination and likewise embraced the work-from-home arrangements to the furthest extent possible during the Enhanced Community Quarantine ("ECQ") and Modified Enhanced Community Quarantine ("MECQ") periods. With the improvement in the COVID-19 situation, all members of the administrative support staff are now reporting to their offices, thus the increase in utilities cost. This also resulted in a ₱11.2 million increase in clerical, security and janitorial costs. Repairs and maintenance costs likewise increased by ₱7.6 million year-on-year due to preventive maintenance costs of generator set and chillers. Provision for impairment of goodwill related to the closure of STI Iloilo amounting to ₱3.8 million was recognized during the year ended June 30, 2022. The Group likewise recognized provision for inventory obsolescence amounting to ₱2.0 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively. Provision for impairment of investments in and advances to associates and joint ventures decreased by ₱10.3 million. This amount represents advances to STI Accent, which were recognized during the year ended June 30, 2021. Depreciation expense decreased by ₱5.2 million year-on-year largely due to full depreciation of office furniture and equipment held by closed/suspended schools as of June 30, 2021. For SY 2021-2022, the Group toned down its TV and radio advertisements and connected with students and potential customers largely through social media ads, as these reach people more quickly and easily. Thus, the Group recognized advertising and promotions expenses amounting to ₱38.0 million for the year ended June 30, 2022, lower by ₱15.1 million compared to ₱53.1 million for the same period last year.

The Group posted an operating income of ₱568.6 million for the year ended June 30, 2022, an improvement of ₱381.9 million or 205% from the operating income of ₱186.7 million during the same period last year, due to higher revenues attributed to the increase in the student population and improvement in the enrollment mix with the 40%increase in the number of students enrolled in CHED programs.

Interest expense decreased by ₱23.8 million year-on-year from ₱337.1 million to ₱313.3 million mainly due to the partial prepayments in September 2021 made by STI ESG and iACADEMY on their Term Loan Facilities with China Bank in the amounts of ₱240.0 million and ₱120.0 million, respectively. In addition, the interest rate on iACADEMY's Term Loan with China Bank was repriced from 3.3727% per annum on September 28, 2020 to 3.2068% per annum on September 28, 2021.

Rental income decreased by ₱45.8 million year-on-year from ₱116.8 million to ₱71.0 million due to pre-termination and nonrenewal of lease agreements in some of the investment properties of STI ESG and iACADEMY.

The Group recognized unrealized gain on foreign exchange rate differences amounting to ₱44.6 million and ₱0.7 million for the years ended June 30, 2022 and 2021, respectively. The Group also recognized realized gain on foreign exchange differences amounting to ₱1.3 million and ₱3.2 million for the years ended June 30, 2022 and 2021, respectively. These are attributed to STI ESG's and iACADEMY's dollar-denominated cash and cash equivalents.

Derecognition of contingent consideration amounting to ₱25.0 million was recorded for the year ended June 30, 2022. The Parent Company and the Agustin family, former STI WNU shareholders, reached a Compromise Agreement on September 6, 2021 for the full and final settlement of the latter's claim against the former amounting to ₱50.0 million in the cases filed in various courts as stated in the Compromise Agreement. The amount of ₱50.0 million had been set up as contingent consideration in prior years. With the full and final settlement in the amount of ₱25.0 million, the balance of ₱25.0 million has been derecognized.

Interest income increased by ₱32.4 million from last year's ₱5.7 million to ₱38.1 million for the year ended June 30, 2022, substantially attributed to the accrued interests and default charges on the assigned loans of STI Tanay. This covers interests and penalty charges from the execution of the deed of assignment by and between DBP and STI ESG in 2019 up to the date of the extrajudicial foreclosure sale of the properties, mortgaged as collateral to STI Tanay's loans, situated in Pasig City and Tanay, Rizal on March 16, 2021 and March 15, 2022, respectively. This account also includes interest income on STI ESG's investments in short-term placements.

Equity in net losses of associates amounted to ₱20.2 million for the year ended June 30, 2022 compared to equity in net losses of associates of ₱4.6 million recognized for the same period last year.

STI ESG recognized a gain on settlement of STI Tanay receivables, net of provision for impairment of noncurrent asset held for sale, amounting to ₱10.8 million for the year ended June 30, 2022. The gain on settlement of receivable from STI Tanay amounted to ₱45.1 million while the provision for impairment of noncurrent asset held for sale was recognized at ₱34.3 million, net of depreciation recognized on the Pasig property from the date of the annotation on the property's title up to June 30, 2022 (see foregoing discussions).
Collection efficiencies resulted in the increase in the recovery of receivables previously written-off by ₱2.9 million from ₱6.8 million to ₱9.7 million for the years ended June 30, 2021 and 2022, respectively.

The Group recognized gain on sale of equipment amounting to ₱1.6 million for the year ended June 30, 2022 largely attributed to the disposal of STI ESG's transportation equipment.

STI ESG recorded dividend income from RCR and De Los Santos Medical Center, Inc. amounting to ₱1.2 million and ₱0.8 million for the years ended June 30, 2022 and 2021, respectively.

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other income aggregating to ₱6.1 million and ₱39.7 million for the years ended June 30, 2022 and 2021, respectively, presented as part of "Other income (expenses) - net" in the audited consolidated statements of comprehensive income. Also included in the account "Other income (expenses) – net" is the reversal of interest income from past due accounts of consolidated subsidiaries of STI ESG in the amount of ₱15.9 million.

The disposal of the 20% ownership of STI ESG in Maestro Holdings resulted in a gain amounting to ₱61.4 million, which is the difference between the recorded fair value of the investments and the selling price. For tax purposes, however, the gain is ₱306.4 million, which is the difference between the acquisition cost of ₱174.1 million and the selling price, on which capital gains tax of ₱46.0 million was paid. These were recognized in the Group's audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Following the guidelines of PFRS 9, *Financial Instruments*, STI ESG assessed the terms of the new or modified financial liability resulting from the amended maturity date of STI ESG's loan balance under its Corporate Notes Facility Agreement with China Bank. The modifications of the financial liability of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million which was reported in the audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Provision for income tax amounting to ₱10.8 million was recognized by the Group for the year ended June 30, 2022 compared to ₱76.9 million income tax benefit for the same period last year. Income tax rate for proprietary educational institutions was reduced from 10% to 1% following the enactment of the CREATE Act in April 2021. The reduced income tax rate has a retroactive effect beginning July 1, 2020 and will be effective up to June 30, 2023.

The Group reported a net income of ₱416.2 million for the year ended June 30, 2022, an improvement of ₱314.5 million or 309% from last year's net income of ₱101.7 million.
Remeasurement gain on pension liability, net of income tax effect, amounted to ₱8.5 million and ₱15.6 million for the years ended June 30, 2022 and 2021, respectively, due to the movements in value of equity shares forming part of pension assets.

Total comprehensive income amounted to ₱425.8 million and ₱118.5 million for the years ended June 30, 2022 and 2021, respectively. The improvement is attributed to the higher number of enrollees and improvement in the enrollment mix in favor of CHED programs for SY 2021-2022 compared to that of SY 2020-2021.

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") which is defined as earnings (loss) before interest expense, interest income, provision for income tax, depreciation and amortization, equity in net losses of associates and joint venture and nonrecurring gains (losses) such as gain on sale of noncurrent asset held for sale (net of capital gains tax), income on rent concessions, gain on derecognition of contingent consideration, gain on settlement of STI Tanay receivable (net of provision for impairment of noncurrent asset held for sale), gain on foreign exchange differences, fair value gain (loss) on equity instruments at FVPL and loss loan on modification increased from ₱811.7 million for the year ended June 30, 2021 to ₱1,128.6 million for the year ended June 30, 2022.

Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 42% compared to 39% 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 ₱330.8 million for the year ended June 30, 2022 compared to core income for the same period last year of ₱55.4 million.

Years ended June 30, 2021 vs. 2020

The Statements of Comprehensive Income cover reporting periods resulting from the change in the fiscal year-end of the companies in the Group, as discussed in earlier paragraphs. In order to achieve comparability, the Group prepared a voluntary disclosure of operating results for the twelve months ended June 30, 2020. The discussion below summarizes the significant factors affecting the results of operations for the fiscal years ended June 30, 2021 and June 30, 2020.

The enrollment figures at the start of the School Year ("SY") of the schools under STI Holdings are as follows:

	SY 2020-2021	SY 2019-2020	Decrease	
STI ESG			Enrollees	Percentage
Owned schools	39,890	44,811	4,921	11%
Franchised schools	22,600	29,987	7,387	25%
	62,490	74,798	12,308	16%
iACADEMY	2,149	2,566	417	16%
STI WNU	5,584	6,603	1,019	15%
Total Enrollees	**70,223**	**83,967**	**13,744**	**16%**

Grouping the students in terms of 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 2020-2021			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	35,412	1,036	26,042	62,490
iACADEMY	1,383	-	766	2,149
STI WNU	3,381	-	2,203	5,584
Total	**40,176**	**1,036**	**29,011**	**70,223**
Proportion of CHED:TESDA:DepEd	**57%**	**2%**	**41%**	**100%**

	SY 2019-2020			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	40,737	2,152	31,909	74,798
iACADEMY	1,421	-	1,145	2,566
STI WNU	3,744	-	2,859	6,603
Total	**45,902**	**2,152**	**35,913**	**83,967**

Proportion of

CHED:TESDA:DepEd	**55%**	**2%**	**43%**	**100%**

** STI ESG DepEd count includes 25,801 SHS students and the 241 students of NAMEI who are enrolled in basic education in SY 2020-2021 and 31,455 SHS students and the 454 students of NAMEI who are enrolled in basic education in SY 2019-2020. For iACADEMY, this represents the number of enrolled SHS students while for STI WNU, this is the total of 1,470 SHS students and the 733 students enrolled in basic education in SY 2020-2021 and 1,874 SHS students and the 985 students enrolled in basic education in SY 2019-2020.*

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

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

The tertiary students were given three options to finish the second semester of SY 2019-2020, namely (1) online learning for those who are willing to and can go online, may finish all their lessons via eLMS; (2) offline learning for those who are willing to continue and finish all their lessons but cannot go online, in which case handouts were provided to the students; or (3) face-to-face for those who cannot go online and opt to wait until STI ESG and STI WNU could resume classes under the "new normal" operations with face-to-face classes combined with applicable learning modes. Classes of students who opted for online and offline studies resumed in the third week of May 2020 and were completed as at July 30, 2020, while those who opted for face-to-face classes later took their classes online and completed the same during the first semester of SY 2020-2021.

For iACADEMY, the school calendars for SY 2019-2020 of SHS and tertiary enrollees were originally set from August 2019 to May 2020 and July 2019 to June 2020, respectively. Classes for SHS and Tertiary students were suspended due to the implementation of the ECQ in March 2020. SHS Modular classes of those who opted for online and offline studies resumed on April 15, 2020 and were completed on June 5, 2020 for Grade 12 students and June 11, 2020 for Grade 11 students. For tertiary, online classes resumed on April 15, 2020 and the school year was completed on July 15, 2020.

Face-to-face classes remained suspended and thus the Group has continued to conduct classes online as at June 30, 2021.

The consolidated gross revenues of the Group for the year ended June 30, 2021 amounted to ₱2,090.6 million compared to ₱2,526.9 million for the year ended June 30, 2020.

Tuition and other school fees amounted to ₱1,882.7 million for the year ended June 30, 2021, a decline of ₱374.8 million or 17% from the same period in 2020, due to the lower number of enrollees brought about by the impact of the COVID-19 pandemic. A survey conducted by STI ESG disclosed that a number of students did not pursue education in SY 2020-2021 because of the financial difficulties experienced by their respective families/benefactors during the year. Despite this, the Group registered an enrollment of over 70,000 students in SY 2020-2021. As part of the Group's continuing efforts to mitigate the impact of the COVID-19 pandemic on the students and their parents, select students enrolled in certain programs enjoyed a refund and/or a tuition fee credit. STI ESG and STI WNU reduced the laboratory fees by up to 35% and other school or miscellaneous fees of SHS, tertiary and basic education students for SY 2020-2021 or by an aggregate amount of ₱82.1 million. Similarly, iACADEMY gave discounts of as much as 6% and 31% on its tuition fees and other school fees, respectively, for SHS students resulting in a 10% reduction on their total fees in SY 2020-2021. In the same manner, iACADEMY granted 50% and 33% discounts on its regular laboratory fees and other school fees, respectively, for its college students. iACADEMY's total foregone revenues for SY 2020-2021 due to the discounts granted amounted to ₱32.0 million. The Group likewise granted a tuition fee adjustment to tertiary students for SY 2019-2020 aggregating to ₱30.2 million.

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

As classes for the entire SY 2020-2021 were held online, sale of educational materials and supplies declined by ₱48.6 million to ₱24.9 million for the year ended June 30, 2021 from ₱73.5 million for the year ended June 30, 2020. Sale of educational materials and supplies recognized in SY 2019-2020 substantially pertains to the sale of uniforms and textbooks while the sale of educational materials and supplies for SY 2020-2021 is largely attributed to the sale of textbooks. The cost of educational materials and supplies sold decreased likewise, concomitant with the decrease in the sale of educational materials and supplies.

Other revenues increased by ₱2.6 million from ₱62.5 million for the year ended June 30, 2020 to ₱65.1 million for the year ended June 30, 2021 largely attributed to the data connectivity costs charged to franchised schools. Data loading to the respective SIM cards of the students is centralized in STI ESG's Head office, thus the equivalent connectivity charges pertaining to franchised schools amounting to ₱21.4 million were recognized as other revenues for the year ended June 30, 2021 in the audited consolidated statements of comprehensive income of the Group. The increase was partially offset by lower recovery of accounts receivable previously written off as compared to the year ended June 30, 2020, as well as lower income from issuance of diplomas, transcript of records and other documents requested by students. Income was also recognized last year in relation to the forfeiture of security deposit on pre-terminated lease contracts on the investment properties of STI ESG.

The cost of educational services is lower by ₱66.0 million from ₱918.2 million to ₱852.2 million for the years ended June 30, 2020 and 2021, respectively. Instructors' salaries and benefits decreased by ₱62.4 million from ₱348.5 million to ₱286.1 million as a result of the optimization of faculty loading in the conduct of synchronous meetings with the students under the new learning modality. Depreciation expense decreased by ₱15.1 million from ₱397.4 million to ₱382.3 million year-on-year, attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets due to terminated lease agreements. The Group adopted PFRS 16 and applied a single recognition and measurement approach for all leases except for short-term leases and recognized ROU assets for the leases previously classified as operating leases. The ROU assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. ROUs are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Courseware development cost amounted to ₱11.2 million for the year ended June 30, 2020 compared to ₱1.8 million for the year ended June 30, 2021. The courseware development cost for SY 2019-2020 includes the curriculum development and implementation of maritime programs of NAMEI. STI ESG, in behalf of NAMEI, and Raft Shore People, Inc. ("RAFT") entered into a Cooperation Agreement to work together to ensure that the seafarers of the Philippines continue to be the preferred employees of international shipping companies. The parties likewise agreed to enhance the curriculum with electives or additional modular courses in keeping with the requirements of the international shipping industry and the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). In light of the effects of the pandemic on the operation of schools and on the economy as a whole, the parties agreed to hold the implementation of the agreement in abeyance. Face-to-face classes remain suspended in order to contain the spread of the virus in the country and thus the Group has continued to conduct classes online as at June 30, 2021. As classes were conducted online, school materials and supplies expense posted a decline of ₱10.3 million from ₱13.9 million to ₱3.6 million for the years ended June 30, 2020 and 2021, respectively. Classes are conducted through various online learning platforms in order to continue the delivery of lessons to the students during the pandemic. However, this posed different risks and challenges for both teachers and students, many of whom have limited access to the internet. As such, the Group provided internet connectivity assistance to its students which amounted to ₱72.2 million for the year ended June 30, 2021.

Gross profit declined from ₱1,552.8 million to ₱1,211.8 million for the years ended June 30, 2020 and 2021, respectively, largely due to the lower number of enrollees.

General and administrative expenses decreased by 16% or ₱189.0 million from ₱1,214.1 million to ₱1,025.1 million for the years ended June 30, 2020 and 2021, respectively. The highest decline was registered by light and water expenses which decreased by ₱69.2 million. For the safety and welfare of its employees and following the regulations of the IATF, the Group deploys only a skeleton workforce in the schools and offices to attend to concerns that need face-to-face coordination. The Group also embraced work-from-home arrangements to the maximum extent possible and likewise optimized its manpower structure resulting in a reduced workforce. Salaries and benefits of non-teaching personnel, as well as security and janitorial expenses, decreased by ₱43.2 million and ₱47.8 million, respectively, for the year ended June 30, 2021 compared to the year ended June 30, 2020. Depreciation expense decreased by ₱16.3 million from ₱248.4 million for the year 2020 to ₱232.1 million for the year 2021 attributed to fully depreciated assets and lower depreciation expense recognized on ROU assets because of terminated lease agreements. The Group recognized a provision for ECL amounting to ₱41.8 million for the year ended June 30, 2021, largely representing ECLs on receivables from students' tuition and other school fees, resulting to a ₱12.9 million decrease from the prior year's ₱54.7 million provision. This is due to the reversal of prior years' provisions amounting to ₱27.5 million reflecting the Group's improved collection efficiency. The Group recognized advertising and promotions expense amounting to ₱53.1 million for the year ended June 30, 2021. Bulk of the marketing activities and programs for SY 2019-2020 were concluded as at June 30, 2019 as classes started in June and July 2019 for SHS and tertiary students, respectively. For SY 2020-2021, classes for both SHS and tertiary students started in September 2020, and as such, marketing activities were mostly conducted from July to September 2020. This resulted in an increase in advertising and promotions expense by ₱25.4 million as compared to ₱27.7 million incurred during the same period in 2020. Provision for impairment of investments in and advances to associates and joint ventures amounting to ₱10.3 million was recognized for the year ended June 30, 2021.

The Group posted an operating income of ₱186.7 million and ₱338.7 million for the years ended June 30, 2021 and 2020, respectively, due to lower revenues caused by lower number of enrollees, as a result of the COVID-19 pandemic.

Equity in net losses of associates amounted to ₱4.6 million for the year ended June 30, 2021 compared to equity in net losses of associates of ₱0.2 million recognized for the year ended June 30, 2020.

Interest expense decreased by ₱4.4 million to ₱337.1 million from ₱341.5 million for the years ended June 30, 2021 and 2020, respectively, resulting substantially from lower interest rates on the Group's loans and the full payment by STI WNU of its interest-bearing loans in January 2021. Drawdowns were made by STI ESG on its Term Loan Facility with China Bank amounting to ₱400.0 million in July 2020, subject to an interest rate of 5.81% per annum. Interest rates for all drawdowns from the Term Loan Facility were repriced at a rate of 5.56% per annum effective September 19, 2020 for STI ESG and 3.3727% per annum for iACADEMY's loan effective September 28, 2020.

Rental income decreased by ₱80.6 million to ₱116.8 million from ₱197.4 million for the years ended June 30, 2021 and 2020, respectively, attributed to vacancies in the investment properties of STI ESG and iACADEMY as a result of pre-termination of and expired lease contracts during the year ended June 30, 2021.

Following the guidelines of PFRS 9, *Financial Instruments*, STI ESG assessed the terms of the new or modified financial liability resulting from the amended maturity date of STI ESG's loan balance under its Corporate Notes Facility Agreement with China Bank. The modifications of the financial liability of STI ESG did not result in derecognition of the original liability as the same are not substantially different from the terms of the original financial liability. Thus, STI ESG recalculated the amortized cost of the financial liability by computing the present value of estimated contractual cash flows that are discounted at the original effective interest rate. Consequently, STI ESG recognized a loss on modification of the loan amounting to ₱8.3 million which is reported in the audited consolidated statement of comprehensive income for the year ended June 30, 2021.

Interest income decreased from ₱10.8 million to ₱5.7 million for the years ended June 30, 2020 and 2021, respectively, as available funds were used to settle obligations with suppliers.

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

The Group applied the practical expedient approach for some rent concessions granted to the Group following the amendments to PFRS 16, *COVID-19-related Rent Concessions* resulting in recognition of other revenues aggregating to ₱39.7 million for the year ended June 30, 2021.

For the year ended June 30, 2020, STI ESG recognized a provision for impairment of its investment in Maestro Holdings in the amount of ₱297.5 million to bring it to its fair value less cost to sell of ₱419.1 million. The decline in fair value as at June 30, 2020 is an impact of the COVID-19 pandemic and the ensuing economic and market disruptions across markets and industries. On December 15, 2020, STI ESG and Chita SPC Limited executed a deed of absolute sale for the sale of STI ESG's 20% ownership in Maestro Holdings, for a price of US$10.0 million. The disposal of STI ESG's 20% ownership in Maestro Holdings resulted in a gain of ₱15.4 million which is recognized and presented as "gain on sale of noncurrent asset held for sale, net of capital gains tax" in the consolidated statement of comprehensive income for the year ended June 30, 2021. The difference between the carrying value of STI ESG's 20% stake in Maestro Holdings of ₱419.1 million as at June 30, 2020 and the equivalent peso selling price of ₱480.5 million amounted to a gain of ₱61.4 million. The capital gains tax of ₱46.0 million represents 15% of ₱306.4 million, which is the difference between STI ESG's acquisition cost of the investment amounting to ₱174.1 million and the selling price recorded at its peso equivalent of ₱480.5 million. The related net foreign exchange gain of ₱3.9 million was recognized for the year ended June 30, 2021 since the sale was settled in US dollars.

Benefit from income tax amounting to ₱76.9 million was recognized for the year ended June 30, 2021, inclusive of the benefit from deferred income tax recognized during the year ended June 30, 2021. The deferred tax asset/liabilities balance was adjusted following the implementation of the CREATE Law which reduced the preferential income tax rate for proprietary educational institutions from 10% to 1% effective July 1, 2020 to June 30, 2023 and the reduction of the income tax rate from 30% to 25% and 20% for the Parent Company and AHC, respectively, effective July 1, 2020.

The Group reported a net income of ₱101.7 million for the year ended June 30, 2021 compared to the net loss amounting to ₱117.5 million last year. Net loss for the year ended June 30, 2020 was largely due to the provision for impairment amounting to ₱297.5 million recognized on STI ESG's investment in Maestro Holdings.

Remeasurement gain on pension liability amounting to ₱15.6 million and remeasurement loss of ₱15.5 million, net of income tax effect, were recorded for the years ended June 30, 2021 and 2020, respectively, due to the movements in value of equity shares forming part of pension assets.

The unrealized fair value adjustment on equity instruments designated at FVOCI amounted to ₱1.2 million for the year ended June 30, 2021 compared to ₱7.6 million for the year ended June 30, 2020, due to the decline in the market value of equity shares as at financial reporting date.

Total comprehensive income amounted to ₱118.5 million for the year ended June 30, 2021 compared to total comprehensive loss of ₱125.4 million for the year ended June 30, 2020.

EBITDA decreased from ₱1,057.1 million for the year ended June 30, 2020 to ₱811.7 million for the year ended June 30, 2021. Depreciation and interest expenses for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively. EBITDA margin is 39% compared to 42% last year.

Core income amounted to ₱55.4 million for the year ended June 30, 2021 compared to ₱180.2 million for the year ended June 30, 2020.

Key Performance Indicators

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

	Formula	June 30, 2024	June 30, 2023
Current Ratio	Current assets Current liabilities	2.08	1.10
Acid Test Ratio	Current assets less inventories, prepayments, noncurrent asset held for sale &equity instruments at FVPL Current liabilities	1.31	0.70
Solvency Ratios			
Debt-to-equity ratio	Total liabilities less unearned tuition & other school fees . Total equity	0.44	0.62

	Formula	June 30, 2024	June 30, 2023
Asset-to-equity ratio	Total assets / Total equity	1.46	1.64
Interest-coverage ratio	EBIDTA for the last 12 months / Interest due in the next 12 months	11.71	7.37
Return on equity	Annualized net income attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	16%	10%
Return on assets	Annualized net income / Average total assets	11%	6%
Net profit margin	Net income after provision for income tax / Total revenues	34%	26%
Other ratios			
EBITDA margin	EBITDA * / Total revenues	53%	48%
Debt service-cover ratio	EBITDA for the last 12 months / Total principal and interest due for the next 12 months	2.86	0.60

**EBITDA is earnings before interest expense, provision for (benefit from) income tax, depreciation and amortization, gain on foreign exchange differences, equity in net losses (earnings) of associates and joint venture, fair value loss on equity instruments at FVPL and nonrecurring gains such as gain on early extinguishment of loan, gain on derecognition of contingent consideration, gain on settlement of receivables (net of provision of for impairment of noncurrent asset held for sale), and income on rent concessions. Depreciation and interest expense for purposes of this computation exclude those related to ROU asses and lease liabilities, respectively.*

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

The Group's current liabilities as at June 30, 2024 are mostly made up of trade liabilities with 30 to 60 day payment terms and the current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. The current liabilities as at June 30, 2023 include STI ESG's series 7-year bonds aggregating to ₱2,180.0 million which matured and was redeemed in full in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to associates and joint venture with credit terms of thirty (30) to one hundred and eighty (180) days.

As at June 30, 2024 and 2023, the Group's current assets amounted to ₱3,679.2 million and ₱3,781.6 million, respectively, while current liabilities amounted to ₱1,770.5 million and ₱3,451.9 million, respectively, with the latter amount inclusive of the ₱2,180.1 million of STI bonds.

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 Chinabank, the DSCR, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. Under the Term Loan Agreements, the debt service cover ratio is equivalent to the EBITDA divided by total interest-bearing debts and interest due in the next twelve months. The Group monitors its debt service cover ratio 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, as at June 30, 2024 and 2023, are 2.39:1.00 and 0.47:1.00, respectively. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR as discussed in Note 18 of the audited consolidated financial statements. STI ESG's DSCR as at June 30, 2024, as defined in the loan agreement, is 2.39:1.00.

The Second Supplemental Trust Agreement replaced the DSCR measure with ICR. STI ESG's ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00 as discussed in Note 19 of the audited consolidated financial statements. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

As at June 30, 2023, iACADEMY is compliant with the DSCR required by the local lender bank. iACADEMY has fully paid its interest-bearing loan as at June 30, 2024.

<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.

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

interest rates. STI ESG's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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

Capital Risk - The Group 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 18 and 19 of the Audited Consolidated Financial Statements). The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender banks, and the STI ESG bondholders. The Group's policy is to keep the debt-to-equity ratio at a level not exceeding 1.50:1.00.

As at June 30, 2024 and 2023, the Group's debt-to-equity ratios are 0.44:1.00 and 0.62:1.00, respectively.

Agreements/Commitments and Contingencies/Other Matters

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

b. Except as provided in Note 34 of the Notes to the Audited Consolidated Financial Statements attached as part of "Exhibits and Schedules," the Group has no other financial and capital commitments.

c. There are no material 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 or uncertainties that will have an impact on the Group's liquidity except for the contingencies and commitments enumerated in Note 34 of the Notes to the Audited Consolidated Financial Statements.

f. The various loan agreements entered into by STI ESG and iACADEMY and the issuance of fixed-rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG and iACADEMY are fully compliant with all the covenants in the loan agreements. Please see Notes 18, 19 and 35 in the Notes to the Audited Consolidated Financial Statements. 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 Group's business is linked to the academic cycle. The academic cycle for SY 2023-204 began in late August 2023 and ended in June 2024 for STI ESG and STI WNU, except for STI WNU's School of Graduate Studies which started classes on September 2, 2023. For SY 2022-2023, the academic year started in late August 2022 for JHS and SHS while the tertiary level began in September 2022. All levels ended their classes in June 2023.

   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, the revenue of the Group is expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.

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 19 of the Audited Consolidated Financial Statements). STI ESG redeemed in full its series 7-year bonds in March 2024.

j. On September 16, 2024, CHED granted STI WNU its autonomous status by virtue of CHED Memorandum Order No. 7, Series of 2024. Autonomous schools have the freedom to open new programs without securing prior approval from CHED, priority in the grant of subsidies and other financial incentives from CHED, and exemption from regular CHED monitoring and evaluation and issuance of Special Order for their graduates, among other benefits.

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

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

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The purchase price of the Subject Property is less than ten percent (10%) of the total assets of STI Holdings. The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

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

On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The purchase price for the School Related Assets is less than ten percent (10%) of the total assets of STI Holdings. The sale and purchase of the School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

As at October 11, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.
On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three years counting from the management commencement date.

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

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

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties, (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at October 11, 2024, STI Holdings has yet to receive the reply of PSBA.

l. STI College San Fernando City, Inc. (STI La Union), a franchised school, informed CHED in June 2021, and DepEd and TESDA in July 2021, of its decision not to accept enrollees for SY 2021-2022. Prior to this, the following owned schools had ceased operations: STI Cebu, STI College Iloilo, Inc. (STI Iloilo), STI College Pagadian, Inc. (STI Pagadian) and STI College Tuguegarao, Inc. (STI Tuguegarao). In addition, the following franchised schools likewise ceased to operate: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and STI College Parañaque, Inc. (STI Parañaque). These schools closed as a result of the pandemic. In SY 2021-2022, NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees for Junior High School (JHS) and SHS only. The grade school students were advised to transfer to another school or refunded the fees paid, if any. For SY2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned by STI ESG. NPIM ceased operations effective June 30, 2022.

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

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

n. 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.

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

- Minimum corporate income tax (MCIT) rate reverted to 2% of gross income from a reduced rate of 1% that was in effect from July 1, 2020 to June 30, 2023.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit reverted to 10% of taxable income following a temporary reduction to 1% effective July 1, 2020 to June 30, 2023.

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

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

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A AS OF 30 JUNE 2024 AND INTERIM FINANCIAL STATEMENTS (SEC FORM 17-Q) AS OF 30 SEPTEMBER 2024, WILL BE PROVIDED WITHOUT CHARGE, TO ANY STOCKHOLDERS OF THE COMPANY UPON WRITTEN REQUEST ADDRESSED TO: ATTY. ARSENIO C. CABRERA, JR., CORPORATE SECRETARY, 5/F SGV II, BUILDING, 6758 AYALA AVENUE, MAKATI CITY 1226, METRO MANILA, PHILIPPINES.

SIGNATURE

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

STI EDUCATION SYSTEMS HOLDINGS, INC.
Issuer

ARSENIO C. CABRERA, JR.
Corporate Secretary

Date: 29 October 2024

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	1	7	4	6

COMPANY NAME

STI EDUCATION SYSTEMS HOLDINGS INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

7th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City 1226

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**CRMD**	**NA**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@stiholdings.com.ph	**(632) 8844 9553**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,264	**Third Friday of November**	**June 30**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Arsenio C. Cabrera, Jr.	accabrera@htc-law.com.ph	**(632) 8813-7111**	**-**

CONTACT PERSON's ADDRESS

5/F SGV-II BUILDING, 6758 AYALA AVENUE, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

STI EDUCATION SYSTEMS HOLDINGS

7th Floor, STI Holdings Center
6764 Ayala Avenue, Makati City
Philippines 1226
Telefax. (632) 844-9553

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **STI Education Systems Holdings, Inc. and subsidiaries (the Group)** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, as at June 30, 2024 and 2023 and for the years ended June 30, 2024, 2023, and 2022, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with the Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

EUSEBIO H. TANCO
Chairman of the Board

MONICO V. JACOB
President and Chief Executive Officer

YOLANDA M. BAUTISTA
Treasurer and Chief Financial Officer

Signed this 25 OCT 2024 day of October 2024

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

SUBSCRIBED AND SWORN to me this 25 OCT 2024 day of ______, 2024 at MAKATI CITY City. Affiants exhibited to me their respective Passport/SSS Numbers as follows:

Name	Number	Date/Place of Issuance
Eusebio H. Tanco	Passport No. PO992946B	11/03/19, DFA Manila
Monico V. Jacob	Passport No. P6179864B	01/26/21, DFA NCR East
Yolanda M. Bautista	SSS No. 03-2678038-9	Makati City

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Page No. 55
Book No. L
Series of 2024

MA. ESMERALDA R. CUNANAN
Notary Public for and in Makati City
Until December 31, 2025
Appt. No. M-013 (2024-2025) Makati City
Attorney's Roll No. 34562
MCLE Compliance No. VII-0004035/valid until 4-14-2025
PTR No. 10074031/1-2-2024/Makati City
IBP Lifetime Member No. 05413
G/F Dela Rosa Carpark I, Dela Rosa St.
Legaspi Village, Makati City

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

Opinion

We have audited the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at June 30, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended June 30, 2024 and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended June 30, 2024, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Adequacy of Allowance for Expected Credit Losses on Receivables

The Group's application of the expected credit loss (ECL) model in calculating the allowance for doubtful accounts is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures, defining default, determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts and incorporating forward-looking information (called overlays) in calculating ECL. The Group's allowance for ECL and provision for ECL on receivables as of and for the year ended June 30, 2024 amounted to ₱227.4 million and ₱30.5 million, respectively.

The disclosures on allowance for expected credit losses are included in Notes 4 and 6 to the consolidated financial statements.

Audit response

We obtained an understanding of the methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9, *Financial Instruments,* to reflect an unbiased and probability-weighted outcome, the time value of money, and the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default against historical analysis of accounts and credit risk management policies and practices in place; (c) tested historical loss rates by inspecting historical recoveries and write-offs; (d) checked the classification of outstanding exposures to their corresponding aging buckets; and (e) evaluated the forward-looking information used for overlay through statistical test and corroboration using publicly available information and our understanding of the Group's receivable portfolios.

Further, we checked the data used in the ECL models, such as the historical aging analysis and default and recovery data, by reconciling data from source system reports to the loss allowance analysis/models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis.

We recalculated impairment provisions on a sample basis. We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Recoverability of Goodwill

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. As at June 30, 2024, the Group's goodwill attributable to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination (i.e., each school operation) amounted to ₱252.3 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgments and is based on assumptions, specifically forecasted revenue growth, long-term growth rate and discount rate.

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

Audit response

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

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended June 30, 2024 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended June 30, 2024, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Loubelle V. Mendoza.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-145-2024, July 18, 2024, valid until July 17, 2027
PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱1,855,500,909**	₱1,958,767,553
Receivables (Note 6)	**466,906,156**	470,634,562
Inventories (Note 7)	**157,140,374**	129,498,300
Prepaid expenses and other current assets (Note 8)	**170,794,876**	192,952,697
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**8,137,500**	8,990,000
	2,658,479,815	2,760,843,112
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,020,728,064
Total Current Assets	**3,679,207,879**	3,781,571,176
Noncurrent Assets		
Property and equipment (Notes 11 and 29)	**9,926,170,807**	9,684,707,918
Investment properties (Note 12)	**1,187,012,953**	1,037,538,155
Investments in and advances to associates and joint venture (Notes 13 and 14)	**21,108,679**	20,749,617
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 15)	**76,670,624**	72,061,627
Deferred tax assets - net (Notes 3 and 30)	**43,029,099**	50,743,290
Goodwill, intangible and other noncurrent assets (Note 16)	**508,621,805**	435,809,520
Total Noncurrent Assets	**11,762,613,967**	11,301,610,127
TOTAL ASSETS	**₱15,441,821,846**	₱15,083,181,303
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of bonds payable (Note 19)	**₱–**	₱2,175,083,335
Accounts payable and other current liabilities (Note 17)	**942,427,213**	773,228,468
Current portion of interest-bearing loans and borrowings (Note 18)	**536,274,021**	262,837,889
Unearned tuition and other school fees (Note 22)	**179,614,183**	141,137,203
Current portion of lease liabilities (Note 29)	**86,894,606**	98,513,595
Income tax payable	**25,297,811**	1,086,546
Total Current Liabilities	**1,770,507,834**	3,451,887,036
Noncurrent Liabilities		
Bonds payable (Note 19)	**814,967,275**	813,339,649
Interest-bearing loans and borrowings - net of current portion (Note 18)	**1,549,840,391**	808,707,735
Lease liabilities - net of current portion (Note 29)	**403,178,658**	438,246,184
Pension liabilities - net (Note 28)	**129,780,991**	139,799,322
Deferred tax liabilities - net (Note 30)	**110,477,037**	109,306,874
Other noncurrent liabilities (Note 20)	**90,693,651**	112,084,004
Total Noncurrent Liabilities	**3,098,938,003**	2,421,483,768
Total Liabilities *(Carried Forward)*	**4,869,445,837**	5,873,370,804

	June 30	
	2024	2023
Total Liabilities *(Brought Forward)*	**₱4,869,445,837**	₱5,873,370,804
Equity Attributable to Equity Holders of the Parent Company (Note 21)		
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 (Note 28)	**44,378,717**	5,481,945
Unrealized fair value adjustment on equity instruments at FVOCI (Note 15)	**20,349,810**	15,104,760
Other equity reserve	**(1,686,369,660)**	(1,686,369,660)
Share in associates':		
Cumulative actuarial gain (Note 13)	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 13)	**(114)**	(114)
Retained earnings	**6,529,002,580**	5,219,942,618
Total Equity Attributable to Equity Holders of the Parent Company	**10,481,070,744**	9,127,868,960
Equity Attributable to Non-controlling Interests (Note 21)	**91,305,265**	81,941,539
Total Equity	**10,572,376,009**	9,209,810,499
TOTAL LIABILITIES AND EQUITY	**₱15,441,821,846**	₱15,083,181,303

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended June 30		
	2024	2023	2022
REVENUES (Note 22)			
Sale of services:			
Tuition and other school fees	**₱4,302,280,455**	₱3,073,613,413	₱2,436,975,046
Educational services	**175,161,712**	149,075,492	125,387,103
Royalty fees	**17,314,956**	14,736,299	12,386,738
Others	**72,480,280**	53,066,737	73,548,480
Sale of educational materials and supplies	**133,086,265**	114,976,012	29,334,526
	4,700,323,668	3,405,467,953	2,677,631,893
COSTS AND EXPENSES			
Cost of educational services (Note 24)	**1,318,252,381**	1,040,010,599	955,509,592
Cost of educational materials and supplies sold (Note 25)	**102,702,452**	90,603,824	24,171,066
General and administrative expenses (Note 26)	**1,498,548,715**	1,330,808,026	1,129,340,841
	2,919,503,548	2,461,422,449	2,109,021,499
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**1,780,820,120**	944,045,504	568,610,394
OTHER INCOME (EXPENSES)			
Interest expense (Note 18, 19, 23 and 29)	**(293,301,395)**	(311,019,124)	(313,339,583)
Rental income (Notes 12, 29 and 31)	**197,888,955**	178,082,749	71,020,655
Interest income (Notes 5, 6, 10 and 23)	**57,677,714**	22,595,338	38,060,878
Foreign exchange gain – net	**17,257,709**	2,455,311	45,835,968
Recovery of accounts written off (Note 6)	**6,526,844**	11,326,257	9,722,680
Dividend income (Notes 9 and 15)	**2,890,090**	2,495,044	1,206,828
Equity in net earnings (losses) of associates and joint venture (Note 13)	**2,009,402**	2,258,739	(20,242,197)
Fair value loss on equity instruments at FVPL (Note 9)	**(852,500)**	(620,000)	(387,500)
Gain on:			
Early extinguishment of loan (Note 18)	**3,076,465**	–	–
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	–	10,832,534
Derecognition of contingent consideration (Notes 17 and 34)	**–**	–	25,000,000
Other income (expenses) - net (Note 29)	**(574,027)**	6,490,801	(9,277,015)
	(7,400,743)	(85,934,885)	(141,566,752)
INCOME BEFORE INCOME TAX	**1,773,419,377**	858,110,619	427,043,642
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	**160,530,048**	10,017,458	4,088,974
Deferred	**4,538,331**	(25,741,122)	6,711,275
	165,068,379	(15,723,664)	10,800,249
NET INCOME *(Carried Forward)*	**1,608,350,998**	873,834,283	416,243,393

	Years Ended June 30		
	2024	2023	2022
NET INCOME *(Brought Forward)*	**₱1,608,350,998**	₱873,834,283	₱416,243,393
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain (loss) on pension liabilities (Note 28)	**43,734,635**	(18,793,451)	8,639,206
Income tax effect	**(4,346,024)**	1,885,573	(182,627)
Fair value change in equity instruments at FVOCI (Note 15)	**5,315,161**	1,872,852	1,141,043
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	**44,703,772**	(15,035,026)	9,597,622
TOTAL COMPREHENSIVE INCOME	**₱1,653,054,770**	₱858,799,257	₱425,841,015
Net Income Attributable To			
Equity holders of the Parent Company	**₱1,591,191,183**	₱870,268,404	₱414,028,434
Non-controlling interests	**17,159,815**	3,565,879	2,214,959
	₱1,608,350,998	₱873,834,283	₱416,243,393
Total Comprehensive Income Attributable To			
Equity holders of the Parent Company	**₱1,635,333,005**	₱855,341,131	₱423,521,830
Non-controlling interests	**17,721,765**	3,458,126	2,319,185
	₱1,653,054,770	₱858,799,257	₱425,841,015
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 32)	**₱0.16**	₱0.09	₱0.04

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED JUNE 30, 2024, 2023 AND 2022

	Equity Attributable to Equity Holders of the Parent Company (Note 21)											
	Capital Stock	Additional Paid-in Capital	Cost of Shares Held by a Subsidiary	Cumulative Actuarial Gain (Note 28)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 15)	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 (Note 21)	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	–	–	–	–	–	–	–	–	**1,591,191,183**	**1,591,191,183**	**17,159,815**	**1,608,350,998**
Other comprehensive income	–	–	–	**38,896,772**	**5,245,050**	–	–	–	–	**44,141,822**	**561,950**	**44,703,772**
Total comprehensive income	–	–	–	**38,896,772**	**5,245,050**	–	–	–	**1,591,191,183**	**1,635,333,005**	**17,721,765**	**1,653,054,770**
Dividend declaration	–	–	–	–	–	–	–	–	**(282,131,221)**	**(282,131,221)**	–	**(282,131,221)**
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	**(8,358,039)**	**(8,358,039)**
Balance at June 30, 2024	**₱4,952,403,462**	**₱1,119,127,301**	**(₱498,142,921)**	**₱44,378,717**	**₱20,349,810**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱6,529,002,580**	**₱10,481,070,744**	**₱91,305,265**	**₱10,572,376,009**
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	–	–	–	–	–	–	–	–	870,268,404	870,268,404	3,565,879	873,834,283
Other comprehensive income	–	–	–	(16,776,920)	1,849,647	–	–	–	–	(14,927,273)	(107,753)	(15,035,026)
Total comprehensive income	–	–	–	(16,776,920)	1,849,647	–	–	–	870,268,404	855,341,131	3,458,126	858,799,257
Dividend declaration	–	–	–	–	–	–	–	–	(141,065,611)	(141,065,611)	–	(141,065,611)
Transfer of remeasurement gain on pension liabilities to retained earnings	–	–	–	(5,405,677)	–	–	–	–	5,405,677	–	–	–
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	(2,887,789)	(2,887,789)
Balance at June 30, 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
Balance at July 1, 2021	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱19,277,239	₱12,149,020	(₱1,670,477,910)	₱321,569	(₱114)	₱4,165,349,454	₱8,100,007,100	₱81,152,838	₱8,181,159,938
Net income	–	–	–	–	–	–	–	–	414,028,434	414,028,434	2,214,959	416,243,393
Other comprehensive income	–	–	–	8,387,303	1,106,093	–	–	–	–	9,493,396	104,226	9,597,622
Total comprehensive income	–	–	–	8,387,303	1,106,093	–	–	–	414,028,434	423,521,830	2,319,185	425,841,015
Dividend declaration	–	–	–	–	–	–	–	–	(94,043,740)	(94,043,740)	–	(94,043,740)
Acquisition of De Los Santos-STI College minority shares of stock (Note 21)	–	–	–	–	–	(15,891,750)	–	–	–	(15,891,750)	(74,378)	(15,966,128)
Share of non-controlling interest on dividends declared by a subsidiary (Note 21)	–	–	–	–	–	–	–	–	–	–	(2,026,443)	(2,026,443)
Balance at June 30, 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

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,773,419,377**	₱858,110,619	₱427,043,642
Adjustments to reconcile income before income tax to net cash flows:			
Depreciation and amortization (Notes 11, 12, 16, 24 and 26)	**625,124,560**	613,400,100	599,456,835
Interest expense (Notes 18, 19, 23 and 29)	**293,301,395**	311,019,124	313,339,583
Interest income (Notes 5, 6, 10 and 23)	**(57,677,714)**	(22,595,338)	(38,060,878)
Net change in net pension liabilities (Note 28)	**33,716,304**	12,350,444	11,885,169
Dividend income (Notes 9 and 15)	**(2,890,090)**	(2,495,044)	(1,206,828)
Unrealized foreign exchange gain – net	**(7,993,470)**	(2,338,828)	(44,559,464)
Equity in net losses (earnings) of associates and joint venture (Note 13)	**(2,009,402)**	(2,258,739)	20,242,197
Fair value loss on equity instruments at FVPL (Note 9)	**852,500**	620,000	387,500
Gain on:			
Early extinguishment of loan	**(3,076,465)**	–	–
Sale of property and equipment	**(485,335)**	(826,707)	(1,634,265)
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (Notes 10 and 12)	**–**	–	(10,832,534)
Provision for impairment of:			
Goodwill (Notes 16 and 26)	**14,268,891**	–	3,806,174
Investments in and advances to associates and joint venture (Notes 13 and 26)	**1,650,340**	–	–
Derecognition of contingent consideration (Notes 17 and 34)	**–**	–	(25,000,000)
Income on rent concessions (Note 29)	**–**	–	(6,054,606)
Operating income before working capital changes	**2,668,200,891**	1,764,985,631	1,248,812,525
Decrease (increase) in:			
Receivables	**(41,220,119)**	33,687,911	(62,665,075)
Inventories	**(27,642,073)**	29,647,945	20,585,916
Prepaid expenses and other current assets	**(37,353,753)**	(87,582,686)	(20,929,696)
Increase (decrease) in:			
Accounts payable and other current liabilities	**122,795,329**	(8,434,772)	(99,287,435)
Unearned tuition and other school fees	**81,844,568**	44,988,021	15,087,482
Other noncurrent liabilities	**(21,390,354)**	88,727,969	10,394,664
Net cash generated from operations	**2,745,234,489**	1,866,020,019	1,111,998,381
Income tax paid	**(76,745,411)**	(3,101,596)	(3,627,008)
Interest received	**56,033,045**	22,402,910	20,968,006
Net cash provided by operating activities	**2,724,522,123**	1,885,321,333	1,129,339,379
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment (Notes 11 and 37)	**(931,528,841)**	(332,240,724)	(121,215,122)
Investment properties (Notes 12 and 37)	**(742,694)**	(147,999,761)	(34,230,335)
Subsidiary, net of cash received (Note 39)	**27,652**	9,232,049	–
Equity instruments at FVPL (Note 9)	**–**	–	(9,997,500)
Acquisition of/payments for intangible and other noncurrent assets	**(108,399,492)**	(49,262,888)	(9,082,578)
Proceeds from:			
Sale of property and equipment	**508,916**	826,964	1,652,430
Sale of noncurrent asset held for sale (Note 10)	**–**	19,000,000	–
Dividends received (Notes 9 and 15)	**2,890,090**	2,495,944	1,998,712
Net cash used in investing activities	**(1,037,244,369)**	(497,948,416)	(170,874,393)

(Forward)

	Years Ended June 30		
	2024	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Bonds (Note 19)	**(₱2,180,000,000)**	₱–	₱–
Long-term loans (Note 18)	**(473,050,203)**	(459,544,756)	(449,544,753)
Dividends (Note 21)	**(287,597,966)**	(142,953,699)	(95,665,835)
Interests	**(224,187,601)**	(263,727,425)	(281,249,555)
Lease liabilities (Note 29)	**(122,452,098)**	(133,436,395)	(78,349,815)
Net proceeds from availment of long-term loans (Note 18)	**1,488,750,000**	–	–
Net cash used in financing activities	**(1,798,537,868)**	(999,662,275)	(904,809,958)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**7,993,470**	2,338,828	44,559,464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(103,266,644)**	390,049,470	98,214,492
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,958,767,553**	1,568,718,083	1,470,503,591
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱1,855,500,909**	₱1,958,767,553	₱1,568,718,083

See accompanying Notes to Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO 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.

   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 June 30, 2024 and 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. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

   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, 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 the Commission on Higher Education (CHED) and the SEC on March 15, 2011 and May 6, 2011, respectively.
- Phase 2: The merger of one (1) majority owned school and eight (8) wholly-owned pre-operating schools with STI ESG, with STI ESG as the surviving entity. The Phase 2 merger was approved by 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 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 October 11, 2024, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by 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 Republic Act (RA) No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, 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 of October 11, 2024, STI ESG has not received the CARs from the BIR.

STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and the Department of Education (DepEd) and the Technical Education and Skills Development Authority (TESDA) in July 2021, of its decision not to accept enrollees for SY 2021-2022. Previous to this, the following owned schools have ceased operations: STI Cebu, STI College Iloilo, Inc. (STI Iloilo), STI College Pagadian, Inc. (STI Pagadian) and STI College Tuguegarao, Inc. (STI Tuguegarao). In addition, the following franchised schools likewise ceased to operate: STI College Bohol, Inc. (STI Bohol), STI College Recto, Inc. (STI Recto), Sungold Technologies, Inc. (STI Zamboanga), STI College Pasay, Inc. (STI Pasay), STI College Dipolog, Inc. (STI Dipolog), STI College San Francisco, Inc. (STI San Francisco) and STI College Parañaque, Inc. (STI Parañaque). These schools closed as a result of the pandemic. In SY 2021-2022, NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) accepted enrollees for Junior High School (JHS) and SHS only. The grade school students were advised to transfer to another school or 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 by STI ESG. NPIM ceased operations effective June 30, 2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of the STI schools mentioned above did not have a material financial impact on the Group.

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

In a meeting held on November 29, 2023, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.”, (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and end on June 30 of the following year, among others. As at October 11, 2024, the amendments are pending approval by the SEC. In April 2024, STI Quezon Avenue requested the endorsements of CHED, TESDA and DepEd of its proposed amendments in connection with its application with the SEC to amend its Articles of Incorporation and By Laws with the proposed amendments. As at October 11, 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 60.0% 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 (see Note 39).

As at June 30, 2024, STI ESG’s network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

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 June 30, 2024 and 2023, liability for contingent consideration recognized as “Nontrade payable” amounted to ₱17.0 million (see Notes 17 and 34). As at June 30, 2024 and 2023, the Parent Company owns 99.9% of STI WNU.

STI WNU owns and operates STI West Negros University in Bacolod City. It offers primary, JHS and SHS, tertiary and post-graduate programs. It also provides technical-vocational education training services under TESDA and/or operates a Training Center as well as an Assessment Center in relation to the said services.

On September 16, 2024, CHED granted STI WNU its autonomous status by virtue of CHED Memorandum Order No. 7 Series of 2024. Autonomous schools have the freedom to open new programs without securing prior approval from CHED, priority in the grant of subsidies, and other financial incentives from CHED, and exemption from regular CHED monitoring and evaluation and issuance of Special Order for their graduates, among other benefits.

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

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 and Data Science. 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 two strategically located facilities: the Nexus building along Yakal Street in Makati City and the 5th Floor of Filinvest Cebu Cyberzone Tower Two Cor W. Geonzon St., Cebu IT Park, Apas, 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 filed with the SEC on January 24, 2018 and was approved 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 September 4, 2024, iACADEMY duly settled the applicable transfer taxes and Registry of Deeds fees associated with the transfer of title from Neschester to iACADEMY. The Registry of Deeds officially issued the Transfer Certificate of Title in the name of iACADEMY in October 2024.

On June 1, 2022, the BOG and stockholders of iACADEMY, at separate meetings, approved the amendments in its Articles of Incorporation 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 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 34).

Since February 2015, STI Holdings owns 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 34).

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.

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD of STI Holdings on October 11, 2024.

2. Basis of Preparation and Material Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for 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 consolidated financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest peso, except when otherwise indicated.

Seasonality of Operations

The Group's business is linked to the academic cycle which spans one academic year. The academic cycle for 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 full conduct of face-to-face classes while classes for SY 2023-2024 were all conducted face-to-face for STI ESG and STI WNU, whereas iACADEMY implemented the Hybrid Learning Format.

STI ESG and STI WNU continued to implement the ONline and ONsite Education at STI (ONE STI) Learning Model that was introduced in SY 2020-2021 and continued through SY 2021-2022. This model was in response to stringent social distancing measures including but not limited to class suspension, prohibition of mass gatherings, and imposition of community quarantine, among others, which were implemented to contain the outbreak of the Coronavirus Disease 2019 (COVID-19). The

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

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

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

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. Meanwhile, SHS followed the Hybrid Learning setup until the end of SY 2022-2023. This allowed grades 11 and 12 students to alternately attend onsite and online classes throughout the week according to a definite schedule. Both the Hyflex and Hybrid Learning Models combine face-to-face and online remote instructions. Classes and learning activities were conducted in-person, synchronously online, and asynchronously online using various learning technologies while classes for specialized and contextualized subjects like Science and ICT, were held onsite in the laboratories. Under the Hyflex Learning Model, students had the flexibility to choose between attending in-person or online classes. This flexibility was not available in the Hybrid Learning Format, where students followed a fixed schedule alternating between onsite and online classes. The Hyflex model offered greater adaptability during the peak of the COVID-19 pandemic when stringent measures were in place. Classes for SHS and tertiary started on August 2, 2022 and August 30, 2022, respectively in SY 2022-2023. 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 remains committed to ensuring adherence to the guidelines set by the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF), CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information and guidance on the conduct of face-to-face classes.

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

Statement of Compliance

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

Basis of Consolidation

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The subsidiaries of STI Holdings, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership					
		2024		2023		2022	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
STI ESG	Educational Institution	**99**	**–**	99	–	99	–
STI WNU	Educational Institution	**99**	**–**	99	–	99	–
iACADEMY	Educational Institution	**100**	**–**	100	–	100	–
AHC	Holding Company	**100**	**–**	100	–	100	–

(Forward)

Subsidiaries	Principal Activities	Effective Percentage of Ownership 2024 Direct	2024 Indirect	2023 Direct	2023 Indirect	2022 Direct	2022 Indirect
STI College Batangas, Inc. (STI Batangas)	Educational Institution	**–**	**99**	–	99	–	99
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	**–**	**99**	–	99	–	99
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	**–**	**99**	–	99	–	99
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	**–**	**99**	–	99	–	99
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	**–**	**99**	–	99	–	99
STI Iloilo	Educational Institution	**–**	**99**	–	99	–	99
STI Lipa, Inc. (STI Lipa)	Educational Institution	**–**	**99**	–	99	–	99
STI Pagadian	Educational Institution	**–**	**99**	–	99	–	99
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	**–**	**99**	–	99	–	99
STI Tuguegarao	Educational Institution	**–**	**99**	–	99	–	99
NAMEI Polytechnic Institute, Inc.	Educational Institution	**–**	**93**	–	93	–	93
NPIM [(b)]	Educational Institution	**–**	**99**	–	99	–	99
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	**–**	**99**	–	99	–	99
STI Alabang [(d)]	Educational Institution	**–**	**99**	–	99	–	39
STI Quezon Avenue [(e)]	Educational Institution	**–**	**99**	–	99	–	99
Clinquant Holdings, Inc (CHI) [(f)]	Investment Company	**–**	**99**	–	–	–	–

[(a)] A subsidiary of STI ESG through a management contract.
[(b)] NPIM ceased operations effective June 30, 2022.
[(c)] In June 2016, De Los Santos-STI College advised 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 (see Note 21). De Los Santos-STI College has not resumed its school operations as at October 11, 2024.
[(d)] On March 16, 2023, STI ESG acquired 60.0% of the issued and outstanding capital stock of STI Alabang from the former franchisee (see Notes 13, 16, 31 and 39). STI Alabang became a wholly-owned subsidiary of STI ESG effective March 31, 2023.
[(e)] A wholly-owned subsidiary of De Los Santos-STI College.
[(f)] On June 20, 2024, STI ESG and Total Consolidated Asset Management, Inc. (TCAMI) executed a deed of absolute sale for STI ESG's acquisition of 100.0% of the total issued and outstanding capital stock of TCAMI's subsidiary, CHI. CHI became a wholly-owned subsidiary as at June 30, 2024 (see Notes 11 and 39).

Accounting Policies of Subsidiaries. The separate financial statements of subsidiaries are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidated financial statements include the accounts of STI ESG and its subsidiaries as at June 30, except for the accounts of STI Tuguegarao and STI Iloilo whose financial reporting date ends on December 31, and STI Batangas, STI Novaliches, STI Tanauan, STI Lipa, STI Pagadian, STI Sta. Maria, De Los Santos-STI College and STI Quezon Avenue whose financial reporting date ends on March 31. Adjustments are made for the effects of significant transactions or events that occur between the financial reporting date of the aforementioned subsidiaries and the financial reporting date of the Group's consolidated financial statements.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Parent Company and are presented in the profit or loss and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company.

On transactions with non-controlling interests without loss of control, the difference between the fair value of the consideration and the book value of the share in the net assets acquired or disposed is treated as an equity transaction and is presented as part of "Other equity reserve" within the equity section in the consolidated statement of financial position.

Changes in Accounting Policies and Disclosures

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

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

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

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

  The amendments to the Practice Statement provide non-mandatory guidance. The amendments had an impact on the Group's accounting policy disclosures, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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 consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective for Fiscal Year 2025

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

Effective for Fiscal Year 2026

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

Deferred effectivity

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to June 30, 2024 on its consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Business Combination Involving Entities under Common Control
Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory (business combinations under common control), the Group may account such business combinations under the acquisition method of accounting or pooling of interests method, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered.

In cases where the business combination has no substance, the Group shall account for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction, the difference in the amount recognized and the fair value of the consideration received, is also accounted for as an equity transaction. The Group records the difference as excess of consideration over carrying amount of disposed subsidiary and presents as separate component of equity in the consolidated statement of financial position.

Comparatives shall be restated to include balances and transactions of the entities that had been acquired at the beginning of the earliest period presented as if the companies had always been combined.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments,* is measured at fair value with changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill acquired in a business combination is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed).

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

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

   Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL).

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

   In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. It is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), and
- Financial assets at FVPL

a. *Financial assets at amortized cost (debt instruments).* The Group measures financial assets at amortized cost if both of the following conditions are met:

    - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
    - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

    Financial assets at amortized cost are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

    As at June 30, 2024 and 2023, the Group's financial assets at amortized cost include cash and cash equivalents, receivables (except for advances to officers and employees) and rental and utility deposits under "Goodwill, intangible and other noncurrent assets" account.

b. *Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).* Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading nor are contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

    Gains and losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Equity instruments at FVOCI are not subject to impairment assessment.

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

c. *Financial assets at FVPL.* Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

   Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

   As at June 30, 2024 and 2023, the Group's listed equity investments for trading are classified as financial assets at FVPL.

Impairment of Financial Assets. The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs for receivables from students. Therefore, the Group does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As for the other financial assets, the Group applied a general approach in the calculation since these accounts had no significant deterioration in credit risk since their initial recognition.

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

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;
- The Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

b. Financial liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, or as other financial liabilities.

The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, net of directly attributable transaction costs which include STI ESG's bond issuance costs, such as, taxes and various fees paid to investment banks, law firms, auditors, regulators, and so on.

As at June 30, 2024 and 2023, the Group does not have financial liabilities at FVPL. The Group's financial liabilities include accounts payable and other current liabilities (except for statutory payables and advance rent), non-trade payable, bonds payable, interest-bearing loans and borrowings, lease liabilities and other non-current liabilities (except for advance rent, deferred lease liability and deferred output VAT) as at June 30, 2024 and 2023 are measured at amortized cost.

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

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statement of comprehensive income.

Other financial liabilities include interest-bearing loans and borrowings, bonds payable, accounts payable and other current liabilities (excluding government and other statutory liabilities), lease liabilities, and other noncurrent liabilities (excluding advance rent and deferred lease liability).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.0% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method. The NRV of educational materials is the selling price in the ordinary course of business, less estimated costs necessary to make the sale. The NRV of promotional materials and school materials and supplies is the current replacement cost.

Prepaid Expenses and Other Current Assets
Prepaid expenses are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months or within the normal operating cycle.

Creditable Withholding Taxes (CWT). CWT represents the amount of tax withheld by counterparties from the Group. These are recognized upon collection and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWT is presented as part of “Prepaid taxes” under the “Prepaid expenses and other current assets” account in the consolidated statement of financial position. CWT is stated at its estimated NRV.

Noncurrent Asset Held for Sale
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such noncurrent asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale.

The criteria for held for sale classification are regarded as met only when the asset is available for immediate sale in its present condition and the sale is highly probable. Management must be committed to a plan to sell, which is expected to be completed within one year from the date of the classification, and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. Actions required to complete the plan to sell should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Investment properties are not depreciated or amortized once classified as held for sale. Noncurrent asset held for sale is presented separately as part of current assets in the consolidated statement of financial position.

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

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

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

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

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

Asset Type	Number of Years
Buildings	20 to 25 years
Office and school equipment	3 to 15 years
Office and school furniture and fixtures	3 to 5 years
Leasehold improvements	5 years or terms of the lease agreement, whichever is shorter
Transportation equipment	3 to 5 years
Computer equipment and peripherals	3 years
Library holdings	5 years
Renewable energy equipment	5 years
Machineries and equipment	10 years
Right-of-use asset - land	25 years
Right-of-use asset - building	2 to 10 years
Right-of-use asset - transportation equipment	3 to 5 years

The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the periods and depreciation and amortization method are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for operational use.

Investment Properties

Investment properties include land and office condominium units and buildings held by the Group for capital appreciation and rental purposes. Investment properties also include a right-of-use asset involving a building that is being subleased. Buildings are carried at cost less accumulated depreciation and any impairment in value, while land is carried at cost less any impairment in value. The carrying amount includes the cost of constructing a significant portion of an existing investment property if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Depreciation of office condominium units and buildings is computed on a straight-line basis over 20 to 25 years. Unless the Group is reasonably certain to obtain ownership of the leased building at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. The asset's useful life and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of the property for subsequent accounting is its carrying value at the date of the change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Construction-in-progress represents structures under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs, including any interest on borrowed funds during the construction period. Construction-in-progress is not depreciated until the relevant assets are completed and become available for use, capital appreciation or rental purposes.

Asset Acquisition

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

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

Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group has interest in Philippine Healthcare Educators, Inc. (PHEI) a joint venture company. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in associates and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in the OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial reporting dates of the associates, joint venture and the Parent Company are identical, except for Global Resource for Outsourced Workers, Inc. (GROW) and PHEI which follow December 31 and March 31, as their financial reporting dates, respectively, and the associates' and joint venture accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Adjustments are made for the Group's share in the effects of significant transactions or events that occur between the financial reporting date of the above-mentioned associates and joint venture and the financial reporting date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on its investment in associates and joint venture. The Group determines at each financial reporting date whether there is any objective evidence that the investment in associates and joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognizes the amount in profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The associates of STI ESG, which are all incorporated in the Philippines, are as follows:

		Effective Percentage of Ownership		
Associate	**Principal Activities**	**2024**	2023	2022
Accent Healthcare/STI-Banawe, Inc. (STI Accent) [a]	Medical and related services	**49**	49	49
STI – College Marikina, Inc. (STI Marikina)	Educational Institution	**24**	24	24
GROW	Recruitment Agency	**20**	20	20
STI Alabang [b]	Educational Institution	**–**	–	40

[a] *Dormant entity*

[b] *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 effective March 31, 2023.*

<u>Intangible Assets</u>

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization in the case of intangible assets with finite lives, and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group has assessed that the useful life of intangible assets having a finite useful life to be the shorter of its contractual term or economic life. Amortization is on a straight-line basis over the estimated useful lives of three (3) years.

Impairment of Nonfinancial Assets
The carrying values of investments in and advances to associates and joint ventures, property and equipment, investment properties, intangible assets and advances to suppliers are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs. Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Provisions for impairment are recognized in the consolidated statement of comprehensive income in the expense categories consistent with the function of the impaired asset, except for assets previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

For nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGUs, to which goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or group of CGUs) to which the goodwill has been allocated, an impairment loss is recognized in the consolidated statement of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Capital Stock and Additional Paid-in Capital

Common stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

Cost of Shares Held by a Subsidiary

Cost of shares held by a subsidiary is accounted for similar to treasury shares which are recorded at cost. Own equity instruments which are reacquired are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or the cancellation of the Group's own equity instruments.

Retained Earnings and Dividend on Common Stock of the Parent Company

The amount included in retained earnings includes profit attributable to the Parent Company's equity holders and is reduced by dividends on capital stocks. Dividends on capital stocks are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting period.

Earnings Per Share Attributable to the Equity Holders of the Parent Company

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

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

Revenue Recognition

Revenue is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses whether it is acting as a principal or an agent in every revenue arrangement. It is acting as a principal when it has the primary responsibility for providing the goods or services. The Group also acts as a principal when it has the discretion in establishing the prices and bears inventory and credit risk. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and value-added tax (VAT).

The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees. Revenue from tuition and other school fees is satisfied over time and is recognized as income over the corresponding school term to which they pertain on the basis of the time lapsed over the service period. Fees received pertaining to the school year commencing after the financial reporting date are recorded under the “Unearned tuition and other school fees” account in the consolidated statement of financial position. Unearned tuition and other school fees are amortized over the related school term.

Educational Services and Royalty Fees. Revenues from educational services and royalty fees are satisfied over time based on a percentage of monthly franchise receipts and is recognized on an accrual basis in accordance with the terms of the licensing agreements.

Sale of Educational Materials and Supplies. Revenue is satisfied at a point in time and is recognized at the time of sale when control of the goods is transferred to the customer.

Other Revenues. Other revenues include income related to the software license subscriptions provided to franchised schools. These revenues are satisfied at a point in time and are recognized at the time of sale when control or rights to the goods or services are transferred to the customer.

The following are the revenue streams outside the scope of PFRS 15:

Rental Income. Rental income is recognized on a straight-line basis over the term of the lease agreement.

Interest Income. Interest income is recognized as the interest accrues considering the effective yield on the asset.

Dividend Income. Revenue is recognized when the Group’s right to receive the payment is established.

The following are contract balances relative to PFRS 15, *Revenue from Contracts with Customers*:

Receivables. Receivables represent the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Group performs its performance obligations under the contract. The Group’s “Unearned tuition and other school fees” account represents contract liabilities which will be recognized as revenue when the related educational services are rendered. This includes advance payment for tuition and other school fees for the school year commencing after the financial reporting date.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in profit or loss in the year these are incurred.

Pension Cost
The Group has the following pension plans (Plan) covering substantially all of its regular and permanent employees:

Entity	Type of Plan
STI ESG	Funded, noncontributory defined benefit plan
STI WNU	Funded, noncontributory defined benefit plan
iACADEMY	Unfunded, noncontributory defined benefit plan
STI ESG's subsidiaries	Unfunded, noncontributory defined benefit plan

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non- routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Defined Contribution Plan. De Los Santos-STI College and STI Quezon Avenue were members of the Catholic Educational Association of the Philippines Retirement Plan (CEAP) up to May 2022. CEAP's coverage was a funded, noncontributory, defined contribution plan for De Los Santos-STI College's and STI Quezon Avenue's qualified employees under which De Los Santos-STI College and STI Quezon Avenue paid fixed contributions based on the employees' monthly salaries. De Los Santos-STI College and STI Quezon Avenue, however, were covered under Republic Act (RA) No. 7641, the Philippine Retirement Law, which provided for its qualified employees a defined benefit (DB) minimum guarantee. The DB minimum guarantee was equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641 (see Note 28).

Leases

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

Right-of-use Assets. The Group classifies its ROU assets as part of property and equipment and investment properties. Refer to the accounting policies for property and equipment and investment properties.

Lease Liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases and Leases with Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Lease Modification. Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

The Group shall account for a modification to a lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. If a change in lease payments does not meet the definition of a lease modification, that change would generally be accounted for as a negative variable lease payment. A lessee recognizes the effect of the rent concession by recognizing the reduction in payment as other income in profit or loss in the consolidated statement of comprehensive income.

Group as a Lessor. The Group has lease agreements for the lease of its investment properties. Leases where the Group does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

<u>Taxes</u>
Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the financial reporting date.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of net operating loss carryover (NOLCO), unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the financial reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Prepaid taxes” under the “Prepaid expenses and other current assets” account or “Accounts payable and other current liabilities” account in the consolidated statement of financial position.

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

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after the Reporting Period</u>
Post year-end events that provide additional information about the Group’s financial position at the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Segment Information

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

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

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

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

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

	Year Ended June 30		
	2024	2023	2022
Consolidated net income	**₱1,608,350,998**	₱873,834,283	₱416,243,393
Depreciation and amortization* (see Notes 11, 12, 16, 24 and 26)	**536,371,580**	527,925,632	524,769,336
Interest expense* (see Notes 18, 19 and 23)	**258,635,208**	277,879,376	281,966,280
Provision for (benefit from) income tax	**165,068,379**	(15,723,664)	10,800,249
Interest income (see Notes 5, 6, 10 and 23)	**(57,677,714)**	(22,595,338)	(38,060,878)
Foreign exchange gain – net	**(17,257,709)**	(2,455,311)	(45,835,968)
Equity in net losses (earnings) of associates and joint venture (see Note 13)	**(2,009,402)**	(2,258,739)	20,242,197
Fair value loss on equity instruments at FVPL (see Note 9)	**852,500**	620,000	387,500
Gain on:			
Early extinguishment of loan (see Note 18)	**(3,076,465)**	–	–
Derecognition of contingent consideration (see Notes 17 and 33)	**–**	–	(25,000,000)
Settlement of receivables, net of provision for impairment of noncurrent asset held for sale (see Notes 10 and 12)	**–**	–	(10,832,534)
Income on rent concessions** (see Note 29)	**–**	–	(6,054,606)
Consolidated EBITDA	**₱2,489,257,375**	₱1,637,226,239	₱1,128,624,969

**Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
***Presented as part of "Other income (expenses) - net".*

Inter-Segment Transactions

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

Geographical Segment Data

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

	June 30, 2024					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱2,513,519,589**	**₱287,297,914**	**₱1,165,127,321**	**₱656,552,012**	**₱77,826,832**	**₱4,700,323,668**
Results						
Income before other income (expenses) and income tax	**790,050,745**	**110,244,141**	**588,827,547**	**269,910,116**	**21,787,571**	**1,780,820,120**
Equity in net earnings of associates and joint venture	**2,009,402**	**–**	**–**	**–**	**–**	**2,009,402**
Interest expense	**(279,429,495)**	**(3,719,018)**	**(6,390,653)**	**(1,313,970)**	**(2,448,259)**	**(293,301,395)**
Interest income	**52,313,851**	**26,102**	**3,074,077**	**2,256,891**	**6,793**	**57,677,714**
Other income	**221,397,021**	**349,570**	**2,618,648**	**1,511,745**	**336,552**	**226,213,536**
Provision for income tax	**(132,141,408)**	**(2,212,353)**	**(5,150,583)**	**(25,564,035)**	**–**	**(165,068,379)**
Net Income	**₱654,200,116**	**₱104,688,442**	**₱582,979,036**	**₱246,800,747**	**₱19,682,657**	**₱1,608,350,998**
EBITDA						**₱2,489,257,375**

	June 30, 2023					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,795,363,020	₱239,585,468	₱835,133,394	₱468,767,206	₱66,618,865	₱3,405,467,953
Results						
Income before other income (expenses) and income tax	347,641,458	59,994,011	345,144,878	189,083,546	2,181,611	944,045,504
Equity in net earnings of associates and joint venture	2,258,739	–	–	–	–	2,258,739
Interest expense	(298,316,780)	(3,865,002)	(5,278,958)	(1,501,233)	(2,057,151)	(311,019,124)
Interest income	21,174,847	29,320	123,621	1,260,017	7,533	22,595,338
Other income	191,111,066	1,159,502	5,667,640	1,896,181	395,773	200,230,162
Benefit from (provision for) income tax	11,158,774	577,047	(355,163)	4,343,006	–	15,723,664
Net Income	₱275,028,104	₱57,894,878	₱345,302,018	₱195,081,517	₱527,766	₱873,834,283
EBITDA						₱1,637,226,239

	June 30, 2022					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱1,432,614,200	₱189,663,625	₱680,470,698	₱310,073,376	₱64,809,994	₱2,677,631,893
Results						
Income (loss) before other income (expenses) and income tax	181,703,296	31,823,797	246,948,516	111,137,645	(3,002,860)	568,610,394
Equity in net losses of associates and joint venture	(20,242,197)	–	–	–	–	(20,242,197)
Interest expense	(299,611,661)	(3,883,675)	(6,249,868)	(835,656)	(2,758,723)	(313,339,583)
Interest income	37,684,497	32,615	163,395	155,531	24,840	38,060,878
Gain on derecognition of contingent consideration	25,000,000	–	–	–	–	25,000,000
Other income	127,889,989	–	693,110	371,051	–	128,954,150
Benefit from (provision for) income tax	(11,766,572)	1,302,025	(848,610)	512,908	–	(10,800,249)
Net Income (Loss)	₱40,657,352	₱29,274,762	₱240,706,543	₱111,341,479	(₱5,736,743)	₱416,243,393
EBITDA						₱1,128,624,969

The following tables present certain assets and liabilities information regarding geographical segments as at June 30, 2024 and 2023:

	June 30, 2024					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱10,443,965,112**	**₱682,262,822**	**₱1,792,286,647**	**₱1,114,551,083**	**₱71,579,918**	**₱14,104,645,582**
Noncurrent asset held for sale	**1,020,728,064**	**–**	**–**	**–**	**–**	**1,020,728,064**
Investments in and advances to associates and joint venture	**21,108,679**	**–**	**–**	**–**	**–**	**21,108,679**
Goodwill	**236,629,190**	**–**	**–**	**15,681,232**	**–**	**252,310,422**
Deferred tax assets – net	**13,185,635**	**2,797,372**	**12,557,491**	**13,192,004**	**1,296,597**	**43,029,099**
Total Assets	**₱11,735,616,680**	**₱685,060,194**	**₱1,804,844,138**	**₱1,143,424,319**	**₱72,876,515**	**₱15,441,821,846**
Segment liabilities[(b)]	**₱766,131,191**	**₱57,008,678**	**₱251,954,267**	**₱137,836,962**	**₱25,101,760**	**₱1,238,032,858**
Interest-bearing loans and borrowings	**2,086,114,412**	**–**	**–**	**–**	**–**	**2,086,114,412**
Bonds payable	**814,967,275**	**–**	**–**	**–**	**–**	**814,967,275**
Pension liabilities – net	**68,782,774**	**5,921,760**	**13,681,541**	**39,964,238**	**1,430,678**	**129,780,991**
Lease liabilities	**297,847,771**	**42,466,080**	**101,690,258**	**18,828,574**	**29,240,581**	**490,073,264**
Deferred tax liabilities – net	**110,477,037**	**–**	**–**	**–**	**–**	**110,477,037**
Total Liabilities	**₱4,144,320,460**	**₱105,396,518**	**₱367,326,066**	**₱196,629,774**	**₱55,773,019**	**₱4,869,445,837**
Other Segment Information						
Capital expenditure -						
Property and equipment and investment properties						**₱961,101,989**
Depreciation and amortization[(c)]						**536,371,580**
Noncash expenses other than depreciation and amortization						**91,147,657**

[(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 net deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

	June 30, 2023					
	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 and investment properties						₱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.*

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. The estimates used are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements, giving due consideration to materiality. Actual results could differ from such estimates.

The Group believes the following represents a summary of these significant judgments, estimates and assumptions and related impact and associated risks in its consolidated financial statements.

In response to the COVID-19 outbreak, which has caused global economic disruption, the Group has implemented programs to minimize the risks and ensure operational continuity. These measures primarily affected SY 2020-2021 through the first term of SY 2022-2023.

Management has considered the impact of COVID-19 pandemic on the Group's significant accounting judgments and estimates during the aforementioned school years and there are no changes to the significant judgments and estimates in the June 30, 2024 consolidated financial statements from those applied in previous financial periods, other than for those disclosed under this section.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Recognition of Revenue from Tuition and Other School Fees, Educational Services and Royalty Fees over time. The Group concluded that tuition and other school fees, educational services and royalty fees are to be recognized over time on the basis of time lapsed over the service period. This approach reflects the principle that revenue should be recognized as the Group satisfies its performance obligations in rendering its services to students and franchisees. Since the students and franchisees receive and consume the benefits of the services as they are provided, there is no need for another entity to re-perform the services that the Group has provided to date. This demonstrates that students simultaneously receive and consume the benefits of the Group's performance as it is performed. This likewise demonstrates that STI ESG's franchisees simultaneously receive and consume the benefits of STI ESG's performance as it is performed.

Recognition of revenue from the sale of educational materials and supplies at the point in time. Revenue from the sale of educational materials and supplies is recognized at the point in time when the control of the asset is transferred to the customer, generally upon receipt of the goods by franchisees and students. It is also the point in which the customer is obliged to pay for the asset without any further conditions or actions and the Group has transferred physical possession of the asset.

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

Determination of Control Arising from a Management Contract. STI ESG has a management contract with STI Caloocan. Management has concluded that STI ESG, in substance, has the power to direct its relevant activities and has the means to obtain majority of the benefits of STI Caloocan, a non-stock corporation, through the management contract. Management has assessed that it has control over STI Caloocan and accordingly, classifies the entity as subsidiary effective from the date control was obtained.

Noncurrent Asset Held for Sale. Quezon City Dacion Properties - On June 24, 2021, the Parent Company's BOD approved the sale to an interested buyer of the Parent Company's properties located in Quezon City ("Quezon City dacion properties") which were obtained by the Parent Company through the deeds of dacion in 2016 as these properties have not been used in business since acquisition. Management considered these properties to meet the criteria to be classified as held for sale for the following reasons:

- The BOD approved the disposition of the Quezon City dacion properties
- The Quezon City dacion properties are available for immediate sale in its present condition
- Negotiations with an interested buyer have been initiated
- The properties will be sold at a price approximating its current fair value
- Management expects to complete the sale within one year from the date of classification

As a result of the classification as noncurrent asset held for sale, the Parent Company ceased to account for the properties as investment properties effective June 30, 2021 and carried such 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 (see Notes 10 and 12).

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 properties to prospective buyers.

In 2023, the Parent Company started its negotiation with a certain real estate group for the sale of the properties.

As of June 30, 2024 and October 11, 2024, the Parent Company is still in negotiation with the said real estate group who is currently looking for a real estate developer to partner with in the development of the land. Consequently, the properties remain to be presented as "Noncurrent asset held for sale" and carried at the lower of carrying amount and fair value less cost to sell.

Property Acquired through Extrajudicial Foreclosure Sale - As discussed in Note 10, the receivable from STI Tanay is secured by real estate mortgages over certain properties which include STI Tanay's land and building, including improvements thereon, and a third-party mortgage over land and building including improvements thereon, located in Pasig City (Pasig Property).

As at June 30, 2022, management considered the Pasig Property to have met the criteria to be classified as held for sale for the following reasons:

- STI Tanay and the mortgagors have a one-year redemption period from the date the certificate of sale was annotated (i.e., August 5, 2021); hence, management expects to complete the sale within one year from the date of classification
- The Pasig Property is available for immediate sale/redemption in its present condition
- The Pasig Property will be redeemed at a reasonable price in relation to its fair value
- STI Tanay is the specified buyer of the property and actions to complete the redemption have been initiated

With the classification of noncurrent asset held for sale, STI ESG ceased the accounting for the Pasig Property as investment properties and the property was carried at the lower of its carrying amount or fair value less costs to sell in the consolidated statement of financial position as at June 30, 2022.

Contingencies. The Group is currently a party in a number of cases involving claims and disputes related to collection of receivables and labor cases. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the consolidated financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 34).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Measurement of Expected Credit Losses. ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the credit-adjusted effective interest rate.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), defined as follows:

- *Probability of Default.* The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. PD estimates are estimates at a certain date, which are calculated based on statistical rating models based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD.

- *Loss Given Default.* LGD represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money.

- *Exposure at Default.* EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Simplified Approach for Receivables from Students. The Group applies the simplified approach in calculating ECLs of receivables from students. The Group develops loss rates based on days past due for each grouping of receivables per school term. The methodology is initially based on the Group's historically observed default rates. The Group then adjusts the historical credit loss experience using forward-looking information. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

The Group's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the impairment models that are considered accounting judgments and estimates include:

- The Group's criteria for defining default and for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when impairment is assessed on a collective basis;
- The choice of inputs and the various formulas used in the impairment calculation;
- Determination of relationships between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the impairment models.

It is the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Group has considered the impact of the COVID-19 pandemic on the ECLs of its financial instruments, particularly receivables from students which were primarily affected from SY 2020-2021 through the first term of SY 2022-2023. The amount and timing of the ECLs, as well as the probability assigned thereto, have been based on the available information as at report date.

Incorporation of Forward-looking Information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates and GDP growth rate. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of a default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

The Group recognized provision for ECL (net of reversal) amounting to ₱30.5 million, ₱85.2 million and ₱112.7 million for the years ended June 30, 2024, 2023 and 2022, respectively. Allowance for ECL on receivables amounted to ₱227.4 million and ₱382.4 million as at June 30, 2024 and 2023, respectively. The carrying amounts of receivables as at June 30, 2024 and 2023 are disclosed in Note 6.

Valuation of Noncurrent Asset Held for Sale. PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires noncurrent assets held for sale to be carried at the lower of fair value less costs to sell and its carrying amount.

Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2024 and 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 through the deeds of dacion in 2016 (see Notes 10 and 34).

Noncurrent asset held for sale as of June 30, 2022 includes the carrying value of STI ESG's Pasig Property amounting to ₱19.0 million which was redeemed by STI Tanay/the mortgagors in July 2022 (see Note 10).

Provision for impairment loss on STI ESG's Pasig Property amounted to ₱34.3 million for the year ended June 30, 2022. No impairment on noncurrent asset held for sale was recognized for the years ended June 30, 2024 and 2023.

Estimating Useful Lives of Nonfinancial Assets. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment, investment properties (excluding land) and intangible assets based on the period over which the property and equipment, investment properties and intangible assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment, investment properties and intangible assets is based on a collective assessment of industry practice, internal technical evaluation, and experience with similar assets while for intangible assets with a finite life, estimated useful life is based on economic useful benefit of the intangible assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives of property and equipment, investment properties and intangible assets would increase recorded expenses and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Group's property and equipment, investment properties and intangible assets as at June 30, 2024 and 2023. The carrying values of nonfinancial assets subject to depreciation and amortization are as follows:

	2024	2023
Property and equipment (excluding land and construction in-progress) (see Note 11)	**₱6,227,889,335**	₱6,176,004,577
Investment properties (excluding land and construction and in-progress) (see Note 12)	**510,205,636**	548,171,442
Intangible assets (see Note 16)	**40,778,815**	48,483,245

Impairment of Nonfinancial Assets. PFRSs require nonfinancial assets, excluding goodwill and intangible assets with indefinite useful life, to be tested for impairment when certain impairment indicators are present, irrespective of whether there are any indications of impairment. Nonfinancial assets include property and equipment, investment properties, investment in and advances to associates and joint venture and intangible assets and other noncurrent assets.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operations of the Group.

The carrying value of property and equipment, investment properties, investment in and advances to associates and joint venture and intangible assets and other noncurrent assets are disclosed in Notes 11, 12, 13, 14 and 16, respectively.

The Group recognized a provision for impairment of its investment in a joint venture amounting to ₱1.7 million for the year ended June 30, 2024. No impairment was recognized for the years ended June 30, 2023 and 2022. As at June 30, 2024 and 2023, the carrying value of the investments in and advances to associates and joint venture amounted to ₱21.1 million and ₱20.7 million, respectively (see Note 13).

Impairment of Goodwill and Intangible Assets with Indefinite Useful Life. Acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets, liabilities and contingent liabilities at the acquisition date. It also requires the acquirer to recognize any goodwill as the excess of the acquisition cost over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The Group's business acquisitions have resulted in goodwill and intangible assets with indefinite useful life which are subject to an annual impairment testing. This requires an estimation of the value in use of the CGUs to which the goodwill and intangible assets with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The Group also reviewed its business and operations to take into consideration the estimated impact and effects of the COVID-19 pandemic on its operations. Using the updated information and various scenarios of future financial performance and cash flows, an assessment of the recoverability of certain assets as at reporting date was conducted.

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections covering a five-year period based on long-range plans approved by management. The significant assumptions used in the value in use calculations are forecasted revenue growth, long-term growth rate and discount rate.

Management used an appropriate discount rate for cash flows equal to the prevailing rates of return for a group having substantially the same risks and characteristics. Management used the weighted average cost of capital (WACC) wherein the source of the costs of equity and debt financing are weighted. The weighted average cost of capital is the overall required return on the CGUs. A pre-tax discount rate of 13.2% to 13.4% and from 10.18% to 10.% were used as at June 30, 2024 and 2023, respectively. The growth rate used in extrapolating cash flows beyond the period covered by the CGUs' recent budgets was 5.00%.

Impairment testing showed that the CGUs' recoverable amounts were greater than their carrying amounts, except for NPIM (2024) and STI Iloilo (2022). The Group recognized a provision for impairment of goodwill amounting to ₱14.3 million and ₱3.8 million for the years ended June 30, 2024 and 2022, respectively. No impairment was recognized for the year ended June 30, 2023. Goodwill amounted to ₱252.3 million and ₱266.6 million as at June 30, 2024 and 2023, respectively; while intangible assets with indefinite useful life amounted ₱27.6 million as at June 30, 2024 and 2023 (see Note 16).

Realizability of Deferred Tax Assets. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of NOLCO and MCIT to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO and MCIT can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred tax assets recognized and deductible temporary differences and unused NOLCO for which no deferred tax assets have been recognized as at June 30, 2024 and 2023 are disclosed in Note 30 to the consolidated financial statements.

Measurement of Lease Liabilities. The Group's lease liabilities are measured based on the present value of lease payments over the lease term using the Group's IBR.

- *Determination of Lease Term*

  The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements).

  The Group determined that renewal periods of leases with longer periods are not included as part of the lease term as these are not reasonably certain to be exercised.

- *Estimating the Incremental Borrowing Rate*

  The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities as at June 30, 2024 and 2023 are disclosed in Note 29 to the consolidated financial statements.

Determining Pension Liabilities. The determination of the obligation for and cost of pension benefits is dependent on the selection of certain assumptions provided by the Group to its actuaries in calculating such amounts. Those assumptions are described in Note 28 and include, among others, discount rate and future salary increases. In accordance with Revised PAS 19, *Employee Benefits*, actual results that differ from the Group's assumptions are included in OCI and are not reclassified to profit or loss in subsequent periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

The carrying value of net pension liabilities as at June 30, 2024 and 2023 are disclosed in Note 28 to the consolidated financial statements.

5. Cash and Cash Equivalents

	2024	2023
Cash on hand and in banks	**₱1,054,977,974**	₱909,786,970
Cash equivalents	**800,522,935**	1,048,980,583
	₱1,855,500,909	₱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 years ended June 30, 2024, 2023 and 2022 amounted to ₱51.2 million, ₱16.7 million and ₱3.1 million, respectively (see Note 23).

6. Receivables

	2024	2023
Tuition and other school fees	**₱491,275,539**	₱650,156,822
Rent, utilities and other related receivables (see Note 31)	**72,890,694**	89,504,738
Educational services (see Note 31)	**62,356,116**	55,534,769
Advances to officers and employees (see Note 31)	**36,078,187**	31,742,292
Others	**31,688,795**	26,134,019
	694,289,331	853,072,640
Less allowance for expected credit losses	**227,383,175**	382,438,078
	₱466,906,156	₱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).

   On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fees structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022, SY 2022-2023 and SY 2023-2024. Receivables from DBP amounted to ₱2.2 million, ₱1.6 million and ₱2.0 million as at June 30, 2024, 2023 and 2022, respectively.

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

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

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

   Interest earned from past due accounts amounted to ₱6.4 million, ₱5.8 million and ₱2.0 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 23).

d. Advances to officers and employees substantially represent advances for official business expenses which are necessary and reasonable to carry out the operations of the entities within the Group. These advances are normally liquidated within one 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 amounting to ₱1.3 million, ₱11.3 million and ₱7.6 million as at June 30, 2024, respectively, and ₱1.6 million, ₱10.3 million and ₱5.4 million as at June 30, 2023, respectively. These receivables are expected to be collected within the year.

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

	2024		
	Tuition and Other School Fees	**Others**	**Total**
Balance at beginning of year	**₱370,760,197**	**₱11,677,881**	**₱382,438,078**
Provisions (reversal) (see Note 26)	**30,669,950**	**(206,178)**	**30,463,772**
Write-off	**(182,457,448)**	**(3,061,227)**	**(185,518,675)**
Balance at end of year	**₱218,972,699**	**₱8,410,476**	**₱227,383,175**

	2023		
	Tuition and Other School Fees	Others	Total
Balance at beginning of year	₱296,195,835	₱16,188,662	₱312,384,497
Provisions (reversal) (see Note 26)	89,733,241	(4,510,781)	85,222,460
Effect of business combination (see Note 39)	2,190,557	–	2,190,557
Write-off	(17,359,436)	–	(17,359,436)
Balance at end of year	₱370,760,197	₱11,677,881	₱382,438,078

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱6.5 million, ₱11.3 million and ₱9.7 million for the years ended June 30, 2024, 2023 and 2022, respectively.

7. **Inventories**

	2024	2023
At cost:		
Educational materials:		
Uniforms	**₱118,251,924**	₱98,227,803
Textbooks and other education-related materials	**7,392,150**	9,793,330
	125,644,074	108,021,133
Promotional materials:		
Proware materials	**19,680,220**	13,775,504
Marketing materials	**1,199,015**	428,244
	20,879,235	14,203,748
School materials and supplies	**10,617,065**	7,273,419
	₱157,140,374	₱129,498,300

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Accordingly, the carrying value of these inventories carried at net realizable value is nil as at June 30, 2024, 2023 and 2022. Allowance for inventory obsolescence amounted to ₱25.1 million, ₱24.1 million and ₱18.5 million as at June 30, 2024, 2023 and 2022, respectively. Additional provision for inventory obsolescence resulting from the excess of cost over the net realizable value of these obsolete inventories recognized for the years ended June 30, 2024, 2023 and 2022 amounted to ₱1.0 million, ₱5.6 million and ₱2.0 million, respectively (see Note 26).

Inventories charged to cost of educational materials and supplies sold amounted to ₱102.7 million, ₱90.6 million and ₱24.2 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 25).

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

	2024	2023
Input VAT – net	**₱69,665,004**	₱47,648,116
Prepaid taxes	**38,744,218**	77,642,338
Advances to suppliers	**28,421,208**	32,598,735
Prepaid subscriptions and licenses	**23,159,013**	18,301,411
Prepaid insurance	**6,257,333**	6,049,277
Software maintenance cost	**984,218**	1,480,531
Others	**3,563,882**	9,232,289
	₱170,794,876	₱192,952,697

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. As at June 30, 2024, the balance includes the input VAT related to the (1) STI ESG's acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City amounting to ₱24.7 million (see Note 16), (2) payment to contractors from the construction of STI WNU's new School of Basic Education (SBE) building and ancillary works on its Engineering building (see Note 11). Input VAT as at June 30, 2023 is primarily from STI ESG's acquisition of two parcels of land in Meycauayan City, Bulacan (see Note 12), the renovation of STI WNU's Engineering building and the construction of STI WNU's new SBE building. This account also includes input VAT recognized on the purchase of other goods and services.

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

Advances to suppliers as at June 30, 2024 primarily relate to prepayments for the procurement of students' school uniforms. This account also includes advances for expenses related to commencement exercises, purchase of supplies and materials, repairs and maintenance works for the school buildings.

Prepaid subscriptions and licenses substantially pertain to Microsoft, Adobe Acrobat, Adobe Creative Cloud, eLMS, Sophos Firewall, Toon Boom Harmony and Google Workspace subscriptions which were paid in advance in preparation for the succeeding school year. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Prepaid insurance primarily represents vehicle insurance coverage, health insurance coverage of employees, and fire and other risks insurance on buildings, which were paid in advance and are recognized as expense over the period of coverage which is within the next reporting period.

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

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

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

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

In September 2021, STI ESG acquired quoted equity shares of RCR amounting to ₱10.0 million for 1,550,000 shares at ₱6.45 per share. STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱0.9 million, ₱0.6 million and ₱0.4 million for the years ended June 30, 2024, 2023 and 2022, respectively.

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

10. **Noncurrent Asset Held for Sale**

Quezon City Dacion Properties
Noncurrent asset held for sale amounting to ₱1,020.7 million as at June 30, 2024 and 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 through the deeds of dacion in 2016 (see Notes 12 and 34).

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 for the years ended June 30, 2024, 2023 and 2022 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 Parent Company started its negotiation with a certain real estate group for the sale of the properties.

As of June 30, 2024 and October 11, 2024, the Parent Company is still in negotiation with the said real estate group who is currently looking for a real estate developer to partner with in the development of the land. Consequently, the properties remain to be presented as "Noncurrent asset held for sale" and carried at the lower of carrying amount and fair value less cost to sell.

Property Acquired through Extrajudicial Foreclosure
Pursuant to a deed of assignment executed by STI ESG and DBP in 2019, DBP assigned, transferred, and conveyed, without recourse, to STI ESG, all its collectibles from STI Tanay for a consideration of ₱75.5 million. DBP likewise granted to STI ESG all the rights, title and interest in and to the loan, the Promissory Notes and the underlying collaterals and security covering the loan and Promissory Notes, as well as full power and authority to demand, collect and receive payment on the said loan and Promissory Notes.

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

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

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

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

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

On July 29, 2022, STI Tanay, the mortgagors and STI ESG entered into a Memorandum of Agreement (the "Agreement") for the settlement of the outstanding obligations of STI Tanay (including receivable for educational services rendered by STI ESG as discussed in Note 6) through the performance of the following terms and conditions as set forth in the Agreement: (1) assignment and conveyance by STI Tanay of the Tanay property to STI ESG; (2) payment of the ₱19.0 million for the redemption of the Pasig property (discussed above); (3) assignment of STI Tanay's rights to the unbilled or unclaimed DepEd SHS Vouchers for SYs 2019-2020, 2020-2021, and 2021-2022 to STI ESG (future collections to be applied to receivable for educational services from STI Tanay); (4) assignment of STI Tanay's rights to the use of the name of "STI College Tanay"; and (5) change of corporate name of STI Tanay. On the same day, STI ESG received the full payment of ₱19.0 million for the redemption of the Pasig Property. Accordingly, STI ESG derecognized noncurrent asset held for sale amounting to ₱19.0 million (see Notes 11 and 12).

11. Property and Equipment

	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 year	**₱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	**182,873,095**	**118,374,468**	**46,774,273**	**26,658,510**	**10,775,238**	**11,890,276**	**57,219,192**	**3,587,157**	**10,554,665**	**491,652,421**	**–**	**38,527,512**	**7,624,742**	**1,006,511,549**
Reclassification to investment properties (see Note 12)	**(187,440,604)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(187,440,604)**
Reclassification of completed construction in-progress	**–**	**291,706,615**	**5,800,166**	**–**	**–**	**–**	**–**	**–**	**–**	**(297,506,781)**	**–**	**–**	**–**	**–**
Reclassification	**–**	**–**	**–**	**–**	**–**	**570,000**	**–**	**–**	**–**	**–**	**–**	**–**	**(570,000)**	**–**
Disposal	**–**	**–**	**(23,416)**	**(36)**	**–**	**–**	**(129)**	**–**	**–**	**–**	**–**	**–**	**–**	**(23,581)**
Depreciation and amortization (see Notes 24 and 26)	**–**	**(355,928,960)**	**(56,621,857)**	**(20,281,798)**	**(18,457,604)**	**(2,518,738)**	**(41,668,421)**	**(4,203,289)**	**(1,310,027)**	**–**	**(8,079,494)**	**(57,881,587)**	**(10,632,700)**	**(577,584,475)**
Balance at end of year	**₱3,393,880,053**	**₱5,573,215,322**	**₱120,195,782**	**₱51,486,397**	**₱41,465,646**	**₱11,440,548**	**₱87,496,264**	**₱14,943,478**	**₱9,244,638**	**₱304,401,419**	**₱106,374,068**	**₱200,020,251**	**₱12,006,941**	**₱9,926,170,807**
At June 30, 2024:														
Cost	**₱3,393,880,053**	**₱8,533,545,274**	**₱1,022,470,939**	**₱430,483,368**	**₱275,139,636**	**₱33,758,152**	**₱620,127,822**	**₱228,245,341**	**₱10,554,666**	**₱304,401,419**	**₱148,107,223**	**₱372,273,014**	**₱65,760,255**	**₱15,438,747,162**
Accumulated depreciation and amortization	**–**	**(2,960,329,952)**	**(902,275,157)**	**(378,996,971)**	**(233,673,990)**	**(22,317,604)**	**(532,631,558)**	**(213,301,863)**	**(1,310,028)**	**–**	**(41,733,155)**	**(172,252,763)**	**(53,753,314)**	**(5,512,576,355)**
Net book value	**₱3,393,880,053**	**₱5,573,215,322**	**₱120,195,782**	**₱51,486,397**	**₱41,465,646**	**₱11,440,548**	**₱87,496,264**	**₱14,943,478**	**₱9,244,638**	**₱304,401,419**	**₱106,374,068**	**₱200,020,251**	**₱12,006,941**	**₱9,926,170,807**

	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 year	₱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	1,599,201	59,941,289	5,058,392	–	150,483,407	–	159,123,118	10,696,440	509,493,385
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 of completed construction in-progress	–	28,167,727	141,000	2,450,560	37,492,453	(186,253)	–	(362,684)	–	(67,889,056)	–	–	186,253	–
Lease termination/modification (see Note 29)	–	–	–	–	–	–	–	–	–	–	–	(1,156,865)	(1,588,667)	(2,745,532)
Effect of business combination (see Note 39)	–	–	123,199	–	40,505	–	1,860,144	139,042	–	–	–	–	–	2,162,890
Disposal	–	–	(89)	(68)	–	–	(54)	(46)	–	–	–	–	–	(257)
Depreciation and amortization (see Notes 24 and 26)	–	(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 year	₱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 ₱1,975.2 million and ₱1,687.5 million as at June 30, 2024 and 2023, respectively. There were no idle property and equipment as at June 30, 2024 and 2023.

Additions

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

Solar Project. STI ESG likewise conducted roof deck waterproofing activities and subsequently installed solar panels at its head office building located in the STI Ortigas-Cainta campus during the fiscal year ended June 30, 2024. The solar panels have a total capacity of 212 kilowatts and have yielded cost savings for both administrative and school energy consumption for the year ended June 30, 2024. The associated contract cost for the solar panel project is ₱10.6 million, while the roof deck waterproofing activities have a total project cost of ₱6.1 million. The roof deck waterproofing works and design and installation of solar power system for the STI Ortigas-Cainta campus were completed in November 2023.

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from “Investment properties” to “Property and equipment” in September 2022 upon the transfer of STI Quezon Avenue’s operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 12).

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

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

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

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

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

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

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

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

As at June 30, 2024, the remaining construction-in-progress account includes the costs of construction of STI WNU's new university canteen and kitchen laboratory for its College of Hotel and Tourism Management, and rehabilitation of student lounge and walkway in the total amount of ₱67.5 million.

As at June 30, 2023, the construction-in-progress account includes the costs of construction of the new SBE Building, rehabilitation of the main building and other repair works and the remaining ancillary works for the Engineering Building aggregating to ₱74.3 million.

As at June 30, 2023, property and equipment includes the construction/fit-out of iACADEMY's campus in Cebu which is located at 5th Floor Filinvest Cebu Cyberzone Tower Two, Salinas Drive Cor W. Geonzon St., Cebu IT Park, Apas, 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.

Collaterals

As at June 30, 2023, 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 18). As at June 30, 2023, the total carrying value of the mortgaged land, building, machineries and equipment amounted to ₱1,357.5 million. As at June 30, 2024, the long-term loan has been fully paid.

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at June 30, 2024 and 2023 (see Note 29). The net book value of these equipment amounted to ₱12.0 million and ₱15.6 million as at June 30, 2024 and 2023, respectively.

12. Investment Properties

	2024				
	Land	**Condominium Units**	**Right-of-Use Asset - Building**	**Construction In-Progress**	**Total**
Cost:					
Balance at beginning of year	**₱489,366,713**	**₱779,564,396**	**₱133,183,838**	**₱–**	**₱1,402,114,947**
Additions	**–**	**742,694**	**–**	**–**	**742,694**
Reclassification from property and equipment (see Note 11)	**187,440,604**	**–**	**–**	**–**	**187,440,604**
Balance at end of year	**676,807,317**	**780,307,090**	**133,183,838**	**–**	**1,590,298,245**
Accumulated depreciation:					
Balance at beginning of year	**–**	**309,052,401**	**55,524,391**	**–**	**364,576,792**
Depreciation (see Note 26)	**–**	**26,549,301**	**12,159,199**	**–**	**38,708,500**
Balance at end of year	**–**	**335,601,702**	**67,683,590**	**–**	**403,285,292**
Net book value	**₱676,807,317**	**₱444,705,388**	**₱65,500,248**	**₱–**	**₱1,187,012,953**

	2023				
	Land	Condominium Units	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 26)	–	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 June 30, 2024 and 2023, investment properties primarily include ROU asset - building and condominium units of the Group which are held for office or commercial lease.

Investment properties also include a parcel of 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 34) for a total dacion price of ₱911.0 million as settlement of the outstanding obligations of Unlad and PWU to the Parent Company, arising 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 34). 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 Quezon City dacion properties and the Davao property were initially recognized as "Investment properties" at fair value amounting to ₱1,280.5 million at dacion date.

Description of valuation techniques used and key inputs to valuation of investment properties
The fair values of the Group's investment properties were determined by an independent professionally qualified appraiser accredited by the SEC. The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Land
Level 3 fair value of land was derived using the market approach. The market approach is a comparative approach to value which considers the sale of similar or substitute properties and related market data and establishes a value estimate by a process involving comparison. Listings and offerings may also be considered. Sales price of comparable land in close proximity (external factor) are adjusted for differences in key attributes (internal factors) such as location and size.

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

	2024	2023
Fair value of Davao property	**₱486,226,000**	₱421,932,000
Valuation date	**August 28, 2024**	September 9, 2022
Valuation technique	**Market approach**	Market approach
Unobservable input	**Internal factors – location, size, depth, influence, and time element**	Internal factors – location, size, depth, influence, and time element
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

	2024	2023
Fair value of STI ESG's land	**₱667,106,385**	₱484,056,385
Valuation date	**June 2023/May 2022**	June 2023/May 2022
Valuation technique	**Market approach**	Market approach
Unobservable input	**Net price per square meter**	Net price per square meter
Relationship of unobservable inputs to fair value	**The higher the price per square meter, the higher the fair value**	The higher the price per square meter, the higher the fair value

Condominium Units
Level 3 fair values of STI ESG's condominium units have also been derived using the market approach.

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

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

The highest and best use of the Davao property is institutional land development, while the highest and best use of STI ESG's land and condominium units is commercial utility.

Land Acquired through Deed of Absolute Sale. On October 1, 2022, STI ESG acquired two parcels of land, together with all the improvements thereon, with a total area of 2,459 square meters, located in Meycauayan City, Bulacan for an aggregate amount of ₱140.1 million, inclusive of taxes and transfer fees, from which STI ESG recognized input VAT amounting to ₱16.2 million (see Note 8). This property is intended to be the future site of STI Academic Center Meycauayan. On the same date, Deeds of Assignment of Lease Agreements and Assumption of Rights and Obligations were executed and entered into by and among STI ESG, the seller of the aforementioned property, and the existing lessees on the purchased property agreeing that STI ESG will assume all rights and obligations under the lease contracts. The lease agreements have varying terms, with one remaining active lease as at the reporting date, set to expire in 2025.

Reclassification from Property and Equipment. In 2024, STI ESG reclassified the vacant lot located on Diversion Road, Brgy. San Rafael, Mandurriao, Iloilo City to “Investment properties” following the cessation of STI Iloilo's operations in the area. The carrying value of the property at the time of reclassification is at ₱187.4 million (see Note 11). In 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of “Investment properties”. The carrying value at the time of reclassification is ₱40.5 million (see Note 11). These properties, a part of which being is rented as warehouse, have existing leases with varying terms expiring in 2026 up to 2029.

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

Pursuant to the deed of assignment executed by STI ESG and DBP (see Note 10), STI ESG started the foreclosure proceedings for the Tanay property after several demand/collection letters were sent to Tanay. On March 15, 2022, the extrajudicial foreclosure sale for the Tanay Property was completed and STI ESG was declared as the winning bidder. On April 11, 2022, the Office of the Clerk of Court and Ex-Officio Sheriff of Morong, Rizal issued the certificate of sale and the same was annotated on May 5, 2022. Consequently, STI ESG recognized the said property as part of land and building, under “Investment properties” at appraised values amounting to ₱ 44.1 million and ₱ 66.9 million, respectively. The difference between the fair value and derecognized receivable from STI Tanay amounting to ₱26.1 million was recognized as gain on settlement of receivables, presented as part of “Gain on settlement of receivables, net of provision for impairment of noncurrent held for sale” for the year ended June 30, 2022. On August 1, 2022, STI Tanay and STI ESG executed a Deed of Dacion En Pago to transfer, convey and assign, the mortgaged property located in Tanay, Rizal, free from all liens, encumbrances, claims and occupants. STI ESG released and discharged STI Tanay and the mortgagors of their obligations to the extent of the Dacion Price amounting to ₱81.2 million.

The Tanay property was subsequently reclassified from “Investment properties” to “Property and equipment” in September 2022 following the transfer of STI Quezon Avenue’s operations to Tanay, Rizal starting SY 2022-2023 (see Notes 1, 10 and 11).

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 15 years and three months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three years or the average of the Consumer Price Index for the last three years, whichever is higher. iACADEMY subleases the building to third parties.

On September 6, 2022, iACADEMY entered into a sublease agreement with a third party 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, for a period of five (5) years commencing on March 15, 2023 and ending on March 14, 2028. Beginning August 1, 2023, the subleased premises included the ground floor units 2 and 3.

Investment Property under Construction. As at June 30, 2022, the construction-in-progress account pertains substantially to the renovation of office condominium units owned by STI ESG. This includes mechanical and electrical set-up costs, structured cabling, plumbing, interior fit-out, and management services. The related contract costs amounted to ₱88.0 million as at June 30, 2023, inclusive of materials, cost of labor and overhead and all other costs for the fit-out requirements of the lessee. The renovation works for the said office condominium units were completed in August 2022, with variation orders on mechanical works amounting to ₱0.7 million completed in December 2023.

Rental

Rental income earned from investment properties amounted to ₱178.7 million, ₱165.0 million and ₱66.1 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 29). Direct operating expenses, including real property taxes, insurance, janitorial, security services and repairs and maintenance, arising from investment properties for the years ended June 30, 2024, 2023 and 2022 amounted to ₱23.4 million, ₱28.1 million and ₱15.0 million, respectively.

13. Investments in and Advances to Associates and Joint Venture

	2024	2023
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net earnings (losses):		
Balance at beginning of year	**(26,143,098)**	(28,401,837)
Equity in net earnings of associates and joint venture	**2,009,402**	2,258,739
Balance at end of year	**(24,133,696)**	(26,143,098)
Accumulated share in associates' other comprehensive loss:		
Balance at beginning and end of year	**329,306**	329,306
	22,759,019	20,749,617
Less allowance for impairment loss	**1,650,340**	–
	21,108,679	20,749,617
Advances (see Note 31)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱21,108,679	₱20,749,617

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

	2024	2023
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
GROW	**18,814,679**	16,733,574
Joint venture - PHEI (see Note 14)	**3,944,340**	4,016,043
	70,893,559	68,884,157
Allowance for impairment loss	**(49,784,880)**	(48,134,540)
	₱21,108,679	₱20,749,617

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

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

Provision for impairment on investment in joint venture for the year ended June 30, 2024 amounted to ₱1.7 million (see Note 26). There were no movements in allowance for impairment in value of investments in and advances to associates and joint venture for the years ended June 30, 2023 and 2022.

Information about the associates is discussed below:

STI Accent. STI Accent is engaged in providing medical and other related services. It ceased operations on June 20, 2012 after the contract of usufruct between STI Accent and Dr. Fe Del Mundo Medical Center Foundation Philippines, Inc. to operate the hospital and its related healthcare service businesses was rescinded in May 2012. As at June 30, 2024 and 2023, allowance for impairment loss on STI ESG's investment in STI Accent and related advances amounted to ₱48.1 million.

Others. The carrying amount of the Group's investments in STI Alabang (as of June 2022) and GROW represents the aggregate carrying values of individually immaterial associates.

The aggregate financial information of individually immaterial associates follows:

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

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

Terms and conditions relating to advances to associates and joint venture are disclosed in Note 31 to the consolidated financial statements.

14. **Interest in Joint Venture**

On March 19, 2004, STI ESG, together with the University of Makati (UMak) and another shareholder, incorporated PHEI in the Philippines. STI ESG and UMak each owns 40.0% of the equity of PHEI with the balance owned by another shareholder. PHEI is envisioned as the College of Nursing of UMak.

The following were certain key terms under the agreement signed in 2003 by STI ESG and UMak:

a. STI ESG shall be primarily responsible for the design of the curriculum for the Bachelor's Degree in Nursing (BSN) and Master's Degree in Nursing Informatics, with such curriculum duly approved by the University Council of UMak;

b. UMak will allow the use of its premises as the campus of BSN while the premises of iACADEMY will be the campus of the post graduate degree; and

c. STI ESG will recruit the nursing faculty while UMak will provide the faculty for basic courses that are non-technical in nature.

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

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

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

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

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

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

	2024	2023
Quoted equity shares	**₱10,197,060**	₱6,179,340
Unquoted equity shares	**66,473,564**	65,882,287
	₱76,670,624	₱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 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 ₱32.3 million and ₱31.0 million as at June 30, 2024 and 2023, respectively.

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

The rollforward analysis of the "Unrealized fair value adjustment on equity instruments at FVOCI" account as shown in the equity section of the consolidated statements of financial position follows:

	2024	2023
Balance at beginning of year	**₱15,324,159**	₱13,451,307
Unrealized fair value adjustment on equity instruments at FVOCI	**5,315,161**	1,872,852
Balance at end of year (see Note 21)	**₱20,639,320**	₱15,324,159

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

	2024	2023
Goodwill	**₱252,310,422**	₱266,579,313
Advances to suppliers	**87,176,799**	71,594,233
Deposit for purchase of shares	**60,484,800**	–
Intangible assets	**40,778,815**	48,483,245
Rental and utility deposits (see Note 29)	**33,584,837**	34,113,820
Deposit for asset acquisition	**20,412,500**	–
Deferred input VAT	**10,824,959**	10,824,959
Others	**3,048,673**	4,213,950
	₱508,621,805	₱435,809,520

Goodwill

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

	2024	2023
STI Caloocan	**₱64,147,877**	₱64,147,877
STI Cubao	**28,327,670**	28,327,670
STI Alabang (see Note 39)	**23,023,960**	23,023,960
STI Pasay-EDSA	**22,292,630**	22,292,630
STI Novaliches	**21,803,322**	21,803,322
STI Bacolod	**15,681,232**	15,681,232
STI Global City	**11,360,085**	11,360,085
STI Sta. Mesa	**11,213,342**	11,213,342
STI Lipa	**8,857,790**	8,857,790
STI Ortigas-Cainta	**7,476,448**	7,476,448
NAMEI	**6,962,343**	6,962,343
STI Dagupan	**6,835,818**	6,835,818
STI Meycauayan	**5,460,587**	5,460,587
STI Tanauan	**4,873,058**	4,873,058
STI Las Piñas	**2,922,530**	2,922,530
STI Batangas	**2,585,492**	2,585,492
STI Kalibo	**2,474,216**	2,474,216

(Forward)

	2024	2023
STI Naga	**₱2,305,368**	₱2,305,368
STI Sta. Maria	**1,776,696**	1,776,696
STI Calbayog	**1,325,721**	1,325,721
STI Dumaguete	**604,237**	604,237
NPIM	**–**	14,268,891
	₱252,310,422	₱266,579,313

Management performs its impairment test at the end of each reporting period for all the CGUs. The recoverable amounts are computed based on value-in-use calculations using cash flow projections. Future cash flows are discounted using a pre-taxnrate ranging from 13.20% to 13.4% and from 10.18% to 10.6% as at June 30, 2024 and 2023, respectively. The cash flow projections are based on a five-year financial planning period as approved by senior management. The Management used forecasted revenue increase ranging from 0.33% to 56.62% and 0.02% to 66.10% in June 2024 and 2023, respectively, for the next five years. The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 5.00% in June 2024 and 2023. The Group recognized a provision for impairment on goodwill amounting to ₱ 14.3 million and ₱ 3.8 million for the years ended June 30, 2024 and 2022, respectively (see Note 26). No impairment was recognized for the year ended June 30, 2023.

Key assumptions used in the value-in-use calculations
The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Forecasted revenue growth – Revenue forecasts are management’s best estimates considering factors such as historical/industry trends, target market analysis, government regulations and other economic factors. Revenue forecast of each CGU is primarily dependent on the number of students enrolled and tuition fee rates, which vary for each school.

- Long-term growth rate – Rates are based on published industry research.

- Discount rate – Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC. The Group used the WACC rate as affected by the beta of companies with similar activities and capital structure with the CGUs. WACC is also affected by costs of debt and capital based on average lending rates for a 10-year term due to the assumption that the CGUs will exist beyond ten (10) years.

Sensitivity to changes in assumptions
With regard to the assessment of value-in-use of the CGUs, management believes that a reasonably possible change in the assumptions would not cause the carrying values of the CGUs to materially exceed their recoverable amounts.

Advances to Suppliers
Advances to suppliers as at June 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas Cainta, (2) learning classroom expansion project in certain STI ESG wholly-owned schools, (3) acquisition of equipment and furniture, (4) various ongoing major renovation and rehabilitation projects of the other schools owned and operated by STI ESG, (5) construction of STI WNU’s new university canteen, (6) construction of a kitchen laboratory in STI WNU College of Hotel and Tourism Management, and (7) rehabilitation of STI WNU’s student lounge. The related costs of these projects will be recognized as “Property and equipment” when the goods are received, or the services are completely rendered.

Advances to suppliers as at June 30, 2023 relate to payments made in advance for several transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi, (2) renovation of STI ESG's property in Tanay, Rizal, (3) acquisition of equipment and furniture, (4) various projects of the other schools owned and operated by STI ESG, (5) design and set-up of the new enrollment system for STI ESG, and (6) construction of STI WNU's new SBE building and renovation of its Engineering building. All projects were completed as at June 30, 2024 except for the design and set-up of STI ESG's new enrollment system, which remains ongoing as at report date. The related costs for these projects were recognized as "Property and equipment" when the goods were received, or the services were completely rendered while the related cost for the new enrollment system will be recognized as "Intangible assets" upon completion of the project.

Deposit for Purchase of Shares

On June 20, 2024, STI ESG and TCAMI executed a Share Purchase Agreement for STI ESG's acquisition of 190.0 million common shares with par value of ₱1.0 per share, representing 100.0% of the total issued and outstanding capital stock (Subject Shares) of TCAMI's wholly-owned subsidiary, Phosphene Holdings, Inc. (PHI), for ₱403.2 million. A 15.0% deposit, equivalent to ₱60.5 million, has been paid upon the effective date of the Share Purchase Agreement. The remaining balance of ₱342.7 million is due on the third anniversary of the Share Purchase Agreement.

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

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

Intangible Assets

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

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

The rollforward analyses of this account follow:

	2024	2023
Cost, net of accumulated amortization:		
Balance at beginning of year	**₱48,483,245**	₱49,174,773
Additions	**1,127,155**	1,291,276
Amortization (see Notes 24 and 26)	**(8,831,585)**	(1,982,804)
Balance at end of year	**₱40,778,815**	₱48,483,245
Cost	**₱114,969,334**	₱113,842,179
Accumulated amortization	**(74,190,519)**	(65,358,934)
Net carrying amount	**₱40,778,815**	₱48,483,245

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.

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

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

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

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

17. Accounts Payable and Other Current Liabilities

	2024	2023
Accounts payable (see Note 31)	**₱484,981,548**	₱457,352,866
Dividends payable (see Note 21)	**30,302,513**	27,411,219
Nontrade payable (see Notes 1 and 34)	**17,000,000**	17,000,000
Accrued expenses:		
School-related expenses	**63,307,426**	49,350,139
Interest	**49,507,925**	23,550,067
Contracted services	**49,288,035**	55,619,790
Salaries, wages and benefits	**39,866,784**	30,598,314
Utilities	**20,281,193**	9,176,207
Advertising and promotion	**3,058,569**	3,365,457
Rent (see Note 29)	**515,965**	2,366,145
Others	**2,558,624**	5,352,839
Due to an affiliate (see Note 31)	**59,511,839**	–
Student organization fund	**31,689,869**	26,034,726
Statutory payables	**30,172,258**	31,788,805
Network events fund	**21,150,343**	16,304,070
Current portion of advance rent (see Note 20)	**12,476,599**	1,592,747
Current portion of refundable deposits (see Note 20)	**10,084,051**	5,663,137
Others	**16,673,672**	10,701,940
	₱942,427,213	₱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. Dividends payable pertain to dividends declared which are unclaimed as at reporting date and are due on demand.

c. Nontrade payable pertains to a contingent consideration in relation to the acquisition of STI WNU. The Parent Company and the Agustin family decided to amicably settle ₱50.0 million of the nontrade payable by (a) executing in counterparts the Compromise Agreement dated September 6, 2021 and September 10, 2021 and (b) filing a *Joint Motion for Judgment Based on Compromise Agreement* dated September 20, 2021. In the Compromise Agreement, the Parent Company agreed to pay the Agustin family the amount of ₱25.0 million as final and full settlement of the ₱50.0 million, which is the subject of the cases filed by the Agustin family (see Note 34). On September 14, 2021, the Parent Company paid ₱25.0 million to the Agustin family. Accordingly, the Parent Company recognized other income on derecognition of contingent consideration amounting to ₱25.0 million. As at June 30, 2024, 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 34).

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

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

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

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

h. Refundable deposits pertain to security deposits from existing lease agreements which are expected to be settled within the next financial year.

18. Interest-bearing Loans and Borrowings

	2024	2023
Term loan facilities[(a)]	**₱2,086,114,412**	₱854,984,834
Corporate Notes Facility[(b)]	**–**	213,518,514
Landbank ACADEME Program[(c)]	**–**	3,042,276
	2,086,114,412	1,071,545,624
Less current portion	**536,274,021**	262,837,889
Noncurrent portion	**₱1,549,840,391**	₱808,707,735

[(a)] *Net of unamortized debt issuance costs of ₱13.9 million and ₱4.8 million as at June 30, 2024 and 2023, respectively.*
[(b)] *Inclusive of unamortized premium of ₱3.5 million as at June 30, 2023.*
[c)] *Net of unamortized debt issuance costs of ₱7.9 thousand as at June 30, 2023.*

<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 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 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.

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

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

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

Interest Period commences on the date of the Borrowing and having a duration of six (6) months and each six (6)-month period thereafter commencing upon the expiry of the immediately preceding Interest Period; provided that, in case of multiple Borrowings, for each Borrowing subsequent to the initial Borrowing, the first Interest Period for that subsequent Borrowing shall commence on the date of such Borrowing and shall end on the last day of the current Interest Period for the initial Borrowing as established above in order to synchronize the interest periods of all Borrowings. Interest Rate Setting Date means two (2) Business Days prior to each Borrowing Date or, if that is not a Business Day, on the immediately preceding Business Day. Interest Rate Repricing Date shall mean two (2) Business Days prior to each semi-annual date coinciding with the Interest Payment Date. The interest rate for the Term Loan Facility with BPI was repriced at the rate of 7.8735% per annum effective September 18, 2024.

STI ESG shall have the option to prepay the loan, wholly or partially, at any time during the term of the loan. Each partial prepayment shall be in integral multiples of ₱10.0 million. The amount payable in respect of any prepayment of the loan shall comprise of (i) any accrued interest on the principal amount of the loan to be prepaid; and (ii) the principal amount of the Loan to be prepaid; and (iii) prepayment penalty equivalent to 1.0% of the amount prepaid when the prepayment is done on any date other than the Interest Rate Setting Date.

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

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

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

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

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

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

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

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

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

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

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

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

Total liabilities [(a)]	₱2,901,081,687
Total equity	6,996,685,045
D/E ratio	0.41:1.00

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

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

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

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

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 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 TRRP Rate plus 0.50% per annum. Reference rate is defined as the relevant tenor of the Bloomberg Valuation Curve for Philippine government securities, currently referred to as BVIS0923 Index in Bloomberg, as published on the PDS market page and PDS official website.

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

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

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

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

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

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

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

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

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

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

1. Debt-to-equity (D/E) ratio of not more than 1.5x, shall mean the proportion of the Total Debt to Equity, and

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

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

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

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

Total liabilities [(a)]	₱3,816,204,623
Total equity	6,996,685,045
D/E ratio	0.55:1.00

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

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

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

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

Term Loan Agreement with China Banking Corporation (Chinabank)

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

As stated in the Term Loan Agreement, STI ESG has elected to fix the interest on each drawdown on a per annum basis based on the higher of 1-year PHP BVAL rate plus an interest spread of 1.50% 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 Chinabank executed the Amendment to the Term Loan Agreement dated May 7, 2019 to amend the availability period of the Term Loan Facility. The Term Loan Facility was made available to STI ESG on any business day for the period beginning on the date of the Term Loan Agreement and ending on the earliest of: (a) July 31, 2020; (b) the date the Term Loan Facility is fully drawn; or (c) the date the Lender's commitment to extend the Term Loan Facility to STI ESG is canceled or terminated in accordance with the Term Loan Agreement. At various dates during the year ended March 31, 2020, STI ESG availed of loans aggregating to ₱800.0 million subject to interest rates ranging from 5.81% to 6.31% per annum. In July 2020, STI ESG availed of loans aggregating to ₱400.0 million subject to an interest rate of 5.81% per annum. As at July 31, 2020, the Term Loan Facility was fully drawn at ₱1,200.0 million. The proceeds from these loans were used for capital expenditures and working capital requirements. Interest rates for all drawdowns from the Term Loan Facility were repriced at the rates of 6.5789% and 8.0472% per annum effective September 19, 2022 and 2023, respectively. Starting from September 19, 2024, the interest rate was adjusted to 7.8749% per annum.

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

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

Breakdown of STI ESG's Term Loan follows:

	2024	2023
Balance at beginning of year	**₱720,000,000**	₱960,000,000
Repayments	**(120,000,000)**	(240,000,000)
Balance at end of year	**600,000,000**	720,000,000
Unamortized debt issuance costs	**(3,277,036)**	(4,657,489)
Balance at end of year	**596,722,964**	715,342,511
Less current portion	**238,525,254**	120,000,000
Noncurrent portion	**₱358,197,710**	₱595,342,511

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

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

On September 16, 2021, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, Chinabank reduced the prepayment penalty from 3.0% to 1.5% based on the amount to be prepaid. On September 20, 2021, STI ESG made a prepayment aggregating to ₱243.9 million, inclusive of the 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2022 and September 19, 2022.

On September 23, 2022, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. On the same day, STI ESG made a prepayment aggregating to ₱244.5 million, inclusive of interests on the outstanding term loan facility covering September 19 to 23, 2022 and 1.5% prepayment penalty. The prepayment was applied in the direct order of maturity and as such, applied on scheduled amortizations due on March 19, 2023 and September 19, 2023. On March 19, 2024 and September 19, 2024, STI ESG settled the principal payments due amounting to ₱120.0 million each under the Term Loan facility with Chinabank.

The revised repayment schedule of STI ESG's Term Loan Facility with Chinabank as at June 30, 2024 are as follows :

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

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

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

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

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

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

On August 15, 2022, Chinabank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year.

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

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 Chinabank 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 shall mature 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 shall coincide 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, Chinabank 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, Chinabank 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, Chinabank approved iACADEMY's request to partially prepay the term loan in the amount of ₱120.0 million and the waiver of the 3.0% prepayment penalty. On September 29, 2021, iACADEMY made a prepayment of ₱120.0 million plus ₱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 also waived by Chinabank.

With the prepayment made, Chinabank 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, Chinabank 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, Chinabank 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.

On June 24, 2024, Chinabank approved iACADEMY's request to fully prepay the term loan and the waiver of the 3.0% prepayment penalty. On June 28, 2024, iACADEMY fully paid the ₱20.0 million loan balance.

Breakdown of iACADEMY's Term Loan follows:

	2024	2023
Balance at beginning of year	**₱140,000,000**	₱320,000,000
Payments	**(140,000,000)**	(180,000,000)
	–	140,000,000
Unamortized debt issuance costs	**–**	(357,677)
Balance at end of year	**–**	139,642,323
Less current portion	**–**	79,795,613
Noncurrent portion	**₱–**	₱59,846,710

Interest rates were repriced at the rates of 3.2068% 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 years ended June 30, 2024, 2023 and 2022 amounted to ₱9.9 million, ₱12.6 million and ₱12.9 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 consolidated statements of financial position. The carrying value of the transaction costs amounted to ₱0.4 million as at June 30, 2023. Amortization of transaction costs recognized as interest expense amounted to ₱0.4 million, ₱1.3 million and ₱1.0 million for the years ended June 30, 2024, 2023 and 2022, respectively.

Financial Covenants. 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 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.

Prior to the full settlement of the loan and as at June 30, 2023, iACADEMY is compliant with the above covenants.

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

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

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

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

In 2015, 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% and 5.7895%, per annum, effective February 1, 2021 and September 20, 2021, respectively.

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

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

a) change in interest rate of either (1) the 1-year benchmark rate (PDST-R2) plus a margin of 1.50% 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) Debt-to-equity ratio of not more than 1.50x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
   (2) Debt service cover ratio of a minimum of 1.05x.

On January 29, 2021, STI ESG and Chinabank executed a Third Amendment and Supplemental Agreement to the Corporate Notes Facility Agreement with an outstanding balance of ₱240.0 million. Significant changes to the terms and conditions of the Corporate Notes Facility 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 every March 19 and September 19 of each year to commence from March 19, 2023;

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

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

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

The above modification of terms and conditions resulted in the recognition of premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization was fully offset at the end of the loan period. Amortization of loan premium amounting to ₱0.4 million, ₱2.1 million, and ₱2.5 million for the years ended June 30, 2024, 2023 and 2022, respectively, were recognized as a reduction of interest expense in the consolidated statements of comprehensive income. The interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of STI ESG's Credit Facility Agreement follows:

	2024	2023
Balance at beginning of year	**₱210,000,000**	₱240,000,000
Payments	**210,000,000**	30,000,000
	–	210,000,000
Add unamortized premium on corporate notes	**–**	3,518,514
Balance at end of year	**–**	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.

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

As at June 30, 2023, these loans are unsecured and are due based on the following schedule (with the January 29, 2021 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, Chinabank approved on August 15, 2022, the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

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

Waivers of Certain Covenants

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

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

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

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

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

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

e. On August 7, 2020, STI WNU requested Chinabank 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, Chinabank 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 Systems 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 Chinabank 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, Chinabank 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 Systems 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.

LandBank ACADEME Program
On July 22, 2020, LandBank approved a ₱250.0 million Term Loan/Rediscounting Line Facility under its ACADEME Lending Program in favor of STI ESG to finance the 'study now, pay later' program of the government for students amid the financial difficulties facing families due to the COVID-19 pandemic. The LandBank ACADEME Program is a refinancing/rediscounting facility for Promissory Notes issued by the parents or benefactors of students to enable said students to enroll, continue and complete their studies. The school can borrow up to 70% of the amount stated in the Promissory Note issued by the parents/benefactors of the students. This loan from LandBank is subject to 3.0% 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 ₱3.0 million as at June 30, 2023 (nil as at June 30, 2024).

Interest Expense

Except for the LandBank loan, the benchmark rate for the loans of STI ESG and iACADEMY is the BVAL reference rate for one-year tenor for the Chinabank Term Loan Facility and the Corporate Notes Facility. For STI ESG's BPI and Metrobank Term Loan Facilities, the benchmark rate is the BVAL reference rate for six months.

Interest incurred on the loans (including amortization of debt issuance costs and premium) for the years ended June 30, 2024, 2023 and 2022 amounted to ₱103.3 million, ₱82.3 million and ₱89.8 million, respectively (see Note 23).

19. Bonds Payable

	2024	2023
Principal:		
Fixed-rate bonds due 2027	**₱820,000,000**	₱820,000,000
Fixed-rate bonds due 2024	**–**	2,180,000,000
	820,000,000	3,000,000,000
Less unamortized debt issuance costs	**5,032,725**	11,577,016
Balance at end of year	**814,967,275**	2,988,422,984
Less current portion	**–**	2,175,083,335
Noncurrent portion	**₱814,967,275**	₱813,339,649

On March 23, 2017, 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 Philippine Dealing & Exchange Corp. (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 were fully redeemed by STI ESG in accordance with terms of the Trust Agreement and the Supplemental Trust Agreement.

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

Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value 2024	Carrying Value 2023	Features
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱814,967,275**	₱813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary of issue date
2017	Quarterly	7 years	5.8085%	2,180,000,000	–	2,175,083,335	Callable on the 3rd month after the 5th anniversary of issue date and on the 6th anniversary of issue date
				₱3,000,000,000	**₱814,967,275**	₱2,988,422,984	

Covenants

The bonds provide certain restrictions and requirements with respect to, among others, change in majority ownership and management, merger or consolidation with other corporation resulting in loss of control over the overall resulting entity and sale, lease, transfer or otherwise disposal of all or substantially all 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 debt-to-equity ratio of not more than 1.50:1.00 and debt service cover ratio of not less than 1.05:1.00 computed based on the consolidated financial statements. Testing of compliance with required ratios are done every June 30 and December 31 of each year.

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

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

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

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

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

On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

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

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

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

- Amendment Relating to DSCR Waiver

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

(k) maintain and observe the following financial ratios:
   (i) DSCR of not less than 1.05:1:00, provided that this Debt Service Coverage Ratio requirement shall be waived up to June 30, 2023.

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

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

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

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

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

Following are the amendments made:

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

"Section 7.01 Affirmative Covenants of the Issuer

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

(k) maintain and observe the following financial ratios:
   (i) an Interest Coverage Ratio of not less than 3.00:1; and
   (ii) a maximum Debt-to-Equity Ratio of 1.5:1.

For purposes of this Section 7.01(k):

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

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

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

STI ESG’s D/E ratio and ICR, as defined in the Second Supplemental Trust Agreement, as at June 30, 2024 are as follows:

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

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

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

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

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

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

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

20. **Other Noncurrent Liabilities**

	2024	2023
Advance rent - net of current portion (see Notes 17 and 29)	**₱44,992,331**	₱57,809,767
Refundable deposits - net of current portion (see Notes 17 and 29)	**30,125,618**	49,331,720
Deposit for future stock subscription	**8,000,000**	–
Deferred lease liability	**7,228,397**	4,410,235
Deferred output VAT	**347,305**	532,282
	₱90,693,651	₱112,084,004

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

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

Current portion of advance rent and refundable deposits are presented and disclosed in Note 17.

Deposit for future stock subscription represents the contribution received by STI Training Academy from a third party as advance payment for future subscription to its shares of stock. As at June 30, 2024, such contribution has been recorded as deposit for future stock subscription under "Other noncurrent liabilities" in the 2024 consolidated statement of financial position, pending the application for the increase in authorized capital stock and/or the completion of the necessary documentation for the capital stock increase and subscriptions.

21. **Equity**

Capital Stock
Details as at June 30, 2024 and 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 June 30, 2024 and 2023, the Parent Company has a total number of shareholders on record of 1,264.

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

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

Dividends received by STI ESG related to these shares amounting to ₱15.0 million, ₱7.5 million and ₱5.0 million for the years ended June 30, 2024, 2023 and 2022, respectively, were offset against the dividends declared as shown in the consolidated statements of changes in equity.

Other Comprehensive Income and Non-controlling Interests

		2024	
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain (see Note 28)	**₱44,378,717**	**₱70,052**	**₱44,448,769**
Fair value changes in equity instruments at FVOCI (see Note 15)	**20,349,810**	**289,510**	**20,639,320**
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)**
	₱65,049,982	**₱367,413**	**₱65,417,395**

	2023		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱5,481,945	(₱421,787)	₱5,060,158
Fair value changes in equity instruments at FVOCI (see Note 15)	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

	2022		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain (loss) (see Note 28)	₱27,664,542	(₱290,829)	₱27,373,713
Fair value changes in equity instruments at FVOCI (see Note 15)	13,255,113	196,194	13,451,307
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)
	₱41,241,110	(₱86,784)	₱41,154,326

Dividends declared by subsidiaries to non-controlling interest owners amounted to ₱8.4 million, ₱2.9 million and ₱2.0 million for the years ended June 30, 2024, 2023 and 2022, respectively.

Retained Earnings

a) 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, 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, paid on January 31, 2023.

   On December 3, 2021, cash dividends amounting to ₱0.01 per share or the aggregate amount of ₱99.0 million were declared by the Parent Company's BOD in favor of all stockholders of record as at January 6, 2022, paid on January 31, 2022.

b) Consolidated retained earnings include retained earnings of subsidiaries amounting to ₱4,598.5 million and ₱3,653.5 million as at June 30, 2024 and 2023, respectively, which are not available for dividend declaration. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in the SEC Memorandum Circular No. 16 of 2023 / No. 11 of 2008, amounted to ₱2,048.5 million and ₱1,667.4 million as at June 30, 2024 and 2023, respectively.

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.

Other Equity Reserve

Other equity reserve primarily consists of equity adjustment amounting to ₱1.7 billion resulting from the share swap transaction of the Parent Company with the shareholders of STI ESG, as discussed in Note 1.

On August 4, 2021, the minority shareholders of De Los Santos-STI College and STI ESG entered into deeds of absolute sale wherein STI ESG purchased shares aggregating 480,000, representing 48.0% of the issued and outstanding capital stock of De Los Santos-STI College, for a total consideration of ₱16.0 million. As a result, De Los Santos-STI College became a wholly owned subsidiary of STI ESG effective August 4, 2021. Consequently, the carrying value of the equity attributable to non-controlling interest in De Los Santos-STI College amounting to ₱74.4 thousand was derecognized and other equity reserve amounting to ₱15.9 million, representing the difference between the consideration paid by STI ESG and the carrying value of non-controlling interest in De Los Santos-STI College, was recognized in the consolidated financial statements.

22. **Revenues**

Disaggregated Revenue Information
The disaggregated revenue information is presented in the consolidated statements of comprehensive income and segment information, as discussed in Note 3 to the consolidated financial statements, in a manner that reflects the various sources and categories of revenues generated by the Group for the years ended June 30, 2024, 2023 and 2022.

Timing of Revenue Recognition

	2024	2023	2022
Services transferred over time	**₱4,494,757,123**	₱3,237,425,204	₱2,574,748,887
Goods and services transferred at a point in time	**205,566,545**	168,042,749	102,883,006
	₱4,700,323,668	₱3,405,467,953	₱2,677,631,893

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

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱141.1 million, ₱116.8 million and ₱101.8 million for the years ended June 30, 2024, 2023 and 2022, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the years ended June 30, 2024, 2023, and 2022.

Performance Obligations
The performance obligations related to revenue from tuition and other school fees are satisfied over time since the students and the franchisees 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 the Group 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 June 30, 2024 and 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱179.6 million and ₱141.1 million, respectively. This represents advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

23. Interest Income and Interest Expense

Sources of interest income are as follows:

	2024	2023	2022
Cash and cash equivalents (see Note 5)	**₱51,155,982**	₱16,711,920	₱3,108,065
Past due receivables (see Notes 6 and 10)	**6,441,145**	5,820,824	34,952,813
Others	**80,587**	62,594	–
	₱57,677,714	₱22,595,338	₱38,060,878

Sources of interest expense are as follows:

	2024	2023	2022
Bonds payable (see Note 19)	**₱150,979,292**	₱186,813,143	₱186,337,411
Interest-bearing loans and borrowings (see Note 18)	**103,266,244**	82,281,389	89,839,830
Lease liabilities (see Note 29)	**34,666,187**	33,139,748	31,373,303
Others	**4,389,672**	8,784,844	5,789,039
	₱293,301,395	₱311,019,124	₱313,339,583

24. Cost of Educational Services

	2024	2023	2022
Faculty salaries and benefits (see Notes 27 and 28)	**₱574,421,385**	₱434,472,779	₱359,442,565
Depreciation and amortization (see Notes 11 and 16)	**386,064,977**	384,604,355	372,600,174
Student activities and programs	**243,089,138**	141,439,488	88,514,478
Software maintenance	**34,327,276**	32,904,196	25,828,391
School materials and supplies	**31,585,338**	9,807,567	5,069,829
Rental (see Note 29)	**29,663,477**	24,713,816	20,894,547
Courseware development costs	**1,703,088**	3,727,475	997,224
Internet connectivity assistance	**–**	–	69,967,107
Others	**17,397,702**	8,340,923	12,195,277
	₱1,318,252,381	₱1,040,010,599	₱955,509,592

25. Cost of Educational Materials and Supplies Sold

	2024	2023	2022
Educational materials and supplies	**₱88,654,988**	₱83,025,948	₱21,025,868
Promotional materials	**14,047,464**	7,577,876	3,145,198
	₱102,702,452	₱90,603,824	₱24,171,066

26. **General and Administrative Expenses**

	2024	2023	2022
Salaries, wages and benefits (see Notes 27 and 28)	**₱467,261,558**	₱378,969,060	₱317,771,243
Depreciation and amortization (see Notes 11, 12 and 16)	**239,059,583**	228,795,745	226,856,661
Light and water	**182,352,592**	162,612,112	75,314,030
Outside services	**154,406,805**	123,792,905	82,208,118
Professional fees	**100,855,267**	82,160,272	83,929,578
Advertising and promotions	**52,594,676**	41,129,952	38,044,909
Provision for:			
Expected credit losses (see Note 6)	**30,463,772**	85,222,460	112,657,925
Impairment of goodwill (see Note 16)	**14,268,891**	–	3,806,174
Impairment of investments in and advances to associates and joint venture (see Note 13)	**1,650,340**	–	–
Inventory obsolescence (see Note 7)	**1,013,523**	5,601,458	2,018,596
Repairs and maintenance	**46,823,774**	40,917,234	24,587,811
Taxes and licenses	**45,590,196**	37,647,631	32,598,434
Transportation	**39,313,699**	33,810,126	28,992,570
Meetings and conferences	**24,218,836**	21,942,686	18,493,792
Insurance	**20,046,483**	17,066,209	17,694,309
Entertainment, amusement and recreation	**18,107,420**	13,095,556	11,797,222
Rental (see Note 29)	**12,468,643**	10,577,723	10,382,988
Communication	**11,822,826**	11,499,109	11,383,618
Office supplies	**11,424,364**	11,598,032	7,125,420
Software maintenance	**8,492,904**	5,313,857	5,696,056
Association dues	**5,830,526**	2,094,983	1,907,658
Payment channels and bank charges	**4,889,308**	2,439,590	1,582,290.0
Others	**5,592,729**	14,521,326	14,491,439
	₱1,498,548,715	₱1,330,808,026	₱1,129,340,841

27. **Personnel Costs**

	2024	2023	2022
Salaries and wages (see Notes 24 and 26)	**₱872,215,886**	₱702,369,984	₱589,063,558
Pension expense (see Note 28)	**43,751,131**	18,219,693	16,772,554
Other employee benefits	**125,715,926**	92,852,162	71,377,696
	₱1,041,682,943	₱813,441,839	₱677,213,808

28. **Pension Plans**

Defined Benefit Plans

The Group has funded and unfunded, noncontributory, defined benefit pension plans covering substantially all of its faculty members and regular employees. The benefits are based on the employees' salaries and length of service.

Under the existing regulatory framework, RA No. 7641 (Retirement Pay Law) requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Retirement benefits are payable in the event of termination of employment due to: (i) early, normal, or late retirement; (ii) physical disability; (iii) voluntary resignation; or (iv) involuntary separation from service. For plan members retiring under normal, early or late terms, the retirement benefit is equal to a percentage of final monthly salary for every year of credited service.

In case of involuntary separation from service, the benefit is determined in accordance with the Termination Pay provision under the Philippine Labor Code or similar legislation on involuntary termination.

The funds are administered by the trustee banks under the supervision of the Board of Trustees of the plan. The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (Investment policy). The Board of Trustees implements the Investment policy in accordance with the investment strategy as well as various principles and objectives.

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

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

	2024	2023	2022
Pension expense (recognized under "Salaries, wages and benefits" account):			
Current service cost	**₱13,129,593**	₱11,360,639	₱12,121,771
Past service cost	**21,903,585**	–	–
Net interest cost	**8,717,953**	6,859,054	4,650,783
	₱43,751,131	₱18,219,693	₱16,772,554

	2024	2023	2022
Net pension liabilities (recognized in the consolidated statements of financial position):			
Present value of defined benefit obligations	**₱255,917,521**	₱219,785,836	₱186,297,728
Fair value of plan assets	**(126,136,530)**	(79,986,514)	(77,642,301)
	₱129,780,991	₱139,799,322	₱108,655,427

The Group offsets its pension assets and pension liabilities on a per company basis for presentation in the consolidated statements of financial position since pension assets are restricted for the settlement of pension liabilities only.

	2024	2023	2022
Changes in the present value of defined benefit obligations:			
Balance at beginning of period	**₱219,785,836**	₱186,297,728	₱186,305,635
Current service cost	**13,129,593**	11,360,639	12,121,771
Past service cost	**21,903,585**	–	–
Interest cost	**13,703,300**	11,901,428	8,170,086
Benefits paid	**(4,229,091)**	(9,179,694)	(9,172,562)
Actuarial loss (gain) on obligations:			
Deviations of experience from assumptions	**8,413,738**	8,052,313	2,477,632
Financial assumptions	**(16,789,440)**	11,353,422	(13,604,834)
Balance at end of year	**₱255,917,521**	₱219,785,836	₱186,297,728
Changes in the fair value of plan assets:			
Balance at beginning of period	**₱79,986,514**	₱77,642,301	₱80,896,171
Interest income	**4,985,347**	5,042,374	3,519,303
Contributions	**10,034,827**	5,869,249	2,492,754
Benefits paid	**(4,229,091)**	(9,179,694)	(9,093,156)
Actuarial gain (loss) on plan assets	**35,358,933**	612,284	(2,487,996)
Net transfer	**–**	–	2,315,225
Balance at end of year	**₱126,136,530**	₱79,986,514	₱77,642,301

The principal assumptions used in determining pension liabilities of the Group as of July 1 are shown below:

	2024	2023	2022
Discount rate	**6.21%-6.22%**	5.03%-6.52%	4.29%-5.03%
Future salary increases	**4.00%-8.00%**	4.00%-5.00%	3.00%-5.00%

As of June 30, 2024, the discount rate and future salary increase rate range from 6.69% to 6.74% and from 3% to 8%, respectively.

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The major categories of the Group's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2024	2023	2022
Cash and cash equivalents	**0%**	0%	8%
Short-term fixed income	**49%**	61%	55%
Investments in equity securities	**50%**	33%	31%
Investments in debt securities	**1%**	6%	6%
	100%	100%	100%

The plan assets of the Group are maintained by the respective Trust Departments of the Union Bank of the Philippines, Land Bank of the Philippines and Rizal Commercial Banking Corporation Trust and Investments Group.

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

	2024	2023
Cash	**₱408,199**	₱265,939
Short-term fixed income	**61,819,089**	49,143,130
Investments in:		
Equity securities	**62,932,774**	26,748,450
Government securities	**969,961**	3,828,671
Others	**6,506**	324
	₱126,136,529	₱79,986,514

Short-term Fixed Income. Short-term fixed income investment includes time deposits and special savings deposits.

Investments in Equity Securities. Investments in equity securities pertain to STI ESG's Retirement Fund investment in the shares of the Parent Company which has a fair value of ₱0.90 and ₱0.38 per share as at June 30, 2024 and 2023, respectively.

Total unrealized losses from investments in equity securities of related parties amounted to ₱28.0 million and ₱8.4 million as at June 30, 2024 and 2023, respectively.

Investments in Government Securities. Investments in government securities include treasury bills and fixed-term treasury notes with maturities ranging from two (2) months to three (3) years and bear interest rates ranging from 5.875% to 6.00%. These securities are fully guaranteed by the Government of the Republic of the Philippines.

Management performs Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans are guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 49.0% of short-term fixed income, 50.0% of equity instruments and 1.0% of debt securities.

The average duration of the defined benefit obligation of the entities in the Group as at June 30, 2024 ranges from 12 to 15 years.

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2024 and 2023:

	2024	2023
Less than one year	**₱94,133,115**	₱55,907,643
More than one year to five years	**70,743,829**	73,749,876
More than five years to ten years	**129,253,524**	115,724,353
More than ten years to fifteen years	**158,240,097**	156,198,950
More than fifteen years to twenty years	**242,671,984**	192,146,488
More than twenty years	**242,671,984**	243,397,179

The Group expects to contribute ₱9.3 million to its retirement fund in 2025.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions are held constant:

	Effect on Present Value of Define Benefit Obligation		
	2024	2023	2022
Discount rates			
Increase by 1%	**(₱15,178,823)**	(₱13,703,195)	(₱9,340,032)
Decrease by 1%	**16,691,831**	16,309,156	14,089,707
Future salary increases			
Increase by 1%	**17,033,996**	16,291,595	14,345,858
Decrease by 1%	**(15,040,385)**	(14,065,887)	(12,594,429)
Employee turnover			
Increase by 10%	**1,874,012**	2,625,302	1,528,582
Decrease by 10%	**(1,874,012)**	(2,625,302)	(1,528,582)

Defined Contribution Plans

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

De Los Santos-STI College and STI Quezon Avenue's contributions consist of future service cost and past service cost. Although the De Los Santos Plan has a defined contribution format, the Group regularly monitored compliance with RA No. 7641.

In May 2022, after settling the retirement obligations to its employees, the retirement funds from CEAP aggregating to ₱6.1 million have been transferred to one of the trustee banks that administers the retirement funds of the Group.

29. **Leases**

As Lessor

The Group entered into several lease agreements, as lessors, on their buildings and condominium units under operating lease agreements with varying terms and periods ranging from 2 to 10 years. Certain leases are subject to annual repricing based on a pre-agreed rate.

The Group also earns rental income from concessionaires and for the occasional use of the Group's properties primarily used for school operations such as auditorium, classrooms and gymnasiums.

Total rental income for the years ended June 30, 2024, 2023 and 2022 amounted to ₱197.9 million, ₱178.1 million and ₱71.0 million, respectively (see Notes 12 and 31).

The Group receives refundable deposits as security for its observance and faithful compliance with the terms and conditions of the lease agreements and advanced rental payment which will be applied on the last months of the lease. The current and noncurrent portion of advance rent and deposit liabilities are recorded under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" account, respectively, in the consolidated statements of financial position. These pertain to the advances and refundable deposits made by the lessees to iACADEMY and STI ESG (see Notes 17 and 20).

Future minimum rental receivable for the remaining lease terms as at June 30, 2024 and 2023 follows:

	2024	2023
Within one year	**₱178,756,280**	₱189,514,903
After one year but not more than five years	**353,666,964**	539,402,118
Total	**₱532,423,244**	₱728,917,021

In September 2022, STI ESG entered into an agreement to lease a 610-square-meter portion of its STI Academic Center Pasay EDSA property to a third party. STI ESG has advanced the costs to complete the fit-out requirements which the third party will reimburse with an additional 7.5% to cover the cost of money. The related contract costs aggregated to ₱41.7 million, inclusive of materials, cost of labor and overhead, and cost of money as at report date (see Note 6).

As Lessee

The Group leases land and building spaces, where the corporate office and schools are located, under operating lease agreements with varying terms and periods ranging from 1 to 25 years. The lease rates are subject to annual repricing based on a pre-agreed rate. Certain transportation equipment were acquired under lease agreements with varying terms and periods ranging from 3 to 5 years.

Total rental expense charged to operations for the years ended June 30, 2024, 2023 and 2022 amounted to ₱42.1 million, ₱35.3 million and ₱31.3 million, respectively (see Notes 24 and 26).

The Group paid the lessors refundable deposits equivalent to several months of rental payments as security for their observance and faithful compliance with the terms and conditions of the agreement (see Note 16).

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

	2024	2023	2022
Depreciation expense of right-of-use assets included in property and equipment and investment properties (see Notes 11 and 12)	**₱88,752,980**	₱85,474,468	₱75,627,498
Interest expense on lease liabilities (see Note 23)	**34,666,187**	33,139,748	31,373,303
Expenses relating to short-term leases (see Notes 24 and 26)	**40,070,808**	32,729,999	29,903,826
Variable lease payments (see Notes 24 and 26)	**2,061,312**	2,561,540	1,373,709
	₱165,551,287	₱153,905,755	₱138,278,336

During the height of COVID-19 pandemic, some of the Group's lessors granted rent concessions. For the year ended June 30, 2022, these concessions included discounts ranging from 25.0% to 50.0% of rental payments, waiver of rent for a certain month, or deferral of rental over six to twelve months, among others. The Group applied the practical expedient provided by the amendments to PFRS 16 for rent concessions granted to the Group that meet the aforementioned criteria resulting in recognition of income from rent concessions aggregating to ₱6.1 million, recognized under "Other income (expenses) - net" in the 2022 consolidated statement of comprehensive income.

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

The rollforward analysis of lease liabilities as at June 30, 2024 and 2023 are as follows:

	2024	2023
Balance at beginning of year	**₱536,759,779**	₱473,316,566
Additions (see Note 11)	**41,099,396**	165,482,070
Interest expense (see Note 23)	**34,666,187**	33,139,748
Payments	**(122,452,098)**	(133,436,395)
Lease termination/modification	**–**	(1,742,210)
Balance at end of year	**490,073,264**	536,759,779
Less current portion	**86,894,606**	98,513,595
Non-current portion	**₱403,178,658**	₱438,246,184

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

	2024	2023
Within one year	**₱117,840,608**	₱112,348,981
After one year but not more than five years	**372,148,462**	356,600,903
More than five years	**165,447,518**	242,361,406
Total	**₱655,436,588**	₱711,311,290

30. **Income Tax**

All domestic subsidiaries qualifying as private educational institutions are subject to tax under RA No. 8424, "An Act Amending the National Internal Revenue Code, as amended, and For Other Purposes" which was passed into law effective January 1, 1998. Title II Chapter IV - Tax on Corporations - Sec 27(B) of the said Act defines and provides that: a "Proprietary Educational Institution" is any private school maintained and administered by private individuals or groups with an issued permit to operate from DepEd, CHED, or TESDA, as the case may be, in accordance with the existing laws and regulations and shall pay a tax of ten percent (10.0%) on its taxable income.

Pursuant to Republic Act (RA) No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act, the following changes in tax rates became effective on July 1, 2023 as outlined in Revenue Memorandum Circular (RMC) 69-2023:

- Minimum corporate income tax (MCIT) rate has reverted to 2.0% of gross income from a reduced rate of 1.0% that was in effect from July 1, 2020 to June 30, 2023

- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit has reverted to 10.0% of the taxable income following a temporary reduction to 1.0% effective July 1, 2020 to June 30, 2023

Consequently, the Group recognized provision for current income tax using the preferential income tax rate of 10.0% (MCIT rate of 2%, as the case may be) in fiscal year 2024 in accordance with RMC 69-2023.

The components of recognized net deferred tax assets and net deferred tax liabilities are as follows:

	2024	2023
Deferred tax assets:		
Lease liabilities	**₱47,688,102**	₱49,876,344
Allowance for expected credit losses	**15,798,159**	29,176,207
Unearned tuition and other school fees	**12,140,423**	6,764,521
Pension liabilities	**9,135,768**	10,451,930
NOLCO	**4,415,342**	2,414,755
Advance rent	**2,523,505**	2,484,479
Excess of cost over net realizable value of inventories	**2,513,524**	2,412,171
Allowance for impairment of noncurrent asset held for sale	**–**	1,596,663
Unamortized loan premium	**–**	351,851
	94,214,823	105,528,921
Deferred tax liabilities:		
Right-of-use assets	**(36,929,089)**	(42,615,932)
Unrealized foreign exchange gain	**(5,003,300)**	(4,618,621)
Intangible assets	**(2,762,187)**	(2,762,187)
Excess of fair value over derecognized STI Tanay receivables	**(3,042,063)**	(2,036,577)
Unamortized debt issue costs	**(1,503,786)**	(803,676)
Excess of rental under operating lease computed on a straight-line basis	**(1,148,067)**	(971,059)

(Forward)

	2024	2023
Security deposit	**(₱549,577)**	(₱729,924)
Accrued rent income under PFRS 16	**(208,020)**	(208,020)
Unamortized deposit discount	**(39,635)**	(39,635)
	(51,185,724)	(54,785,631)
Net deferred tax assets	**₱43,029,099**	₱50,743,290

	2024	2023
Deferred tax liabilities:		
Excess of fair values over carrying values of net assets acquired in business combination	**(₱120,027,896)**	(₱120,802,485)
Right-of-use assets	**(2,950,196)**	(4,022,343)
	(122,978,092)	(124,824,828)
Deferred tax assets:		
Allowance for expected credit losses	**6,878,358**	8,985,415
Pension liabilities	**3,834,772**	3,472,212
Unamortized past service cost	**919,582**	932,451
Unearned tuition and other school fees	**868,343**	2,127,876
	12,501,055	15,517,954
Net deferred tax liabilities	**(₱110,477,037)**	(₱109,306,874)

Certain deferred tax assets of the Group were not recognized as at June 30, 2024 and 2023 as it is not probable that future taxable profits will be sufficient against which these can be utilized.

The following are the deductible temporary differences and unused NOLCO and MCIT for which no deferred tax assets were recognized:

	2024	2023
NOLCO	**₱208,476,988**	₱326,492,189
Allowance for impairment of advances to associates	**49,784,880**	48,134,540
Lease liabilities	**12,937,125**	16,397,611
MCIT	**774,018**	583,714
	₱271,973,011	₱391,608,054

The Group has incurred NOLCO for taxable years 2023 and 2024 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years as follows:

Year	Availment Period	Amount	Additions	Applied	Expired	Amount
2024	2025-2027	₱–	₱44,546,510	₱–	₱–	₱44,546,510
2023	2024-2026	64,491,853	–	1,501,565	–	62,990,288
		₱64,491,853	₱44,546,510	₱1,501,565	₱–	₱107,536,798

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group has incurred NOLCO for the years ended June 30, 2022 and 2021 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act as follows:

Year	Availment Period	Amount	Applied	Expired	Amount
2022	2023-2027	₱104,684,005	₱10,031,593	₱–	₱94,652,412
2021	2022-2026	137,530,575	87,592,589	–	49,937,986
2020	2021-2025	503,216	–	–	503,216
		₱242,717,796	₱97,624,182	₱–	₱145,093,614

The Parent Company's MCIT which can be claimed as a deduction from future regular income tax due follows:

Year Incurred	Expiry Date	Amount
2024	2027	₱387,000
2023	2026	193,500
2022	2025	193,518
2021	2024	196,696
		970,714
Less expired		196,696
		₱774,018

The reconciliation of the provision for income tax on income before income tax computed at the effect of the applicable statutory income tax rate to the provision for income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2024	2023	2022
Provision for income tax at statutory income tax rate	**₱443,354,844**	₱214,527,655	₱106,760,911
Income tax effects of:			
Interest income already subjected to final tax	**(12,788,996)**	(4,177,980)	(777,016)
Royalty fees subjected to final tax	**(4,328,739)**	(3,684,075)	(3,096,685)
Dividend income	**(722,523)**	(623,761)	(301,707)
Equity in net losses (earnings) of associates and joint venture	**(502,351)**	(564,685)	5,060,549
Nondeductible expenses	**3,814,998**	6,392,400	1,617,450
Income on derecognition of contingent consideration	**–**	–	(6,250,000)
Difference in income tax rates and others	**(263,758,854)**	(227,593,218)	(92,213,253)
Provision for (benefit from) income tax	**₱165,068,379**	(₱15,723,664)	₱10,800,249

Others include income tax effect of change in unrecognized deferred tax assets and expired NOLCO and MCIT.

31. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) enterprises or individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Parent Company; (b) associates; and (c) enterprises or individuals owning, directly or indirectly, an interest in the voting power of the company that gives them significant influence over the 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 Year			Outstanding Receivable (Payable)			
Related Party	**2024**	2023	2022	**2024**	2023	**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							
Rental income and other charges	**888,755**	1,084,704	984,918	**10,209,550**	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Refundable deposits	**21,166**	–	–	**(119,383)**	(98,217)	Refundable upon end of contract	Unsecured
STI Alabang**							
Educational services and sale of educational materials and supplies	**–**	7,668,672	9,757,814	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina							
Educational services and sale of educational materials and supplies	**15,336,320**	10,461,238	7,733,087	**892,949**	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*							
TCAMI							
Deposit for purchase of shares of PHI	**60,484,000**	–	–	**60,484,800**	–	15% deposit; balance payable on the third anniversary of the share purchase agreement	Unsecured; no impairment
Purchase of shares of CHI	**180,000,000**	–	–	**–**	–	Full payment upon contract execution	Unsecured; no impairment
Philhealthcare, Inc.							
Facility sharing and other charges	**6,692,230**	13,926,146	12,871,190	**25,747**	455,516	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**9,996,252**	13,622,909	5,647,342	–	(4,911)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	129,496	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phils First Insurance Co., Inc.							
Rental and other charges	**4,994,661**	4,842,840	4,646,051	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**17,717,607**	16,997,815	15,642,703	**(2,502)**	(237,996)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation							
Association dues and other charges	**10,254,589**	13,879,981	10,030,475	**(847,182)**	(59,126)	30 days upon receipt of billings; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions during the Year 2024	2023	2022	Outstanding Receivable (Payable) 2024	2023	Terms	Conditions
Philippine Life Financial Assurance Corporation							
Facility sharing, utilities other charges	**₱915,688**	₱13,075,942	₱12,785,210	**₱133,059**	₱300,368	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	**790,708**	370,925	558,035	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposit	–	–	129,496	–	(1,950,480)	Refundable upon end of contract	Unsecured
GROW VITE Staffing Services							
Rental income and other charges	**2,817,347**	1,597,514	1,619,958	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and staffing services	**36,901,349**	28,791,006	16,740,546	**(19,838,477)**	(2,104,323)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**88,675**	932,996	145,938	**157,914**	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposit	**49,959**	–	129,496	**(421,744)**	(371,785)	Refundable upon end of contract	Unsecured
STI Diamond							
Reimbursement for various expenses and other charges	**(59,511,839)**	–	–	**(59,511,839)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees							
Advances for various expenses	**69,713,869**	58,855,408	19,976,405	**36,078,187**	31,748,600	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others							
Facility sharing and other charges	**300,000**	643,051	313,181	**653,986**	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**430,000**	400,000	772,581	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
				₱74,079,125	₱85,915,956		

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

Related party receivables and payables are generally settled in cash.

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

	2024	2023
Advances to associates and joint venture (see Note 13)	**₱48,134,540**	₱48,134,540
Advances to officers and employees (see Note 6)	**36,078,187**	31,748,600
Rent, utilities and other related receivables (see Note 6)	**11,180,256**	12,561,892
Educational services and sale of educational materials and supplies (see Note 6)	**892,949**	248,242
Deposit for purchase of shares (see Note 16)	**60,484,800**	–
Accounts payable (see Note 17)	**(23,179,768)**	(6,777,318)
Due to an affiliate (see note 17)	**(59,511,839)**	–
	₱74,079,125	₱85,915,956

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

	Amount of Transactions during the Year			Outstanding Receivable (Payable)			
Category	**2024**	2023	2022	**2024**	2023	**Terms**	**Conditions**
Subsidiaries							
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
STI WNU							
Educational services and sale of educational materials and supplies	**33,545,445**	15,175,485	17,663,297	**–**	5,288,411	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**7,818,817**	6,257,059	5,332,698	**–**	2,970,677	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

The Parent Company executed a Surety Agreement in relation to its subsidiaries' loan facilities with LandBank (see Notes 18 and 34).

Compensation and Benefits of Key Management Personnel

Compensation and benefits of key management personnel of the Group are as follows:

	2024	2023	2022
Short-term employee benefits	**₱83,349,710**	₱73,010,947	₱64,417,303
Post-employment benefits	**4,050,244**	3,382,213	5,453,649
	₱87,399,954	₱76,393,160	₱69,870,952

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.

32. 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:

	2024	2023	2022
Net income attributable to equity holders of STI Holdings (a)	**₱1,591,191,183**	₱870,268,404	₱414,028,434
Common shares outstanding at beginning and end of period (b) (see Note 21)	**9,904,806,924**	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)	**₱0.16**	₱0.09	₱0.04

The basic and diluted earnings per share are the same for the years ended June 30, 2024, 2023, and 2022 as there are no dilutive potential common shares.

33. STI Gift of Knowledge Certificates (GOKs)

On December 9, 2002, the BOD of STI ESG approved the offer for sale and issue of up to ₱2.0 billion worth of GOKs.

The STI GOKs are noninterest-bearing certificates that entitle the holders or any designated scholars to redeem academic units in any member of the STI Group or equivalent academic units in any STI school on certain designated redemption dates or, to require STI ESG to pay in cash the par value of the outstanding STI GOKs on designated graduation dates. The redemption dates range from the SY 2004-2005 to six (6) years from date of issue of the STI GOKs. The graduation dates range from four (4) to ten (10) years from issue date. A total offer size of 2,409,600 academic units for the entire STI Group or its equivalent units in any STI school will be offered at serial redemption dates at their corresponding par values.

In 2003, the SEC issued an Order of Registration and a Certificate of Permit to Sell Securities for the said STI GOKs.

STI ESG is planning to amend the terms of the GOKs to conform with future business strategies. As at October 11, 2024, there has been no sale nor issuance of GOKs. Hence, pursuant to Section 17.2 (a) of the Securities Regulation Code (SRC), STI ESG is not required to file the reports required under Section 17 of the SRC.

34. Contingencies and Commitments

Contingencies

a. *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 an investment property.

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

(*i*) *Arbitration Case filed by Mr. Conrado Benitez II.* 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 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 October 11, 2024, the PDRCI has not issued any response to said letter.

(ii) *Derivative Suit* 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 October 11, 2024, the Court of Appeals has not issued its decision on the said Motion for Reconsideration.

(iii) 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 that PWC-Davao 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 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. *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 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 the Defendant Finance Officer to sell the Property in favor of the Plaintiffs.

The Trial Court, however, determined that the 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 is affirmed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After the Plaintiff filed its Motion for Reconsideration, the Supreme Court denied the same and affirmed with finality the dismissal of its Petition.

As at October 11, 2024, STI ESG has yet to receive a copy of the entry of judgment from the Supreme Court.

e. *Syndicated Estafa.* This is a complaint filed against STI ESG and its director by the president of a franchisee of STI ESG with the Provincial Prosecution Office of Rizal.

In the complaint, said officer alleged that STI ESG illegally took over the operations of STI Tanay, and used the tuition fees it collected for its benefit. Based on his estimation, said alleged tuition fees was around ₱12.0 million.

On December 29, 2020, STI ESG, through its representative, filed its Counter-Affidavit and presented evidence/documents showing that STI ESG managed STI Tanay (a) when said officer initially allowed the same while there was an ongoing negotiation for the purchase of STI Tanay, and (b) the take-over provisions of the Licensing Agreement triggered by the violations committed by the franchisee on said agreement.

Moreover, STI ESG further asserted that the complaint should be dismissed because the aforesaid president failed to attach/present a written authority from STI Tanay, which allowed him to file the complaint, and represent said corporation in the proceedings.

Lastly, said president included as a respondent a director who was not involved in the operations and management of STI Tanay during the take-over of STI ESG.

On September 28, 2021, STI ESG received the Resolution dated February 4, 2021 which dismissed the complaint.

No Motion for Reconsideration was filed by the complainant.

Pursuant to the Memorandum of Agreement dated July 29, 2022 executed by the parties in a related case, this case is deemed terminated.

f. *Extra-Judicial Foreclosure*

i. STI ESG filed two (2) Petition(s) for Extra-Judicial Foreclosure of Real Estate Mortgage under Act No. 3135, as amended (Petitions) over properties located in (a) Pasig and (b) Tanay, Rizal.

On November 4, 2019, DBP and STI ESG executed a Deed of Assignment wherein the latter acquired all the rights and obligations arising from the following:

a. Term Loan Agreement dated February 10, 2014 between DBP and STI Tanay for a loan amounting to ₱51.0 million, which is supported by four (4) Promissory Notes (Subject Loan);
b. Term Loan Agreement dated April 5, 2016 between DBP and STI Tanay for a loan amounting to ₱24.5 million, which is supported by five (5) Promissory Notes (Subject Loan);
c. Credit Line Agreement dated June 7, 2018 wherein DBP extended a credit line to STI Tanay up to a maximum amount of ₱6.0 million (Credit Line);
d. Real Estate Mortgage dated May 5, 2014 executed by STI Tanay in favor of DBP over a parcel of land and improvements with an area of 5,502 sq.m. located in Tanay, Rizal, which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage); and
e. Additional Real Estate Mortgage dated April 8, 2016 executed by STI Tanay, and Alejandro J. Bernardo married to Loretta Jabson Bernardo (Third Party Mortgagor) in favor of DBP over a parcel of land with an area of 567 sq.m. located in Pasig City (Subject Property), which contains a provision allowing the foreclosure of mortgage extrajudicially in accordance with Act No. 3135 (Mortgage).

The said Deed of Assignment includes other loans obtained by STI Tanay from DBP (collectively, the “Loans”).

Due to STI Tanay’s failure to pay the Loans, STI ESG sent a Notice of Default dated February 14, 2020 to STI Tanay and the Third Party Mortgagor. In the said Notice, STI ESG declared that the loans of STI Tanay amounting to ₱ 80.3 million as of December 31, 2019 to be immediately due and demandable, and STI ESG demanded full payment thereof.

Due to STI Tanay’s failure to pay said Loans, STI ESG filed the instant Petition to foreclose the property covered by the Mortgage for the satisfaction of the former’s outstanding obligation in the subject Loan and Credit Line amounting to ₱ 99.0 million as of November 30, 2020.

The Extrajudicial Foreclosure Sale for the property located in Pasig City was conducted on March 16, 2021 and STI ESG was declared as the winning bidder. A Certificate of Sale was annotated on the title on August 5, 2021. Within the one (1) year redemption period, Mr. Alejandro Bernardo, through counsel, manifested his intention to redeem the Pasig Property. On November 17, 2021, STI ESG submitted the Statement of Account, which will be used to compute the redemption price for the Subject Property.

With respect to the Tanay Property, the Extrajudicial Foreclosure Sale was conducted on March 15, 2022. At the conclusion of the Extrajudicial Foreclosure Sale, STI ESG was declared as the winning bidder. STI ESG obtained the Certificate of Sale covering the Tanay Property dated April 11, 2022. The said Certificate of Sale was annotated on the title by the Registry of Deeds of Rizal, Morong Branch on May 5, 2022.

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

This case is deemed terminated.

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

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

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

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

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

On November 12, 2021, STI ESG and a director defendant (Defendants) filed a Joint Answer Ad Cautelam. In the Joint Answer, the Defendants asserted the dismissal of the Complaint because the Plaintiffs did not raise any valid grounds to annul the foreclosure of mortgage. Moreover, the Plaintiffs have manifested their intention to redeem the subject Property, which further affirms the validity of the foreclosure proceedings.

The pre-trial conference for the case was originally scheduled on January 18, 2022. However, the same was cancelled in light of the Supreme Court's directives to physically close all courts in areas under Alert Level 3 due to the surge of COVID-19 cases. The National Capital Region (NCR) and the province of Rizal were under Alert Level 3 until January 31, 2022.

After the pre-trial conference, the case was referred to Judicial Dispute Resolution upon motion by the parties.

After several negotiations for settlement, the parties entered into a Memorandum of Agreement on July 29, 2022. Based on the Memorandum of Agreement, the parties agreed to settle all liabilities by (a) assigment and conveyance of the Tanay Property and (b) redemption of the Pasig Property by the Plaintiffs. Other commercial terms and conditions were agreed upon by the parties to terminate all pending cases and release of any other claims against each other.

Upon motion by the parties, the aforesaid Agreement was submitted for approval by the parties.

Considering the foregoing circumstances, the case is deemed terminated due to the amicable settlement by the parties.

g. 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 have 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.

Commitments

a. Financial Commitments

The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by the Parent Company in favor of LandBank executed on September 16, 2020. 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 ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2024, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, on which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at June 30, 2024 and 2023, there is no outstanding availment from these lines.

b. Capital Commitments

As of June 30, 2024, STI ESG's significant contractual commitments include: (1) construction of the new building in STI Ortigas-Cainta campus, (2) learning classroom expansion for some schools (3) renovation and rehabilitation project of STI ESG’s Tanay property, (4) construction of a three-storey building at STI Lipa, (5) installation of solar panels, and (6) lot acquisition.

STI ESG has an ongoing project to put up a new school building within the STI Ortigas-Cainta campus. The total contract for this project amounts to ₱217.3 million, with ₱129.1 million already disbursed as at June 30, 2024.

The learning classroom expansion projects for several STI ESG schools have a total cost of ₱105.0 million of which payments aggregating to ₱55.9 million have been made as at June 30, 2024.

The renovation and rehabilitation works at STI ESG’s Tanay property is also in the works with a total contract cost of ₱29.1 million. STI ESG has reported a total disbursement amounting to ₱21.5 million for this project. The construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱19.3 million have been made as at June 30, 2024.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels, including the roof deck waterproofing activities, at its STI Ortigas-Cainta campus has been completed as at report date. This project has a total cost of ₱16.7 million, of which ₱14.9 million has been paid as at June 30, 2024. The Group also has ongoing solar energy projects in several STI ESG wholly owned schools with an aggregate cost of ₱20.5 million as at June 30, 2024. Of this amount, ₱5.9 million has been disbursed as at June 30, 2024.

As at June 30, 2024, STI ESG likewise has a contractual commitment with Avida amounting to ₱228.8 million, inclusive of VAT, for the parcel of land located at South Park District, Alabang, Muntinlupa City - the future site of the new STI Academic Center Alabang. Of this amount, ₱45.1 million has been settled as at June 30, 2024.

STI WNU likewise has contractual commitments and obligations for the construction of school buildings and upgrade of its facilities aggregating to ₱404.4 million and ₱274.7 million as at June 30, 2024 and 2023, respectively. Of these, ₱301.5 million and ₱175.2 million have been paid as at June 30, 2024 and 2023, respectively.

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

c. Others

i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG) entered into a memorandum of agreement on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary’s educational-related expenses to STI ESG at a special discount rate of 20% of the tuition fee, subject to the terms and conditions of the program as follows:

- Entitled to the discount are Pag-IBIG Fund members and their immediate family members;

- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

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

With the onset of the COVID 19 pandemic, this plan was put in abeyance.

After several years, the economic outlook of all parties concerned has changed and this plan is now permanently put on hold.

A portion of the property in Tanauan, Batangas intended to be the site of this joint venture activity, has been acquired by STI ESG in June 2024 (see Note 11). The acquired property will be the future site of STI Academic Center Tanauan.

iii. On December 17, 2018, the CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG signed a memorandum of agreement to avail of the Tertiary Education Subsidy (TES) and Student Loan Program (SLP) for its students under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). RA No. 10931 or the UAQTEA and its IRR provide among others, that to support the cost of tertiary education or any part or portion thereof, TES and SLP are established for all Filipino students who shall enroll in undergraduate and post-secondary programs of private HEIs. Accordingly, the TES and the SLP shall be administered by the UniFAST Board.

Based on RA No. 10931, the annual TES for students, subject to guidelines and implementing rules and regulations on the release of TES, enrolled in SUCs or CHED-recognized LUCs is ₱40.0 thousand. Students enrolled in select 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.

In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. Qualified student grantees for SY 2021-2022 from private HEIs in cities and municipalities without SUCs or LUCs, shall receive ₱40.0 thousand for the second semester of SY 2022-2023 to cover their full or partial payables for tuition and other school fees. Thereafter, qualified grantees shall be considered as continuing grantees, subject to validation, for the first semester of SY 2023-2024 onwards and shall receive a subsidy rate of ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. In case the tuition and other school fees is lower than ₱10.0 thousand per semester, the difference shall be given to the student. Administrative support cost remain at 1% of the total grant. Continuing TES grantees for the second semester of SY 2022-2023 shall receive ₱60.0 thousand per school year or ₱30.0 thousand per semester until they graduate. New TES grantees who are PWDs shall receive an additional subsidy of ₱30.0 thousand per school year or ₱15.0 thousand per semester. New TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are PWDs shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

The qualified TES graduates for SY 2022-2023 onwards, in courses requiring licensure examinations shall receive a maximum one-time reimbursement of ₱8.0 thousand to cover the full or partial cost of taking the said licensure examinations.

iv. On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled starting SY 2021-2022, SY 2022-2023, and SY 2023-2024.

35. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Group's BOD and management reviews and agrees on the policies for managing each of these risks as summarized below.

Liquidity Risk

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

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

The Group's current liabilities are mostly made up of trade liabilities with 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after reporting date. The balance of the Group's current liabilities as at June 30, 2023 include the 7-year bonds issued by STI ESG which matured in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to associates and joint venture with collection period of thirty (30) to one hundred eighty (180) days.

As at June 30, 2024 and 2023, the Group's current assets amounted to ₱3,679.2 million and ₱3,781.6 million, respectively, while current liabilities amounted to ₱1,770.5 million and ₱3,451.9 million, respectively.

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

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service cover ratio, based on the consolidated financial statements of the Group, is also monitored on a regular basis. The debt service cover ratio is equivalent to the consolidated EBITDA divided by total principal and interests due in the next twelve months. The Group monitors its debt service cover 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 service cover ratio not lower than 1.05:1.00. The local bank has granted the request of STI ESG for the waiver of the mandated DSCR while the second supplemental agreement replaced the DSCR measure with ICR, as discussed in Notes 18 and 19, respectively. The Group's policy is to keep the debt service coverage ratio not lower than 1.05:1.00. STI ESG's DSCR, as defined in the loan agreement, as at June 30, 2024 is 2.39:1.00. STI ESG's ICR, as defined in the bond trust agreement, as at June 30, 2024 is 9.37:1.00. The Group's policy is to keep the interest coverage ratio not lower than 3.00:1.00. STI ESG is compliant with the financial covenants imposed under the loan and bond trust agreements.

The tables below summarize the maturity profile of the Group's financial assets held for liquidity purposes and other financial liabilities as at financial reporting date based on undiscounted contractual payments.

	2024				
	Due and Demandable	Less than 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱1,855,500,909**	**₱–**	**₱–**	**₱–**	**₱1,855,500,909**
Receivables*	**67,109,364**	**158,034,645**	**98,236,524**	**107,447,436**	**430,827,969**
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	**–**	**–**	**1,395,549**	**33,584,837**	**34,980,386**
Equity instruments at FVPL	**8,137,500**	**–**	**–**	**–**	**8,137,500**
Equity investments designated at FVOCI	**–**	**–**	**–**	**76,670,624**	**76,670,624**
	₱1,930,747,773	**₱158,034,645**	**₱99,632,073**	**₱217,702,897**	**₱2,406,117,388**
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	**₱705,842,331**	**₱69,048,896**	**₱111,874,169**	**₱–**	**₱886,765,396**
Nontrade payable	**17,000,000**	**–**	**–**	**–**	**17,000,000**
Bonds payable:					
Principal	**–**	**–**	**–**	**820,000,000**	**820,000,000**
Interest	**–**	**–**	**52,279,919**	**139,030,060**	**191,309,979**
Interest-bearing loans and borrowings:					
Principal	**–**	**270,000,000**	**270,000,000**	**1,560,000,000**	**2,100,000,000**
Interest	**–**	**85,772,784**	**74,602,069**	**249,599,786**	**409,974,639**
Lease liabilities	**–**	**25,336,355**	**92,504,253**	**537,595,980**	**655,436,588**
Other noncurrent liabilities***	**–**	**–**	**–**	**38,125,618**	**38,125,618**
	₱722,842,331	**₱450,158,035**	**₱601,260,410**	**₱3,344,351,444**	**₱5,118,612,220**

	2023				
	Due and Demandable	2 to 3 Months	3 to 12 Months	More than 1 Year	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,958,767,553	₱–	₱–	₱–	₱1,958,767,553
Receivables*	151,344,394	53,165,148	148,157,864	86,224,864	438,892,270
Deposits (included as part of "Prepaid expenses and other current assets" and "Goodwill, intangible and other noncurrent assets" accounts)	–	–	1,097,372	34,113,820	35,211,192
Equity instruments at FVPL	8,990,000	–	–	–	8,990,000
Equity investments designated at FVOCI	–	–	–	72,061,627	72,061,627
	₱2,119,101,947	₱53,165,148	₱149,255,236	₱192,400,311	₱2,513,922,642
Financial Liabilities					
Other financial liabilities:					
Accounts payable and other current liabilities**	₱614,191,398	₱9,711,502	₱72,880,168	₱29,652,982	₱726,436,050
Nontrade payable	17,000,000	–	–	–	17,000,000
Bonds payable:					
Principal	–	–	2,180,000,000	820,000,000	3,000,000,000
Interest	–	–	147,253,896	188,491,085	335,744,981
Interest-bearing loans and borrowings:					
Principal	–	39,795,613	223,042,276	810,000,000	1,072,837,889
Interest	–	33,307,108	41,342,217	93,256,159	167,905,484
Lease liabilities	–	39,076,921	70,912,433	601,321,936	711,311,290
Other noncurrent liabilities***	–	–	–	49,331,720	49,331,720
	₱631,191,398	₱121,891,144	₱2,735,430,990	₱2,592,053,882	₱6,080,567,414

**Excluding advances to officers and employees amounting to ₱36.1 million and ₱31.7 million as at June 30, 2024 and 2023, respectively.*
*** Excluding taxes payable, SSS, Philhealth, Pag-ibig benefits payable and advance rent amounting to ₱42.6 million and ₱29.8 million as at June 30, 2024 and 2023, respectively.*
****Excluding advance rent, deferred lease liability and deferred output VAT amounting to ₱52.6 million and ₱62.8 million as at June 30, 2024 and 2023, respectively.*

The Group's current ratios are as follows:

	2024	2023
Current assets	**₱3,679,207,879**	₱3,781,571,176
Current liabilities	**1,770,507,834**	3,451,887,036
Current ratios	**2.08:1.00**	1.10:1.00

Credit Risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and equity instruments at FVOCI, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. As at June 30, 2024 and 2023, there is no significant concentration of credit risk.

Credit Risk Exposures. The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position:

	2024		2023	
	Gross Maximum Exposure(1)	**Net Maximum Exposure(2)**	Gross Maximum Exposure(1)	Net Maximum Exposure(2)
Financial Assets				
Loans and receivables:				
Cash and cash equivalents (excluding cash on hand)	**₱1,853,223,964**	**₱1,824,723,964**	₱1,946,365,998	₱1,918,365,998
Receivables*	**658,211,144**	**658,211,144**	821,320,349	821,320,349
Rental deposits (included as part of the "Goodwill, intangible and other noncurrent assets" account)	**33,584,837**	**33,584,837**	34,113,820	34,113,820
	₱2,545,019,945	**₱2,516,519,945**	₱2,801,800,167	₱2,773,800,167

* *Excluding advances to officers and employees amounting to₱36.1million and ₱31.7 million as at June 30, 2024 and 2023, respectively.*
(1) *Gross financial assets before taking into account any collateral held or other credit enhancements or offsetting arrangements.*
(2) *Gross financial assets after taking into account any collateral held or other credit enhancements or offsetting arrangements or insurance in case of bank deposits.*

Credit Quality per Class of Financial Asset. The tables below show the credit quality by class of financial assets based on the Group's credit rating system as at June 30, 2024 and 2023:

	2024			
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Credit Impaired**	**Total**
Class A	**₱1,511,214,305**	**₱344,884,959**	**₱–**	**₱1,856,099,264**
Class B	**–**	**289,243,267**	**–**	**289,243,267**
Class C	**–**	**64,000,992**	**8,410,477**	**72,411,469**
Gross carrying amount		**698,129,218**	**8,410,477**	**706,539,695**
ECL	**–**	**(218,972,698)**	**(8,410,477)**	**(227,383,175)**
Carrying amount	**₱1,511,214,305**	**₱479,156,520**	**₱–**	**₱ 479,156,520**

	2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Class A	₱1,908,980,849	₱373,936,361	₱–	₱2,282,917,210
Class B	–	286,504,522	–	286,504,522
Class C	–	209,154,198	11,677,882	220,832,080
Gross carrying amount	1,908,980,849	869,595,081	11,677,882	2,790,253,812
ECL	–	(191,051,900)	(11,677,882)	(202,729,782)
Carrying amount	₱1,908,980,849	₱678,543,181	₱–	₱2,587,524,030

The following credit quality categories of financial assets are managed by the Group as internal credit ratings. The credit quality of the financial assets was determined as follows:

- Class A – *Cash and cash equivalents* and *Rental and utility deposits* are classified as "Class A" based on the good credit standing or rating of the counterparty. *Receivables* classified as "Class A" are those with high probability of collection and/or customer or counterparties who possess strong to very strong capacity to meet its obligations.

- Class B – *Receivables* from customers who settle their obligations within tolerable delays.

- Class C – *Receivables* from customers with payment behavior normally extending beyond the credit terms and have a high probability of becoming impaired.

The table below shows the aging analysis of receivables from students on which the amount of allowance was based on lifetime expected credit loss:

	Current	Within the Semester	After the Semester but within the School Year	After the School Year	ECL	Total
2024	**₱202,345,881**	**₱58,021,853**	**₱16,631,838**	**₱145,036,728**	**(₱218,972,698)**	**₱203,063,602**
2023	₱205,578,839	₱77,319,724	₱13,454,443	₱299,608,347	(₱368,524,991)	₱227,436,362

Interest Rate Risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed-rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing loans and bonds. The Group's long-term debt have floating interest rates repriced in various periods from 6 months to one year , thus minimizing the exposure to market changes in interest rates. STI ESG's 7-year bonds, which had a fixed interest rate, were fully redeemed in March 2024 while the 10-year bonds, maturing in 2027, continue to carry a fixed interest rate.

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

The following table demonstrates the sensitivity, to a reasonably possible change in interest rates, with all other variables held constant, of the consolidated statements of comprehensive income and statements of changes in equity for the years ended June 30, 2024, 2023 and 2022:

	Effect on Income Before Income Tax		
Increase/decrease in Basis Points (bps)	**2024**	2023	2022
+100 bps	**(₱29,433,333)**	(₱40,849,483)	(₱45,495,216)
-100 bps	**29,433,333**	40,849,483	45,495,216

Capital Risk Management Policy

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

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

The Group monitors capital using the debt-to-equity ratio which is computed as the total of current and noncurrent liabilities, net of unearned tuition and other school fees, divided by total equity. The Group monitors its debt-to-equity ratio to keep it at a level acceptable to the Group, the lender banks and 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.

The Group considers its equity contributed by stockholders, net of cost of shares held by a subsidiary, as capital.

	2024	2023
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)
Retained earnings	**6,529,002,580**	5,219,942,618
	₱12,102,390,422	₱10,793,330,460

The Group's debt-to-equity ratios are as follows:

	2024	2023
Total liabilities*	**₱4,689,831,654**	₱5,732,233,601
Total equity	**10,572,376,009**	9,209,810,499
Debt-to-equity ratio	**0.44:1.00**	0.62:1.00

**Excluding unearned tuition and other school fees of ₱179.6 million and ₱141.1 million as at June 30, 2024 and 2023, respectively.*

The Group's asset-to-equity ratios are as follows:

	2024	2023
Total assets	**₱15,441,821,846**	₱15,083,181,303
Total equity	**10,572,376,009**	9,209,810,499
Asset-to-equity ratio	**1.46:1.00**	1.64:1.00

No changes were made in the objectives, policies or processes for the years ended June 30, 2024, 2023 and 2022.

36. Fair Value Information of Financial Instruments

The following tables set forth the carrying amounts and estimated fair values of financial assets and liabilities recognized as at June 30, 2024 and 2023. There are no material unrecognized financial assets and liabilities as at June 30, 2024 and 2023.

	2024				
	Carrying Amount	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets					
At amortized cost -					
Rental and utility deposits	**₱34,980,386**	**₱34,980,386**	**₱–**	**₱–**	**₱34,980,386**
Equity instruments designated at FVOCI	**76,670,624**	**76,670,624**	**10,197,060**	**56,452,669**	**10,020,895**
	₱111,651,010	**₱111,651,010**	**₱10,197,060**	**₱56,452,669**	**₱45,001,281**
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	**₱39,818,810**	**₱34,709,135**	**₱–**	**₱–**	**₱15,249,189**

	2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial Assets					
At amortized cost -					
Rental and utility deposits	₱35,211,192	₱35,211,192	₱–	₱–	₱35,211,192
Equity instruments designated at FVOCI	72,061,627	71,708,707	6,179,340	55,155,229	10,374,138
	₱107,272,819	₱106,919,899	₱6,179,340	₱55,155,229	₱45,585,330
Financial Liabilities					
Other financial liabilities at amortized cost -					
Refundable deposits	₱54,994,857	₱40,934,497	₱–	₱–	₱40,934,497

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 from 1.31% to 6.81% and 1.43% to 6.68% as at June 30, 2024 and 2023, respectively that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

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

Interest-bearing Loans and Borrowings. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows were 8.05% and 6.58% as of June 30, 2024 and 2023, respectively.

Refundable Deposits. The fair values of the refundable deposits are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates ranging from 5.59% to 6.86% and 5.73% to 6.32% as at June 30, 2024 and 2023, respectively adjusted for 2.0% credit spread rate that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

In June 30, 2024 and 2022, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

37. Note to Consolidated Statements of Cash Flows

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

a. Recognition of right-of-use assets presented under "Property and equipment" at initial recognition of the lease at commencement date amounting to ₱46.2 million, ₱169.8 million and ₱38.3 million for the years ended June 30, 2024, 2023 and 2022, respectively (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under “Property and equipment” amounting to ₱16.2 million, ₱3.6 million and ₱4.3 million as at June 30, 2024, 2023 and 2022, respectively. Unpaid progress billing for construction-in-progress presented under “Investment properties” amounted to ₱52.4 million as at June 30, 2022 (nil as at June 30, 2024 and 2023) (see Notes 11 and 12).

c. Additions to land and buildings under “Investment properties” upon foreclosure of mortgaged properties for STI Tanay receivables amounted to ₱164.9 million for the year ended June 30, 2022 (nil for the year ended June 30, 2024 and 2023) (see Note 12).

d. Reclassification from investment properties to noncurrent asset held for sale in 2022 amounted to ₱53.3 million in view of the expected redemption upon actual receipt of the redemption price (see Notes 10 and 12).

e. Reclassifications from property and equipment to investment properties amounted to ₱187.4 million and ₱40.5 million for the years ended June 30, 2024 and 2023, respectively; and from investment properties to property and equipment amounted to ₱115.7 million for the year ended June 30, 2023.

f. Reclassification from “Other noncurrent assets”, pertaining to advances to suppliers, to “Property and equipment” amounting to ₱12.9 million, ₱4.2 million and ₱28.4 million for the years ended June 30, 2024, 2023 and 202, respectively.

38. Changes in Liabilities Arising from Financing Activities

	July 1, 2023	**Cash Flows**	**Gain on Early Extinguishment of Loan**	**Income on Rent Concessions**	**Reclassified as Current (see Notes 18 and 29)**	**Effect of Lease Termination/ Modifications (see Notes 11 and 29)**	**New/Renewed Leases (see Note 29)**	**Interest Expense (see Note 23)**	**Dividends Declared (see Note 21)**	**June 30, 2024**
Current portion of interest-bearing loans and borrowings	**₱262,837,889**	**(₱473,050,208)**	**₱–**	**₱–**	**₱746,281,953**	**₱–**	**₱–**	**204,387**	**₱–**	**₱536,274,021**
Bonds payable	**2,988,422,984**	**(2,180,000,000)**	**–**	**–**	**–**	**–**	**–**	**6,544,291**	**–**	**814,967,275**
Interest-bearing loans and borrowings - net of current portion	**808,707,735**	**1,488,750,000**	**(3,076,465)**	**–**	**(746,281,953)**	**–**	**–**	**1,741,074**	**–**	**1,549,840,391**
Lease liabilities	**536,759,779**	**(122,452,098)**	**–**	**–**	**–**	**–**	**41,099,396**	**34,666,187**	**–**	**490,073,264**
Dividends payable	**27,411,219**	**(287,597,966)**	**–**	**–**	**–**	**–**	**–**	**–**	**290,489,260**	**30,302,513**
Interest payable	**23,550,067**	**(224,187,598)**	**–**	**–**	**–**	**–**	**–**	**250,145,456**	**–**	**49,507,925**
	₱4,647,689,673	**(₱1,798,537,870)**	**(₱3,076,465)**	**₱–**	**₱–**	**₱–**	**₱41,099,396**	**₱293,301,395**	**₱290,489,260**	**₱3,470,965,389**

	July 1, 2022	Cash Flows	Gain on Early Extinguishment of Loan	Income on Rent Concessions	Reclassified as Current (see Notes 18 and 29)	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New/Renewed Leases (see Note 29)	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2023
Current portion of interest-bearing loans and borrowings	₱239,135,979	(₱359,544,756)	₱–	₱–	₱383,042,279	₱–	₱–	204,387	₱–	₱262,837,889
Bonds payable	2,980,515,064	–	–	–	–	–	–	7,907,920	–	2,988,422,984
Interest-bearing loans and borrowings - net of current portion	1,291,461,407	(100,000,000)	–	–	(383,042,279)	–	–	288,607	–	808,707,735
Lease liabilities	473,316,566	(133,436,395)	–	–	–	(1,742,210)	165,482,070	33,139,748	–	536,759,779
Dividends payable	26,411,518	(142,953,699)	–	–	–	–	–	–	143,953,400	27,411,219
Interest payable	26,583,874	(263,727,425)	–	–	–	–	–	260,693,618	–	23,550,067
	₱5,037,424,408	(₱999,662,275)	₱–	₱–	₱–	(₱1,742,210)	₱165,482,070	₱302,234,280	₱143,953,400	₱4,647,689,673

	July 1, 2021	Cash Flows	Gain on Early Extinguishment of Loan	Income on Rent Concessions (see Note 29)	Reclassified as Current (see Notes 18 and 29)	Effect of Lease Termination/ Modifications (see Notes 11 and 29)	New/Renewed Leases (see Note 29)	Interest Expense (see Note 23)	Dividends Declared (see Note 21)	June 30, 2022
Current portion of interest-bearing loans and borrowings	₱208,812,671	(₱449,544,753)	₱–	₱–	₱479,544,753	₱–	₱–	₱323,308	₱–	₱239,135,979
Bonds payable	2,973,082,875	–	–	–	–	–	–	7,432,189	–	2,980,515,064
Interest-bearing loans and borrowings - net of current portion	1,771,433,275	–	–	–	(479,544,753)	–	–	(427,115)	–	1,291,461,407
Lease liabilities	484,817,384	(78,349,815)	–	(6,054,606)	–	4,236,109	37,329,615	31,337,879	–	473,316,566
Dividends payable	25,934,641	(95,665,835)	–	–	–	–	–	–	96,142,712	26,411,518
Interest payable	33,505,531	(281,249,555)	–	–	–	–	–	274,327,898	–	26,583,874
	₱5,497,586,377	(₱904,809,958)	₱–	(₱6,054,606)	₱–	₱4,236,109	₱37,329,615	₱312,994,159	₱96,142,712	₱5,037,424,408

39. **Business Combination and Asset Acquisition**

CHI

As discussed in Notes 4 and 11, on June 20, 2024, STI ESG and TCAMI executed a deed of absolute sale for STI ESG's acquisition of 100.0% of the total issued and outstanding capital stock of CHI.

The acquisition of CHI is accounted for as an asset acquisition (see Note 4). CHI's assets, which primarily consist of a parcel of land, were assigned their carrying amount based on their relative fair values. The land was valued at ₱182.9 million, after allocating the acquisition cost to other identifiable assets and liabilities of CHI which had a net liability carrying amount of ₱2.9 million.

STI Alabang

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 owns 40.0% of STI Alabang's issued and outstanding capital stock. As a result, STI Alabang became a wholly owned subsidiary of STI ESG effective March 31, 2023.

The following are the identifiable assets and liabilities as at the date of acquisition based on final purchase price allocation:

Assets	
Cash	₱9,232,050
Receivables	5,194,246
Inventories	960,491
Prepaid expenses	892,547
Property and equipment (see Note 11)	2,162,891
Deferred tax assets	843,309
Other noncurrent assets	1,271,855
	20,557,389
Liabilities	
Accounts payable and other current liabilities	43,581,348
Total identifiable net liabilities at fair values	(23,023,959)
Purchase consideration transferred	1
Goodwill (see Note 16)	₱23,023,960

Analysis of cash flow on acquisition is as follows:

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

The transaction was accounted for as a business combination. The identifiable assets and liabilities recognized in the consolidated financial statements as at June 30, 2023 were based on assessment of the fair value of these assets and liabilities at the time of acquisition. The transaction resulted in goodwill amounting to ₱23.0 million which is presented as part of "Goodwill, intangible and other noncurrent assets" in the consolidated statement of financial position as at June 30, 2023 (see Notes 1, 13 and 16). Goodwill comprises the expected synergies in operating the school under STI ESG management.

From the date of acquisition to June 30, 2023, the revenues included in the consolidated statement of comprehensive income contributed by STI Alabang was ₱10.4 million. STI Alabang also contributed net loss of ₱1.8 million over the same period. If the acquisition had taken place at the beginning of the fiscal year ended June 30, 2023, the consolidated revenue and consolidated net income would have been ₱3,435.2 million and ₱913.7 million, respectively.

40. Other Matters

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

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

   On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The purchase price of the Subject Property is less than ten percent (10%) of the total assets of STI Holdings. The sale and purchase of the Subject Property is subject to regulatory approvals and the fulfillment of certain conditions precedent. Subject to regulatory approvals and upon fulfillment of such conditions precedent, STI ESG and PSBA Manila shall execute a Deed of Absolute Sale over the Subject Property.

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

   On the same date, STI Novaliches entered into an Asset Purchase Agreement with PSBA for the acquisition by STI Novaliches of the tangible and intangible assets of PSBA (collectively, the "School Related Assets") used or relating to the operation by PSBA of its schools located in Manila and Quezon City. The purchase price for the School Related Assets is less than ten percent (10%) of the total assets of STI Holdings. The sale and purchase of School Related Assets is subject to regulatory approvals and the fulfillment of certain conditions. Subject to regulatory approvals and the fulfillment of certain conditions, STI Novaliches and PSBA shall execute Deeds of Assignment for the sale and purchase of the School Related Assets.

   As at October 11, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

   On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for

PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three (3) years counting from the management commencement date.

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

PSBA Manila and PSBA Quezon City shall each pay management fees to STI ESG equivalent to 26.0% of the gross revenues of PSBA Manila and PSBA Quezon City, respectively.

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and (iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

On September 23, 2024, PSBA informed STI Holdings that a third party had offered to purchase the PSBA Manila Property. On October 2, 2024, STI Holdings informed PSBA that it intended to exercise its right of first refusal over the PSBA Manila Property under the same terms and conditions offered by the third party. As at October 11, 2024, STI Holdings has yet to receive the reply of PSBA.

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group) as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024, and have issued our report thereon dated October 11, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-145-2024, July 18, 2024, valid until July 17, 2027
PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

A member firm of Ernst & Young Global Limited

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
STI Education Systems Holdings, Inc.
7th Floor, STI Holdings Center
6764 Ayala Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of STI Education Systems Holdings, Inc. and its subsidiaries (the Group) as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024, and have issued our report thereon dated October 11, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at June 30, 2024 and 2023 and for each of the three years in the period ended June 30, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Loubelle V. Mendoza

Loubelle V. Mendoza
Partner
CPA Certificate No. 115161
Tax Identification No. 301-422-247
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-145-2024, July 18, 2024, valid until July 17, 2027
PTR No. 10079978, January 6, 2024, Makati City

October 11, 2024

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES

June 30, 2024

Schedule	Content
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements
D	Long-Term Debt
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)
F	Guarantees of Securities of Other Issuers
G	Capital Stock
H	Reconciliation of Retained Earnings Available for Dividend Declaration
I	Map of Relationships Between and Among the Company and Its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-Subsidiaries and Associates
J	Schedule of Financial Soundness Indicators

SCHEDULE A – FINANCIAL ASSETS
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Value Based on Market Quotation at End of Reporting Period	Income Received and Accrued

The Group's financial asset at FVPL is less than 5% of total consolidated current assets as at June 30, 2024, thus, the schedule of financial assets is not applicable.

SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (Other than Related Parties)
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at End of Period

The Group does not have receivables from individual directors, officers, employees and principal stockholders aggregating above one million pesos (₱1.0 million) or 1% of total consolidated assets, whichever is less, as at June 30, 2024.

SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of Debtor and Description	Balance at Beginning of Period	Additions	Amounts Collected	Current	Not Current	Balance at End of Period	Description
Receivable of AHC from STI Holdings	63,778,000			63,778,000	-	63,778,000	Assignment of receivable from Unlad Resources Development Corporation
Receivable of AHC from STI Holdings	64,000,000			-	64,000,000	64,000,000	Subscription
Receivable of STI ESG from STI WNU	2,970,677	7,818,817	10,789,494	-	-	-	Advances
Receivable of STI ESG from STI WNU	5,288,411	33,545,445	38,833,856	-	-	-	Educational services, school materials sold, other charges

SCHEDULE D – LONG-TERM DEBT
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of interest-bearing loans and borrowings" in related Statement of Financial Position	Amount shown under caption "Bonds payable / Interest-bearing loans and borrowings - net of current portion" in related Statement of Financial Position
Metrobank / Term Loan* Maturity: March 16, 2029 Interest Rate: 7.8503% per annum (reprised at the rate of 7.8135% on September 18, 2024) No. of installment: ten (10) semi-annual installments	₱2,000,000,000 (Amount drawn and balance: ₱1,000,000,000)	₱198,499,178	₱794,428,454
BPI / Term Loan** Maturity: March 18, 2029 Interest rate: 8.4211% per annum (reprised at the rate of 7.8735% on September 18, 2024) No. of installments: ten (10) semi-annual installments	₱1,000,000,000 (Amount drawn and balance: ₱500,000,000)	99,249,589	397,214,227
China Banking Corporation - Term loan*** Maturity Date: September 19, 2026 Interest Rate: 5.81% to 8.0472% per annum (reprised at the rate of 7.8749% on September 19, 2024) Remaining No. of installments: five (5) semi-annual installments	₱1,200,000,000 (Amount drawn: ₱1,200,000,000: Balance: ₱600,000,000)	238,525,254	358,197,710
Fixed rate bonds series 10-year**** Interest rate: 6.3756% per annum Year of Maturity: 2027	₱5,000,0000,000 (Amount of bonds issued: 7-year series - ₱2,180,000,000; 10-year series - ₱820,000,00 Balance: ₱820,000,000)	-	814,967,275
		₱536,274,021	₱2,364,807,666

** presented net of deferred finance cost of ₱7.1 million in the Consolidated Statement of Financial Position*
*** presented net of deferred finance costs of ₱3.5 million in the Consolidated Statement of Financial Position*
**** presented net of deferred finance costs of ₱3.3 million in the Consolidated Statement of Financial Position*
***** presented net of bond issue cost of ₱5.0 million in the Consolidated Statement of Financial Position; In March 2024, fixed-rate 7-year series bonds were redeemed in full amounting to ₱2,180.0 million.*

SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of Related Party	Balance at beginning of period	Balance at end of period

The Group has no long-term loans from related parties as at June 30, 2024.

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

The Group does not have guarantees of securities of other issuing entities as at June 30, 2024

SCHEDULE G – CAPITAL STOCK
June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position caption	Number of Shares Reserved for Options, warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Number of Shares held by Directors, Officers and Employees	Number of shares held by Others
Common Stock	10,000,000,000	9,904,806,924	_	4,931,897,860*	1,923,168,377**	3,049,740,687***

*Related Parties:	
Prudent Resources, Inc.	1,621,085,049
Biolim Holdings and Management Corp. (Formerly: Rescom Developers, Inc.)	812,626,795
Eujo Philippines, Inc.	806,157,130
Tantivy Holdings, Inc. (Formerly, Insurance Builders, Inc.	629,776,992
STI Education Services Group	500,432,895
Eximious Holdings, Inc. (Formerly, Capital Managers and Advisors, Inc.)	306,890,332
Philippines First Insurance Co., Inc.	65,262,000
Prime Power Holdings Corp.	189,666,667
T O T A L	4,931,897,860 *

. .

**Directors, Officers, and Employees:	
Eusebio H.Tanco	1,652,175,444
Monico V. Jacob	33,784,057
Maria Vanessa Rose L. Tanco	28,818,001
Joseph Augustin L. Tanco	2,500,001
Martin K. Tanco	114,491,907
Paolo Martin O. Bautista	4,000,000
Jesli A. Lapus	6,000,000
Robert G. Vergara	1,000
Ma. Leonora V. De Jesus	1,000
Raymond N. Alimurung	1,000
Antonio T. Carpio	10,000
Yolanda M. Bautista	5,000,001
Arsenio C. Cabrera, Jr.	6,500,000
STI Employees Retirement Plan	69,885,966
T O T A L	1,923,168,377 **

*** Number of Shares held by Others decreased by 0.3% as of June 30, 2024 from the last Statement of Financial Position as of June 30, 2023.

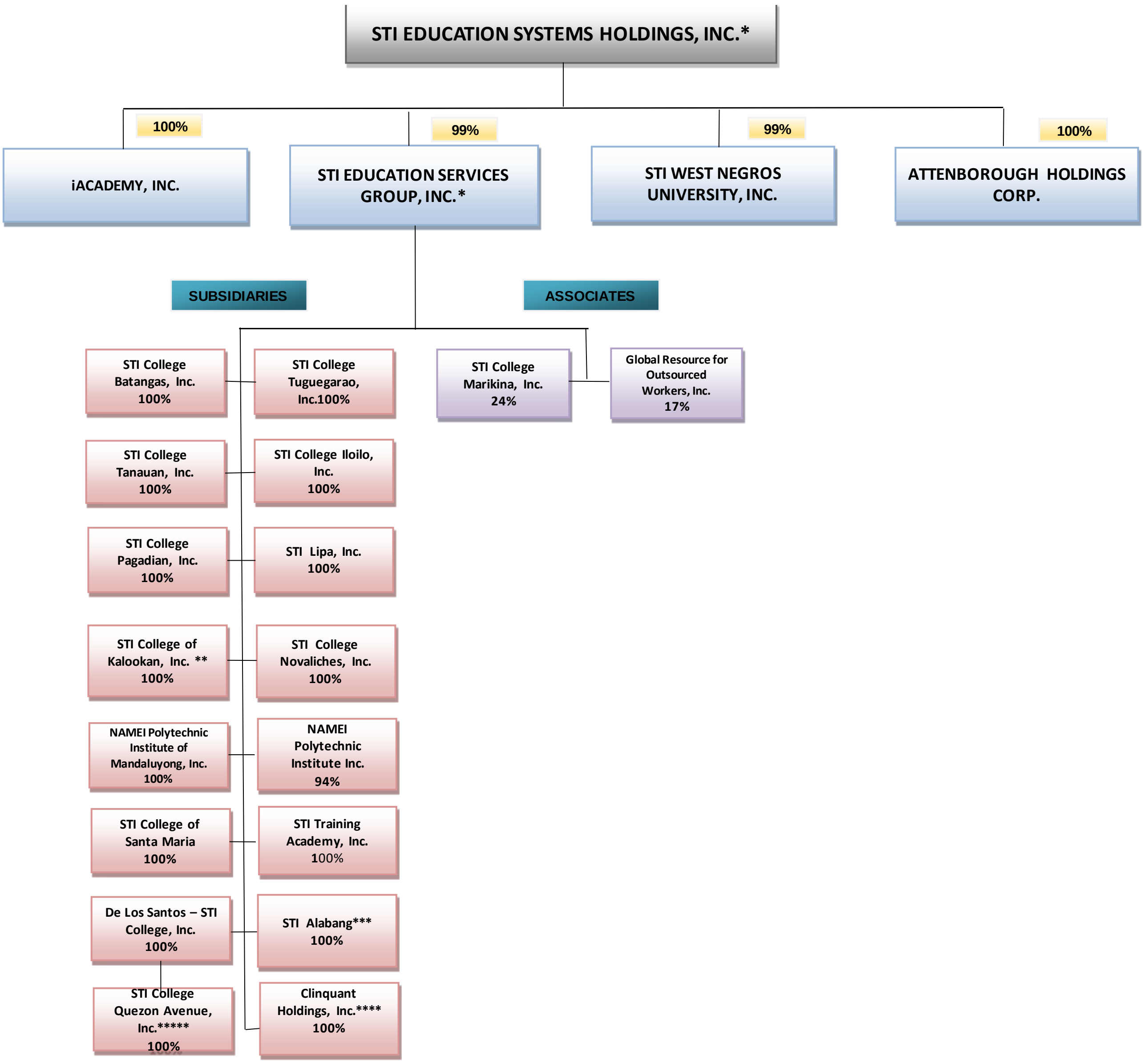
SCHEDULE H – RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of June 30, 2024
(Amount in Pesos)

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

Unappropriated Retained Earnings, beginning of reporting period		**₱1,667,389,514**
Add: Category A: Items that are directly credited to unappropriated retained earnings		–
Less: Category B: Items that are directly debited to unappropriated retained earnings -		
Dividend declaration during the period		297,144,208
Unappropriated Retained Earnings, as adjusted		**1,370,245,306**
Add: Net income for the current year		679,283,697
Less: Category C.1: Unrealized income recognized in profit or loss during the reporting period (net of tax)	–	
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	–	
Add. Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting (net of tax)	–	
Sub-total		–
Adjusted Net Income		**679,283,697**
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)	–	
Add: Category E: Adjustments related to relief granted by the SEC and BSP	–	
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution -		
Net movement in deferred tax liability on right-of-use assets	(1,072,147)	
Sub-total		**(1,072,147)**
TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**₱2,048,456,856**

SCHEDULE I – MAP OF RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, AND ASSOCIATES
June 30, 2024

STI EDUCATION SYSTEMS HOLDINGS, INC.
7/F STI Holdings Center
6764 Ayala Avenue
Makati City



* *STI Education Services Group, Inc. owns 5% equity interest in STI Holdings as at June 30, 2024.*
** *A subsidiary of STI Education Services Group, Inc. through a management contract.*
*** *On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. STI Alabang became a wholly-owned subidiary of STI ESG as at March 31, 2023.*
**** *On June 20, 2024, STI ESG and TCAMI executed a deed of absolute sale for STI ESG's acquisition of 100% of the total issued and outstanding capital stock of CHI.*
***** *A wholly owned subsidiary of De Los Santos-STI College*

SCHEDULE J – SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2024

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES
7/F STI Holdings Center
6764 Ayala Avenue
Makati City

	Formula	June 30, 2024	June 30, 2023
Current ratio	Current assets / Current liabilities	2.08	1.10
Acid test ratio	Current assets less inventories, prepayments, noncurrent asset held for sale & equity instruments at FVPL / Current liabilities	1.31	0.70
Solvency ratios			
Debt-to-equity ratio	Total liabilities less unearned tuition & other school fees / Total equity	0.44	0.62
Asset-to-equity ratio	Total assets / Total equity	1.46	1.64
Interest coverage ratio	EBITDA for the last twelve months / Interest due in the next twelve (12) months	11.71	7.37
Return on equity	Annualized net income attributable to equity holders of the parent company / Average equity attributable to equity holders of the parent company	16%	10%
Return on assets	Annualized net income / Average total assets	11%	6%
Net profit margin	Net income after provision for income tax / Total revenues	34%	26%
Other ratios			
EBITDA margin	EBITDA * / Total revenues	53%	48%
Debt service cover ratio	EBITDA for the last twelve months / Total principal and interest due for the next twelve months	2.86	0.60

**EBITDA is earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, gain on foreign exchange differences, equity in net losses (earnings) of associates and joint venture, fair value loss on equity instruments at FVPL and nonrecurring gains such as gain on early extinguishment of loan, gain on derecognition of contingent consideration, gain on settlement of receivables (net of provision for impairment of noncurrent asset held for sale), and income on rent concessions. Depreciation and interest expense for purposes of this computation exclude those related to ROU assets and lease liabilities, respectively.*

STI EDUCATION SYSTEMS HOLDINGS | Sustainability Report 2024

Transforming Lives Through Education

Table of Contents

About This Report

STI Education Systems Holdings, Inc. (STI Holdings or the Parent Company), through its subsidiaries STI Education Services Group, Inc. (STI ESG), STI West Negros University, Inc. (STI WNU), and iACADEMY, Inc. (iACADEMY), collectively referred to as the "Group," has established its place as one of the leading institutions in innovative and relevant education that nurtures individuals to become competent and responsible members of society. Guided by its core values, the Group constantly improves the delivery of education to its students in pursuit of sustainable development.

This year's report emphasizes the Group's commitment to promote sustainable education in the midst of the evolving demands of the times. As the world began to usher in a new normal, the Group remained focused on its mission — innovating its learning delivery models while successfully adapting to the changes brought about by the global health crisis.

Moreover, this report has been prepared in compliance with Securities and Exchange Commission's (SEC) Memorandum Circular No. 4, Sustainability Reporting Guidelines for Publicly-listed Companies, covering the period July 1, 2023 to June 30, 2024. The disclosures in this report do not cover franchise schools and include only STI ESG-owned schools, STI WNU, and iACADEMY, unless otherwise stated.

To better understand the Group's sustainability plans, all stakeholders are encouraged to read this publication in conjunction with STI Holdings' annual report as of and for the year ended June 30, 2024, which is available on the website **www.stiholdings.com**. This report was developed through the efforts of the STI Holdings' Sustainability Core Team spearheaded by Cyril Cunanan, STI Compliance Officer. Readers may email **info@stiholdings.com.ph** for feedback and queries about this report.

Note on Forward-Looking Statements

This report may contain forward-looking statements that present the Group's view of its risks and opportunities subject to the trends, projections, plans, and other information available as of the writing of the report. Statements describing the Group's outlook do not present or guarantee the Group's future performance. While the Group believes that the disclosures are reasonable, risks and uncertainties beyond the Group's control may impact the Group's performance and outcomes may differ materially from those expressed or implied in this report. The Group does not assume any obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors which may affect these statements.

Message from the Chairman and President

Dear Fellow Stakeholders,

School Year 2023-2024 for STI Holdings and its subsidiaries (the "Group") is marked by significant growth, with student population reaching almost 120,000 across 66 campuses nationwide. Likewise, iACADEMY, one of the Group's subsidiaries, brought its game-changing programs to one of the country's largest cities through its newly established Cebu Campus.

These milestones were achieved through the Group's focus on providing quality, relevant, and inclusive education that aims to not only help its students gain industry-specific knowledge and skills but also mold them into individuals who would thrive in their chosen fields. Concurrently, the Group emphasized the development and implementation of experience-based curricula, and support activities under the Student Affairs and Services. The school faculty and students continued to produce Academic Research that are as timely as they are insightful.

Maintaining a healthy working environment remained paramount in the Group's pursuit of meeting the evolving demands of its stakeholders. The Group endeavored to

EUSEBIO H. TANCO
Chairman, STI Holdings

attract and retain highly qualified employees while promoting diversity as well as equal opportunities across the institution. Additionally, the Group forged meaningful strategic partnerships that supported not only industry needs but also the different communities it serves.

The Group believes that transforming lives through education is rooted in ensuring the institution's sustainability, that in turn necessitates change as it does stability. Seeing the increasing demand for entrepreneurship-related programs, STI Holdings has acquired and is now set to revitalize the Philippine School for Business Administration and restore it to its former glory as one of the top business schools in the country.

Contributing to the attainment of several United Nations Sustainable Development Goals – Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Peace, Justice and Strong Institutions – is a result of targeted and thoughtful efforts of members, partners and communities of the institution. Thus, the Group hopes to continue building on its legacy of innovation by staying attuned not only to market but also to societal needs in support of its vision of a vibrant future for all.

MONICO V. JACOB
President and Chief Executive Officer, STI Holdings

OUR ORGANIZATION

STI Education Systems Holdings, Inc. (STI Holdings)

STI Holdings is a leading education and investment corporation in the Philippines. It is recognized as one of the largest networks of schools in the country today. Its registered address and principal place of business is at the 7th Floor STI Holdings Center, 6764 Ayala Avenue, Makati City.

STI Holdings began in 1928 when Theo H. Davies and Co., a Hawaiian corporation, established a branch office in the Philippines. In 1946, Jardine-Matheson group reincorporated the entity as a Philippine company. It was listed on the Philippine Stock Exchange on October 12, 1976. In March 2010, it became part of the Tanco Group of Companies. It is the holding company within the Tanco Group that drives investment in its education business. Today, it has investments in three large educational institutions – STI ESG, STI WNU and iACADEMY – and is also the owner of Attenborough Holdings Corporation (AHC).

STI Education Services Group, Inc. (STI ESG)

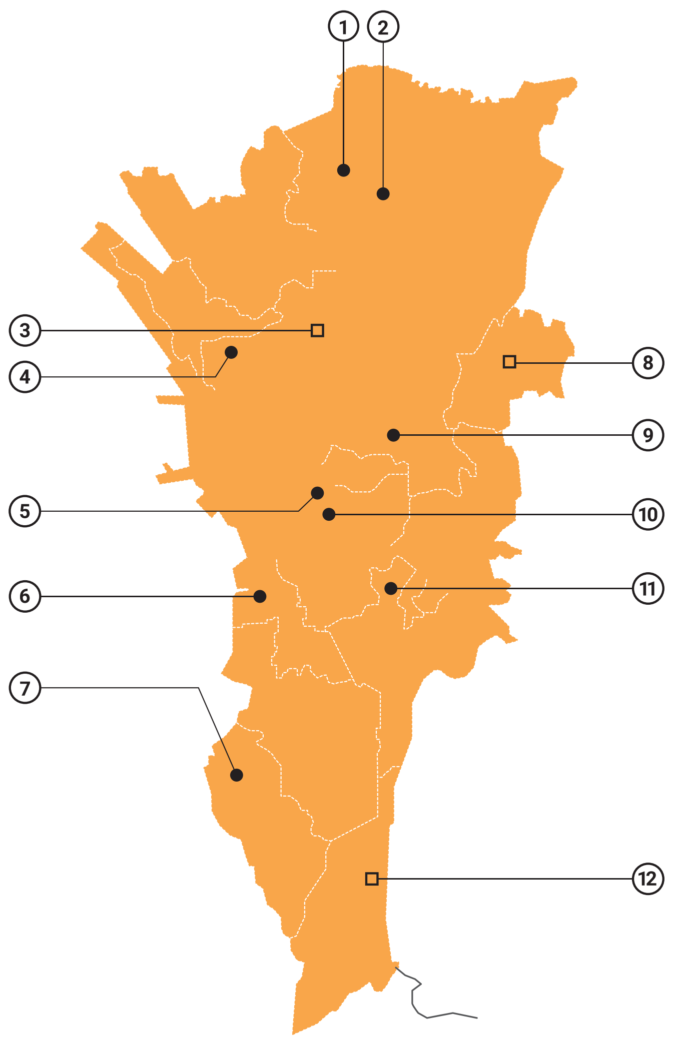
STI ESG is the largest subsidiary of STI Holdings. It was incorporated on June 2, 1983 and is involved in setting up, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs.

STI ESG began with the goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines.

At present,STI ESG offers secondary and tertiary programs as well as post-graduate and associate programs. The colleges of STI ESG grant Associate Degrees and Baccalaureate Degrees and offer Technical Courses, and Vocational Courses in the fields of Information and Communications Technology (ICT), Business and Management, Hospitality Management, Tourism Management, Arts and Sciences, Engineering, and Education. These programs are accredited by the Commission on Higher Education (CHED) and/or the Technical Education and Skills Development Authority (TESDA). Also accredited by TESDA, the education centers of STI ESG offer technical/vocational courses for computer programming, computer technology, multimedia arts, and office administration, among others. In addition, all schools in the STI ESG network have been issued permits by the Department of Education (DepEd) to offer Senior High School (SHS). Select schools in the STI ESG network were also granted permits by DepEd to offer Junior High School (JHS). STI ESG likewise obtained permits to offer Bachelor of Science in Psychology in SY 2022-2023 and Bachelor of Science in Criminology starting SY 2023-2024.

STI ESG, whose head office is located in Cainta, Rizal, has a network of sixty-three (63) schools spread across Luzon, Visayas, and Mindanao. It is comprised of sixty (60) STI-Branded Colleges and three (3) STI-Branded Education Centers. Of the total number of schools, thirty-six (36) colleges and one (1) education center are owned by STI ESG while twenty-four (24) colleges and two (2) education centers are operated by franchisees.

Map 1: STI Campuses in Metro Manila



● STI ESG HO-owned campuses
□ STI ESG Franchises

Metro Manila

1. Novaliches
2. Fairview
3. Muñoz-EDSA
4. Caloocan
5. Sta. Mesa
6. Pasay-EDSA
7. Las Piñas
8. Marikina
9. Cubao
10. NAMEI
11. Global City
12. Alabang

Northern Luzon

13. Laoag
14. Vigan
15. Cauayan
16. Baguio
17. Alaminos
18. Dagupan
19. San Jose
20. Tarlac
21. Malolos
22. Balagtas
23. Meycauayan
24. Angeles
25. San Fernando
26. Baliuag
27. Sta. Maria
28. San Jose Del Monte

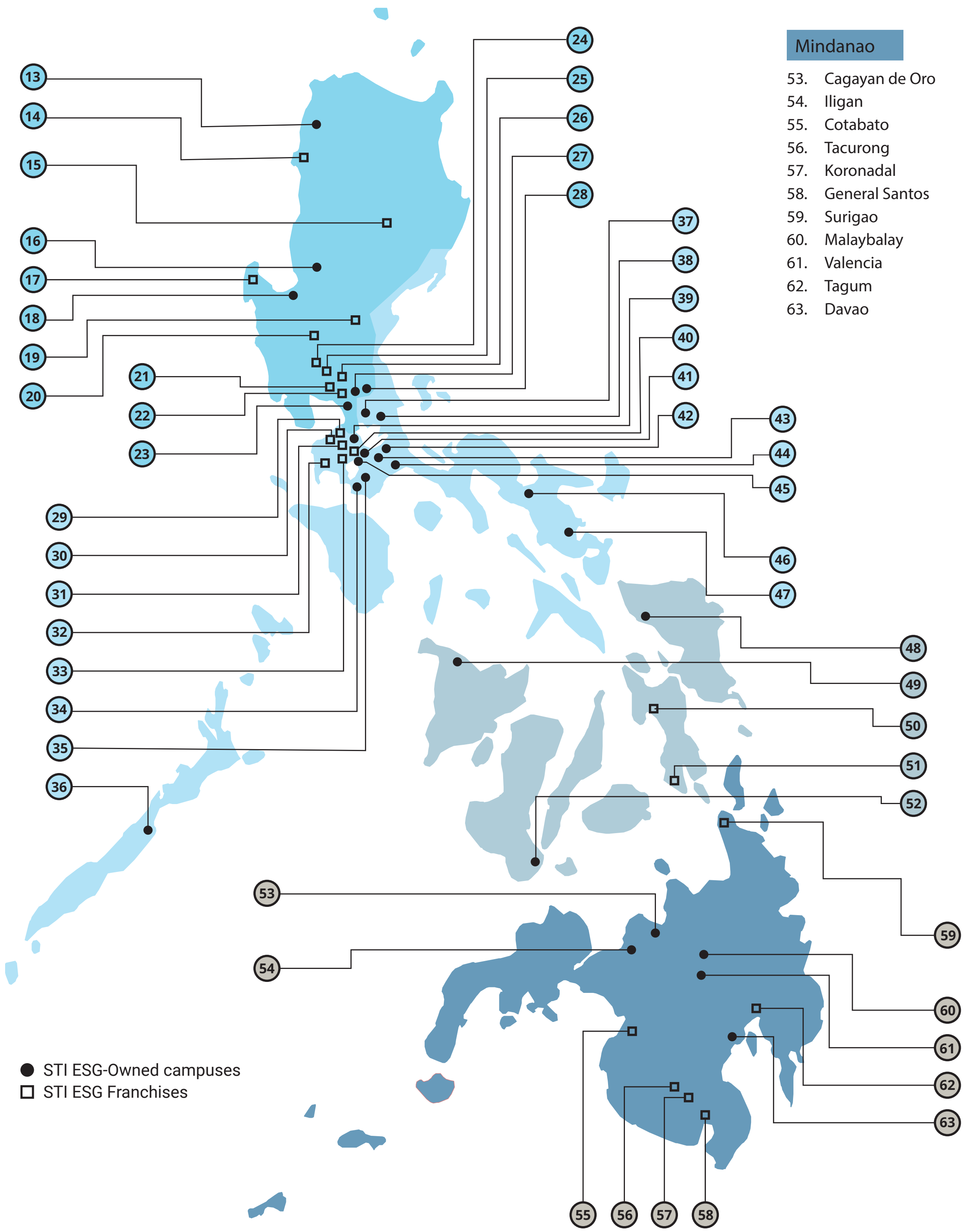
Southern Luzon

29. Bacoor
30. Rosario
31. Dasmariñas
32. Balayan
33. Tagaytay
34. Batangas
35. Lipa
36. Puerto Princesa
37. Ortigas-Cainta
38. Tanay
39. Carmona
40. Santa Rosa
41. Calamba
42. Sta. Cruz
43. San Pablo
44. Lucena
45. Tanauan
46. Naga
47. Legazpi

Visayas

48. Calbayog
49. Kalibo
50. Ormoc
51. Maasin
52. Dumaguete

Map 2: STI Campuses in Northern & Central Luzon, Southern Luzon, Visayas, and Mindanao



Mindanao

53. Cagayan de Oro
54. Iligan
55. Cotabato
56. Tacurong
57. Koronadal
58. General Santos
59. Surigao
60. Malaybalay
61. Valencia
62. Tagum
63. Davao

● STI ESG-Owned campuses
□ STI ESG Franchises

STI West Negros University, Inc. (STI WNU)

STI WNU, a leading university in the City of Bacolod in Negros Occidental, offers a wide variety of programs and complements the courses offered by the Parent Company's other subsidiary, STI ESG. The University offers pre-elementary, elementary, secondary including SHS, tertiary and post-graduate courses.

STI WNU was founded by three Baptist women leaders on February 14, 1948 when the city was still reeling from the aftermath of the Second World War. The school, then West Negros College, first operated as a sectarian educational institution offering six undergraduate programs that attracted 710 students handled by 33 faculty members. It has since gone through years of providing education that is responsive to the needs of the community and was granted the University Status by CHED in June 2008.

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. Since then, STI WNU's facilities have been continuously upgraded, catering to up to 15,000 students.

iACADEMY, 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.

iACADEMY has been providing 22 years of non-traditional, Game Changing education, pioneering specialized programs that are technology-focused, innovative and industry-relevant. iACADEMY was established in 2002 as a wholly-owned subsidiary of STI ESG. The school became a wholly-owned subsidiary of STI Holdings through acquisition on September 30, 2016. iACADEMY's Nexus campus, equipped with top-of-the-line multimedia arts laboratories and computer suites, is located along Yakal St. in Makati City.

iACADEMY's success in its Makati Campus has triggered expansion plans. A major growth path is to bring the type of education that iACADEMY offers closer to people in other regions of the country. In 2022, iACADEMY started setting up its first regional campus in Cebu City. The campus is located in Cebu I.T. Park, the I.T. Capital of Cebu. iACADEMY Cebu held its unveiling and blessing ceremony on January 21, 2023. In its initial year of operation SY 2023-2024, program offerings included Bachelor of Science in Computer Science with major in Software Engineering (BSCS-SE), Bachelor of Science in Entertainment and Multimedia Computing with specialization in Game Development (BSEMC-GD), Bachelor of Science in Real Estate Management (BSREM), Bachelor of Arts in Animation (ABANI), and Bachelor of Arts in Multimedia Arts and Design (ABMAD).

SUSTAINABILITY AT STI

Materiality

The Group aims to address all stakeholder concerns and attend to areas of its operations where it has the most material impacts. Following the guidelines and principles set by the SEC, the Group conducted its materiality assessment this year by examining external trends, global issues, and internal documents, in addition to addressing the key topics raised by its stakeholders. It considered the prevalent issues within the education sector by benchmarking against its peers, scanned media mentions related to the Group, assessed relevant publications of CHED, TESDA, and DepEd, checked advocacies of global non-governmental organizations related to education, and reviewed relevant internal policies and corporate strategies as well as the Group's social media posts to inform its materiality assessment process.

The Group carefully assessed the results and determined to include the following economic, environmental, social, and governance topics among its material sustainability topics.

Materiality Themes

System-wide Development

- Quality, Affordable and Inclusive Education
- Curriculum Development and Implementation
- Student Affairs and Services
- Academic Research

Social Commitment

- Employment
- Diversity and Inclusion
- Learning and Development
- Safety and Well-being
- Community Relations and Strategic Partnerships
- Customer Data and Privacy

Economic Value and Governance

- Economic Performance
- Procurement Practices
- Corporate Governance

Environmental Initiatives

- Energy and Emissions

United Nations Sustainable Development Goals (SDGs)

The UN SDGs highlight the extent of today's social, economic, environmental, and governance issues and have set clear goals that governments, private sectors, and civil societies should strive to achieve by 2030. Educational institutions, in this regard, play a vital role as they educate the youth on the importance of delivering these goals and values to society, and eventually achieve a better and more sustainable future for all.

The Group supports the principles of the SDGs and strives to maximize its contribution through the following activities, measures and strategies aligned with the various SDGs.

SDG 3: Good Health and Well-being

- Health insurance policy covering teachers and full-time administrative staff
- To protect the students, faculty, and other personnel's health and safety, the Group implemented comprehensive health and safety measures

SDG 4: Quality Education

- Scholarships or alternative form of financial assistance for over 20,000 students within the whole STI network (aligned with SDG target 4.5)
- Senior High School Qualified Voucher Recipients and beneficiaries of the Tertiary Education Subsidy and CHED-Tulong Dunong financial assistance aggregating to over 35,000 students
- Competitive program offerings that are industry and market-driven (aligned with SDG target 4.4)
- Career orientation and internship programs for senior high school and college students (aligned with SDG target 4.4)
- Centralized courseware development to ensure the standard delivery of courses across its network of schools
- Continuity of education amidst community quarantine using digital tools and online technology
- The Group provided trainings and webinars to its employees, with each receiving an average of 4 training hours (aligned with SDG targets 4.3, 4.4, and 4.5)

SDG 5: Gender Equality

- The Group's workforce consisted of 48% male and 52% female (aligned with SDG target 8.5)
- Equal employment opportunity (aligned with SDG target 8.5)

SDG 8: Decent Work and Economic Growth

- PhP1,042M paid to employees in the form of wages and benefits (aligned with SDG targets 8.1, 8.2)
- PhP211M paid in taxes to the government (aligned with SDG targets 8.1, 8.2)
- 98% of procurement budget spent on local suppliers (aligned with SDG targets 8.1, 8.2, 8.3)
- 1,928 new employee hires within the Group
- Over 23,000 skilled graduates contributing to the supply of human capital, not just across the country but also to the global industry (aligned with SDG targets 8.3, 8.5)

SDG 16: Peace, Justice, and Strong Institutions

- Compliance with laws, rules and regulations, policies, and standards of governing bodies covering the Group's operations

Stakeholder Engagement

The following stakeholders were identified based on influence, representation, contribution, responsibility, and dependency of the entities within the Group. For SY 2023-2024, the Group engaged with stakeholders through different online platforms and onsite interactions, especially with respect to changes in the learning delivery system and school operations.

STAKEHOLDER GROUP	FREQUENCY OF ENGAGEMENT	MODE OF ENGAGEMENT	KEY TOPICS RAISED	THE GROUP'S RESPONSE (REPORT REFERENCE)
Students	Regular basis	Combination of online and face-to-face orientation program, eLearning Management System (eLMS), webinars, social media	Programs or courses, school facilities, campus life, teaching, tuition fees, safety	Quality, Affordable and Inclusive Education, Curriculum Development & Implementation, Student Affairs & Services, Academic Research, Customer Data & Privacy
Faculty and Staff	Regular basis	Combination of online and face-to-face orientation program, combination of online and face-to-face trainings, social media, email	Working arrangement, trainings, career advancement, salary and benefits, health and safety	Academic Research, Employment, Learning & Development, Customer Data & Privacy, Diversity & Inclusion, and Safety & Well-being
Parents	Regular basis	Combination of online and face-to-face orientation program, eLMS, webinars, website, media articles, social media	Quality of education, school facilities, teaching, grades, tuition fees, safety	Quality, Affordable and Inclusive Education, Curriculum Development & Implementation, Student Affairs & Services, Academic Research, Customer Data & Privacy
Alumni	Annual or as required	Combination of online and onsite career fairs, webinars, website, social media	Employment	Student Affairs & Services, Community Relations & Strategic Partnerships, Customer Data & Privacy
Board of Directors	Quarterly or as needed	Board meetings	Plans and strategies, risks, results of operations	Economic Performance, Corporate Governance, Diversity & Inclusion
Stockholders and Investors	Quarterly, Annual, or as needed	Annual stockholders' meeting, reports, website, media articles	Overall performance of STI Holdings, results of operations, company updates	Economic Performance
Industry Partners	As required	Meetings, webinars, trainings, website, media articles, social media	Collaboration opportunities, curriculum design, graduates, employment, combination of virtual and onsite on-the-job training	Community Relations & Strategic Partnerships
Regulators	Monthly or as needed	Meetings, online workshops, online seminars	Collaboration opportunities, access to education, curriculum, compliance requirements	Curriculum Development & Implementation, Economic Performance, Governance, Energy & Emissions, Customer Data & Privacy
Suppliers and Service Providers	As needed	Bidding process, meetings, email	Quotation and estimates, production and delivery, progress, completion	Procurement Practices
Local Community	As required	Website, media articles, social media	Community engagement, safety	Community Relations & Strategic Partnerships

The Group collaborates with various stakeholders for compliance, strategy, information, and involvement. Stakeholders are engaged through a variety of ways, including direct dialogue, surveys, meetings or forums, social media, and sharing of information. The frequency and nature of the engagement likewise vary depending on the need and/or issues encountered.

Governance

The Group adheres to the principles and practices of good corporate governance and conducts its business in accordance with the highest level of accountability, transparency, and integrity.

Eusebio H. Tanco
Chairman of the Board

Monico V. Jacob
President and Chief Executive Officer

Joseph Augustin L. Tanco
Vice President, Investor Relations

Maria Vanessa Rose L. Tanco
Director

Paolo Martin O. Bautista
Vice President and Chief Investment and Risk Officer

Martin K. Tanco
Director

Jesli A. Lapus
Director

Robert G. Vergara
Independent Director

Ma. Leonora V. De Jesus
Independent Director

Raymond Anthony N. Alimurung
Independent Director

Justice Antonio T. Carpio (Ret.)
Independent Director

Atty. Arsenio C. Cabrera, Jr.
Corporate Secretary and Corporate Information Officer

Yolanda M. Bautista
Treasurer and Chief Finance Officer

Corporate Governance

The Board of Directors (BOD) and Management of STI Holdings believe that corporate governance is a necessary component of what constitutes sound strategic business management and therefore undertake every effort necessary to create awareness within the organization.

The current BOD is composed of the Chairman, the President and Chief Executive Officer, the Vice President for Investor Relations, the Vice President and Chief Investment and Risk Officer, and seven other Board members which include four independent directors. The current Executive Committee appointed by the BOD consists of the Chairman, the President and Chief Executive Officer, the Treasurer, and one Board member.

The Corporate Secretary is responsible for the safekeeping and preservation of the integrity of all documents, records and information essential to the conduct of his/her duties and responsibilities to the Parent Company as set out in the By-Laws.

The Parent Company exerts all efforts to further strengthen compliance to principles and practices of good corporate governance through the organization of corporate governance seminars and use of various assessment tools.

Ethics and Transparency

To further strengthen and integrate sustainability into the DNA of the business, STI Holdings and all its subsidiaries remain committed to ensuring that all employees conduct business in a responsible and ethical manner. The Code of Discipline and Ethics was developed to promulgate the Group's integrity as a reputable and honest organization, establishing and maintaining the trust and confidence of the employees, board of directors, and all stakeholders as they adhere to the highest moral and ethical standards while still directly or indirectly associated with the organization.

The Group's Code of Discipline and Ethics seeks to ensure transparency and fairness in all dealings with stakeholders and the public by establishing policies and due process regarding whistle-blowing, conflict of interest, insider trading policy, and related party transactions.

GOVERNANCE STRUCTURE AS OF JUNE 30, 2024

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Eusebio H. Tanco
Chairman of the Board

Monico V. Jacob
President and Chief Executive Officer

Joseph Augustin L. Tanco
Vice President, Investor Relations

Paolo Martin O. Bautista
Vice President and Chief Investment and Risk Officer

Maria Vanessa Rose L. Tanco
Director

Martin K. Tanco
Director

Jesli A. Lapus
Director

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Independent Director

Ma. Leonora V. De Jesus
Independent Director

Raymond Anthony N. Alimurung
Independent Director

Justice Antonio T. Carpio (Ret.)
Independent Director

Atty. Arsenio C. Cabrera, Jr.
Corporate Secretary and Corporate Information Officer

Yolanda M. Bautista
Treasurer and Chief Finance Officer

The Board of Directors has the highest mandate in governance matters and in the management of the business of the Parent Company. It is the responsibility of the Board to foster the success of the Parent Company and secure its sustained competitiveness in a manner consistent with its fiduciary duty, and to promote and adhere to the principles and best practices of Corporate Governance.

EXECUTIVE COMMITTEE

Eusebio H. Tanco — Chairman
Monico V. Jacob
Yolanda M. Bautista
Martin K. Tanco

The Executive Committee has and may exercise all the powers which may be lawfully delegated, subject to such limitations as may be provided by resolution of the Board.

CORPORATE GOVERNANCE COMMITTEE

Justice Antonio T. Carpio (Ret.) — Chairman
Ma. Leonora V. De Jesus
Raymond Anthony N. Alimurung

The Corporate Governance Committee assists the Board of the Parent Company in the fulfillment of its corporate governance responsibilities in accordance with all applicable laws, rules and regulations.

AUDIT and RISK COMMITTEE

Robert G. Vergara — Chairman
Jesli A. Lapus
Martin K. Tanco
Ma. Leonora V. De Jesus
Raymond Anthony N. Alimurung

The Audit and Risk Committee assists the Board in overseeing the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. It also ensures that there is an effective and integrated enterprise risk management (ERM) program in place.

RELATED PARTY TRANSACTIONS COMMITTEE

Ma. Leonora V. De Jesus — Chairwoman
Robert G. Vergara
Jesli A. Lapus
Raymond Anthony N. Alimurung
Justice Antonio T. Carpio (Ret.)

The Related Party Transactions Committee reviews all material related party transactions of the Parent Company and ensures that said transactions are conducted at arms' length.

Educational Philosophy

The Group strongly promotes the learner-centered approach as its paradigm for teaching and learning. Hence, every student is nurtured holistically through technology-enhanced, student-centered active learning. The Group strives to provide innovative and relevant education that nurtures students to become competent and responsible members of society.

Risk Management

The Group adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Group regularly conducts market studies and analyzes trends and uncertainties to determine the needs of the industry and the market. The Group likewise maintains business strategies and plans to sustain growth and competitive advantage.

Risk Management is crucial for STI and its stakeholders, including students, parents, alumni, board members, investors, and local communities, as it ensures the identification, assessment, and mitigation of potential threats that could adversely affect the institution's operations, reputation, and financial stability. Effective risk management fosters a secure and conducive learning environment while maximizing stakeholder trust and engagement. Again, inadequate risk management can lead to significant negative effects, such as financial losses, deterioration of reputation, and decreased stakeholder confidence, ultimately jeopardizing the institution's sustainability and mission. Thus, a robust risk management framework not only enhances STI's resilience but also contributes to the overall well-being of its diverse stakeholder ecosystem.

The Board, through the Audit and Risk Committee, sets the framework and guidelines in the performance of its oversight responsibility over financial reporting process, systems for internal control, audit processes, and compliance monitoring, to laws and regulations and reviews the reports submitted by compliance, internal and external auditors.

The organization has developed a multi-level control guideline to supplement the grievance mechanism for the STI Group. From The Code of Business Conduct and Ethics to Whistleblowing Policies, this collection of guidelines enables the company to handle grievances and safeguards each employee to be able to voice concerns and supports the company to manage incidents in an effective and constructive way.

The Board, through its different committees such as the Corporate Governance and the Audit and Risk Committee, sets the framework and guidelines in the performance of its oversight responsibility over the company's sustainability, prioritizing equally the environment, its social responsibility and the overall health, not only of the people within the company, but to the community that STI serves.

Collectively, different teams within the company develop and perform their respective duties for STI's sustainability, especially with activities fulfilled with the students and their communities. Nationwide, the company and all of the schools have been active in performing duties related to STI's responsibility over sustainability, society and environment.

PERFORMANCE HIGHLIGHTS AND INITIATIVES

SYSTEM-WIDE DEVELOPMENT

The educational entities in the Group endeavor to transform lives through education, empower the students to reach their full potential, provide opportunities for social inclusion, and look forward to a society where individuals can use their abilities, experience, and talents to make a positive difference.

Quality, Affordable, and Inclusive Education

The Group firmly believes that education is the best investment that a student can make for his or her future and therefore remains committed to providing quality and affordable education to its students, so that they can be competitive in the global economy.

To ensure the delivery of Quality, Affordable and Inclusive Education, the Group focuses on establishing a robust learning delivery system that builds strong industry partnerships and anticipates and responds to new trends by constantly exploring possible new courses and programs that are needed by the industry. The Group is committed to continuously enhancing the educational experience of its students by ensuring that its campuses are equipped with industry-grade simulation laboratories, spacious classrooms, and top-of-the-line recreational facilities.

The Group is resolute in fostering an environment where deserving students, regardless of their financial standing, have the opportunity to pursue and attain quality education. Sources of funding for scholarships include the public and private sectors, non-profit organizations, and school-initiated scholarship grants. Also, to further support its students, the Group partnered with other institutions and provided discounts to students for SY 2023-2024.

The Group accepts students with Tertiary Education Subsidy (TES), CHED-Tulong Dunong financial assistance, and Senior High School DepEd Vouchers. At the same time, the Group also provides scholarship grants to academically deserving students, siblings of existing students, dependents of employees and/or alumni, and varsity players, among others. Additionally, the Group offers tuition installment plans to facilitate a more affordable payment scheme.

Scholarships and financial assistance programs are pivotal in the Group's commitment to bridge gaps and foster an inclusive educational landscape. The array of scholarships, including those from partner private institutions, exemplifies the institution's unwavering dedication to providing accessible, high-quality education for everyone.

Recognizing that learners have diverse needs and characteristics, the Group aims to increase access of all students to education and eliminate discrimination in the learning environment. The Group acknowledges and respects the diverse gender identities of students and strongly encourages its campuses to help reduce stigma and potential instances of bullying or harassment, therefore fostering a safer space for all students.

The schools allow gender-affirming uniforms for LGBTQIA+ students to express their gender identity in a way that aligns with their authentic selves, promotes a positive self-image, and reduces feeling of dysphoria. Gender-inclusive

restrooms are also being established to promote a sense of dignity and hopefully reduce the risk of harassment that LGBTQIA+ students may feel when faced with using restrooms that do not align with their gender identity.

The Group also provides an opportunity to educate students, parents, and staff about LGBTQIA+ identities and issues and consequently foster empathy, understanding, and respect. It tangibly supports the mental, emotional, and social well-being of LGBTQIA+ students, enabling them to fully participate in their educational journey. This approach helps create a more equitable and respectful learning environment for all students, promoting empathy and understanding among the broader student body and staff. These policies also send a powerful message about STI's commitment to diversity and inclusion, promoting a culture of acceptance among all students, and a safe space for all.

2024 Performance

119,543
students*

23,290
graduates*

20,463
students with scholarship or financial assistance

30,687
DepEd vouchers

CHED

4,462
CHED scholarship grants

**across the network*

The Group monitors the retention rate and migration rate in each subsidiary. Retention rate is above 98% while migration rate is above 92% for the schools in SY 2023-2024.

** Retention rate refers to the percentage of students that are able to complete the semester*
*** Migration rate refers to the percentage of students that continue from the previous semester*

Enrollment

Group-wide enrollment increased to 119,543 students in SY 2023-2024 from the registered enrollment of 94,312 students in SY 2022-2023. The 27% improvement was bolstered by the robust increase of 25% in enrollment of students in CHED-regulated programs in the same period.

Curriculum Development and Implementation

As an educational institution, the Group provides all the necessary resources to be able to develop relevant and accurate learning materials to produce competent graduates.

The development and execution of curricula play a vital role in elevating the students' educational training, enhancing their performance in the licensure exams, improving the work competence and employability of graduates, expanding the professional development opportunities for the teaching personnel, and producing qualified and competent graduates that fit the needs of the industry. The Group ensures that its curriculum is highly responsive to the present and future needs of the market by regularly reviewing and updating its current curriculum or existing programs, strands, and course offerings.

STI ESG's curriculum development, as an integral component of the learning delivery system, complies with the ISO 9001:2015 standards, a certification awarded by TÜV Rheinland Philippines, Inc. STI ESG goes a step further by designing course materials that incorporate engaging activities, all of which guide students towards achieving the STI 4Cs — character, adaptability to change, effective communication, and critical thinking. These are the essential skills and qualities highly sought after by leading industries across the globe.

STI WNU consistently pursues recertification from the Private Educational Assistance Committee (PEAC) and accreditation from the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as part of its ongoing commitment to maintaining educational quality and meeting regulatory standards. The University has also been awarded by DNV AS Philippines the ISO 9001:2015 certification for quality management system and ISO 9001:2018 certification for organization management system. STI WNU has set and follows guidelines in the conduct of curriculum review, evaluation, development and revision. This ensures full compliance with the standards set by the CHED, PACUCOA, DepED and other governmental and private accrediting and regulatory agencies.

In iACADEMY, relevant documents were created, and corresponding success metrics and accountabilities were identified to ensure a smooth approach, proper resource allocation, and planned risk management. These documents include a program for continuous quality improvement framework and a curriculum review manual that outlines the curriculum review process, the people involved, and the evaluation instrument. Regular checkpoints to monitor progress and maintain quality are conducted.

The Group is dedicated to the development and maintenance of curricula that adhere to the guidelines set forth by various regulatory bodies, including DepEd, CHED, and TESDA. The Group likewise ensures that all course materials are well-suited for online learning and are aligned with Outcome-based Education (OBE) principles and complete with assessment tools, rubrics, and performance tasks. Furthermore, the Group forges partnerships with a range of organizations to offer student certifications and facilitate on-the-job training and practicum experiences. The Group also fosters strong connections and partnerships with industry leaders and employers to make sure that its students have updated curricula suited to the market demand and are equipped with marketable skills.

STI ESG Programs

Basic Education
- Junior High School (Grades 7 to 10)*

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics
- General Academic Strand

Technical-Vocational-Livelihood Track
- ICT Strand with specializations in:
  - Computer Programming
  - Animation
  - Illustration
  - Computer Systems Servicing
- Home Economics Strand with specializations in:
  - Commercial Cooking
  - Cookery
  - Bartending
  - Food and Beverage Services
  - Bread and Pastry Production
  - Local Guiding Services
  - Travel Services
  - Tourism Promotions Services
  - Front Office Services
- Industrial Arts Strand with specialization in:
  - Electronic Products Assembly and Servicing

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

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

STI WNU Programs

Basic Education
- Pre-Elementary (Nursery, Kinder 1 and Kinder 2)
- Elementary (Grades 1 to 6)
- Junior High School (Grades 7 to 10)

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics

Technical-Vocational Livelihood Track
- Maritime Specialization Strand
- ICT Strand
- Home Economics Strand

Tertiary
- BS in Hospitality Management
- BS in Tourism Management
- BS in Criminology
- BS in Information Technology
- BS in Computer Science
- BS in Accountancy
- BS in Business Administration major in Marketing Management
- BS in Business Administration major in Financial Management
- BS in Management Accounting
- BS in Retail Technology and Consumer Science
- Bachelor of Early Childhood Education
- Bachelor of Physical Education
- Bachelor of Secondary Education major in English and Filipino
- Bachelor of Elementary Education
- Teacher Certificate Program
- BS in Psychology
- BS in Mathematics
- BA in Communication
- BA in English Language
- BS in Electrical Engineering
- BS in Civil Engineering
- BS in Mechanical Engineering

School of Graduate Studies (SGS)
- Doctor of Philosophy in Educational Management
- Doctor in Public Administration
- Doctor in Business Administration
- Master of Arts in Education
- Master in Business Administration
- Master in Public Administration

iACADEMY Programs

Senior High School
Academic Track
- Accountancy, Business and Management
- Humanities and Social Sciences
- Science, Technology, Engineering, and Mathematics (Robotics)

Technical-Vocational-Livelihood Track
- ICT Strand with specializations in:
  - Computer Programming (Software Development)
  - Animation
  - Mobile App Development
  - Graphic Illustration
- Home Economics Strand with specialization in:
  - Fashion Design

Arts and Design Track
- Media and Visual Arts (Multimedia Arts)
- Music (Audio Production)

Senior High School (Homeschool Program)
Academic Track
- Accountancy, Business and Management

Technical-Vocational Track
- ICT Strand with specialization in:
  - Animation

Arts and Design Track
- Multimedia Arts

Tertiary
School of Computing
- BS in Computer Science (Software Engineering)*
- BS in Computer Science (Cloud Computing)
- BS in Computer Science (Data Science)
- BS in Entertainment and Multimedia Computing (Game Development)*
- BS in Information Technology (Web Development)

School of Business and Liberal Arts
- BS in Business Administration major in Marketing Management
- BS in Business Administration major in eManagement
- BS in Real Estate Management*
- BA in Psychology
- BS in Accountancy

School of Design
- BS in Animation**
- BA in Multimedia Arts and Design*
- BA in Fashion Design and Technology
- BA in Film and Visual Effects
- BA in Music Production and Sound Design

** Also offered at the Cebu campus*
*** Offered as BA in Animation at the Cebu campus*

Accreditations

STI ESG's Learning Delivery System (LDS) was awarded by the ISO certifying body TÜV Rheinland Philippines, Inc. with the ISO 9001:2008 certification on February 5, 2015 and the ISO 9001:2015 certification on February 5, 2018. STI ESG maintained its certification and was lauded by the ISO certifying body TÜV Rheinland Philippines, Inc. during its recertification audit on December 5, 2023 for inclusivity in the workplace and various awards and recognition received such as World Education Summit Excellence in Industry Academia, Huawei Best Academy, Silver Anvil Awards for the Student's Career Opportunity and Personality Evaluator (SCOPE) and the STI Official Facebook Page, and the STI SCOPE as a finalist in the PANAta Awards 2022.

The LDS covers courseware development, faculty training and certification, student development program, and job placement assistance. The ISO certification ensures that STI ESG's LDS is relevant, responsive, and learner-centered with a strong focus on continual improvement and quality assurance.

As part of the Institution's commitment to continuous improvement, STI WNU attained ISO 9001:2015 (Quality Management System) certification from DNV GL Philippines on March 2 to 3, 2023, and moreover proved its ongoing dedication to excellence by obtaining ISO 21001:2018 (Educational Organizations Management System) certification on May 16, 2023, just nearly 2 weeks after receiving its first certification.

During the 50th Founding Year Anniversary of the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) and 34th Annual General Assembly, held at Radisson Blu Hotel, Cebu City on December 1, 2023, the University was awarded as the Institution with the highest number of accredited programs in Region VI (with 11 accredited programs) and two special awards as the First Doctor of Philosophy in Educational Management program to have been granted Level III Reaccredited Status in Region VI and the Institution which was certified under ISO 21001:2018 - Educational Organization Management System (EOMS).

In February 2024, the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) granted the Bachelor of Sciences in Criminology as Level III, and the nine (9) programs as Candidate Status namely: BS Accountancy, BS Management Accounting, BS Tourism Management, BS Computer Science, BS Mathematics, BS Mechanical Engineering, BS Electrical Engineering, Doctor in Public Administration, and Master in Business Administration.

Program accreditation and international certifications contribute towards the attainment of CHED Autonomous status. Autonomous schools have the freedom to open new programs without securing prior approval from CHED; priority in the grant of subsidies and other financial incentives from CHED; and exemption from regular CHED monitoring and evaluation and issuance of Special Order for their graduates, among other benefits.

On September 16, 2024, CHED granted Autonomous status to the University by virtue of CHED Memo No. 7 Series of 2024.

STI WNU secured the second spot among the universities in Bacolod City, as revealed in the latest release by Edu Rank on February 29, 2024. In the national rankings, STI WNU has climbed from the 204th position to the 193rd spot. Edu Rank assesses universities based on research outputs, non-academic prominence, and alumni influence.

In addition, the Computer Science program of iACADEMY was granted Level I Formal Accredited Status for the period July 2021 to July 2024 by the PACUCOA on July 3, 2022. iACADEMY'S Bachelor of Science in Business Administration program underwent the preliminary visit for candidacy level accreditation on July 4 to 5, 2023 with the PACUCOA.

Student Affairs and Services

The Group believes that students should be given the opportunity to harness their educational aspirations and unlock their full potential through holistic development experiences within the school. Students will further enhance their learning experience by engaging with peers in informal settings, cultivating a collaborative and supportive environment which nurtures personal development and also cultivates a profound sense of community. Hence, the Group provides students with an educational journey that goes beyond the confines of traditional classrooms involving a holistic approach that includes social interaction, career guidance, and participation in various advocacies.

To help foster a positive and conducive environment for students and prepare the students for success in real life challenges, the Group conducts student assessments to design activities that align with the students' individual passions. It also employs diverse student-centered programs and whole-of-school approach tailored to different age groups, grade levels, and skill levels. Additionally, the Group invests in professional development to equip its guidance counseling and student affairs personnel with the essential skills and knowledge required to effectively support students and implement network-wide programs.

Among the Group's initiatives under Student Affairs and Services were as follows:

STI ESG

Career Planning Program (CPP)

The Career Planning Program (CPP) is a six-stage program comprised of activities intended to help senior high school students explore and evaluate various career options. Through the CPP, students are carefully guided in making well-informed educational and career decisions. In SY 2023-2024, 6,662 students participated in the program.

RACE Against Suicide Training - Training of Trainers and Roll-out

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

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

The training is set in two phases: first, the concluded "Training of Trainers" headed by Dr. Sophia Mendoza, RGC, RPm wherein she shared her expertise with the registered guidance counselors and licensed psychometricians of

various STI College campuses; secondly, its ripple effect in equipping teaching staff and non-teaching with mental health first aid skills to identify and support the students, the most noteworthy aspect of this program.

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

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

Mindscapes Program

Student Development Welfare (SDW) partnered with PhilCare and availed of its Mindscapes program in SY 2023-2024. In this program, students are given a chance to take a mental health assessment to measure their stress, anxiety and depression levels. Those who will score high risk in the overall results will be given a choice to see a mental health professional from PhilCare for a maximum of 3 consultations. Students will also be monitored by their assigned Guidance Associate.

SDW likewise conducted a training program for guidance personnel from July 12 to 13, 2023. The training aimed to equip the 54 participants with the necessary competencies in providing social emotional support to students in the areas of gender sensitivity and suicide awareness and prevention. The trainees were also oriented on how to use the Mindscapes platform to assist identified students with mental health concerns in gaining access to licensed mental health professionals.

Guidance and Counseling Office (GCO) Services Daily Log

GCO aims to streamline the process of documentation and monitoring the services it renders to students. The template records all the necessary information that would assist the guidance personnel in rendering services. Initially launched as an online guidance service through the Campus Helpdesk, it has transitioned to in-person consultations for SY 2023-2024. During this school year, the guidance offices nationwide logged a total of 11,475 sessions with its stakeholders.

National Youth Convention (NYC)

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

SHS Expo

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

Open to the local community and industry practitioners, SHS students set up booths to demonstrate their final projects. Some of the notable projects are from STI College Carmona and STI College Calamba. A group of students from STI College Carmona presented a voice recognition and control device that allows users to operate in-door lighting and fixtures. Meanwhile, STI College Calamba students were recognized by the Department of Tourism for creating a technology that functions similarly to Google Maps but gives additional information on local tourist attractions.

College Fair and Symposium

For SY 2023-2024, the College Fair and Symposium was conducted as an in-campus activity where students from different programs showcased their projects and research outputs to their mentors, esteemed faculty members, fellow students, and guests from various industry sectors and companies.

Talent Search

One of the much-awaited student competitions that marked its return during SY 2022-2023 is the Talent Search that aims to uncover the innate talent of STIers nationwide – from singers and musicians to dancers and up-and-coming models. All STI campuses nationwide send a total of over 100 contestants to compete in nine regional sites before advancing to the National Finals in events such as the STI Singing Idol competition, Battle of the Bands, Hataw Sayaw Dance competition, and the search for Mr. and Ms. STI. Since 2016, the talent search

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

Tagisan ng Talino (TNT)

The TNT is an annual academic competition that tests the competencies of students on impromptu speech, essay writing, mobile app development, cooking, cake and table design, flairtending, tour guiding, and general knowledge. Over the years, specific competitions comprising the TNT have been enhanced to ensure that the competitions' objectives are met. In SY 2023-2024, there were 6,188 students who participated in nine competitions in the local school level and 120 students who competed for the national championship titles.

Tagisan ng Sining (TNS)

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

iACADEMY Foundation Celebration: 22 Years of Game Changing Education

As iACADEMY celebrated its 22nd Foundation Anniversary, the theme is about how it has been changing the academic landscape for 22 years. With the collaboration among the student organizations, academics team and various departments, different activities were organized to promote school spirit, showcase different talents and strengthen the spirit of family in school. Some of the major activities that aimed to foster connection between students and the institution were the Kick-Off Opening Concert, Nexus Genius, Logihy Talk Fun Student Org Booths, iGAMES Exhibition Games and the Real Life Squid Game, wherein students had to perform various challenges with one student winning Php 22,000.00.

Workshops such as the Rockstar Workshop conducted by experts provided students an avenue to enhance their skills and interact with like-minded individuals.

The Futurescope Fun Booth and the iGAMES Exhibition fostered a sense of community among students outside of a strictly academic setting, which can improve interpersonal skills, build friendships, and promote collaboration.

Academic Research

As the foundation of knowledge, academic research opens discourse on certain issues or topics currently prevalent in society such as cultural norms, health, education, and technology. This consequently leads to the development of new ideas, methods, or technology.

STI ESG focuses on research-based strategies to improve classroom teaching and learning. Through the Faculty Development Group, faculty members go through various trainings that will equip them with the necessary skills to do research, improve their teaching process, and provide the much-needed support and guidance for mental health concerns among teachers.

STI WNU is likewise dedicated to advancing and facilitating high standards of research practice and dissemination within and beyond the walls of the University. It is committed to creating a responsive research environment charged with generating new knowledge that will upgrade the teaching-learning standards through relevant research agenda. In line with this, the University has international linkages with Asian University Digital Resource Network (AUDRN) and German Development Cooperation (GIZ).

iACADEMY, through the Office of Research and Development (ORD), envisions itself to be one of the research centers within the region – a center that specializes in innovative research and creative studies in the field of computing, business, liberal arts, design, the arts, and as an educational institution. Considering these, iACADEMY ORD curated various mechanisms to harness and develop the mindset and culture of academic research and excellence among the students, employees, and other stakeholders of the institution.

The following are research papers and creative output from some of the faculty members and students within the Group, a number of which was presented either in local or international conferences and seminars during the reporting period:

International Conferences and Local Presentations

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

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

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

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

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

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

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

Winna Bucao, Ryan De Loyola, and Nahdem Columida, faculty of the College of Information and Communications Technology of STI WNU, attended and presented their research during the 7th Asia International Multidisciplinary Conference from July 21 to 23, 2023, at Johor, Malaysia.

Mary Gift Dionson, Danica Duazo and Dr. Randolf Asistido, all from STI WNU, participated in the Asian Universities Digital Research Network (AUDRN) Hybrid International Research Conference on Local Knowledge 2024 from February 1 to 2, 2024.

Eunice T. Custodio, Director of the Human Resources Management Office of STI WNU, attended the Philippine Quality Award Training from August 14 to 18, 2023. Custodio also joined the ASEAN University Network (AUN-QA) International Conference 2023 from September 5 to 8, 2023.

Dr. Liza Joy B. Barican, Jarold Kinsman Alagos, and Wilfredo Dela Cruz Jr., faculty of the College of Criminal Justice Education of STI WNU, joined the 2nd Asia Pacific Conference on Educational Research, Social Science & Humanities (APCERSSH-2023) from September 24 to 25, 2023.

Ritchie Rose Ginete of the College of Criminal Justice Education of STI WNU participated in the 1st Silay Institute Research and Development Office) International Multidisciplinary Research Conference from May 23 to 25, 2024.

iACADEMY also actively participates in numerous international and local conferences. Following are some of its key presentations:

Jocelyn Baniago, Jay R San Pedro, and Cecilia Sy presented their paper titled "Assessment of Private Schools Operation during the Community Quarantine: Basis for a Learning Recovery Plan" during the 2023 International Conference on Educational Measurement and Evaluation organized by the Philippine Educational Measurement and Evaluation Association, Inc. from August 24 to 26 , 2023 at Diamond Hotel, Roxas Blvd, Manila, NCR, Philippines / MS Teams.

Jay R San Pedro, Jocelyn Baniago, and Cecilia Sy presented their paper titled "Understanding the Learner's Course Completion in the New Norm: A Graduation Cohort Analysis" during the 2nd Philippine Conference on Data Analytics co-organized by Development Academy of the Philippines, Project SPARTA, and Far Eastern University - Manila on September 28, 2023. Furthermore, this paper was also presented during the 2023 International Conference on Educational Measurement and Evaluation organized by the Philippine Educational Measurement and Evaluation Association, Inc. from August 24 to 26 , 2023 at the Diamond Hotel, Roxas Blvd, Manila, NCR, Philippines and through MS Teams. More importantly, this paper was published in the International Journal of Multidisciplinary: Applied Business and Education Volume 4 Number 11 in November 2023.

Dr. Francisco Napalit, Jay R San Pedro, Carl Louie So, Cecilia Sy, and Bennett Tanyag presented their paper titled "Examining Student Experiences: Challenges and Perception in Computer Programming" during the 2023 iSEARCH Employee Hybrid Research Congress organized by iACADEMY Office of Research and Development on November 24, 2023 . In the same month, this paper was published in the International Journal of Research Studies in Education Volume 12 Number 8.

Abram Andrew Lumbang presented his paper titled "The Efficacy of Anime Pedagogy on Improving Student Engagement in Philosophical Concepts for College Students" during the 2023 iSEARCH Employee Hybrid Research Congress on November 24, 2023 organized by the iACADEMY Office of Research and Development.

Mitch Andaya, Jay R San Pedro, Carl Louie So, and Bennett Tanyag published the study "Employability of Computing Students in the Age of Disruption A Graduate Tracer Study" in January 2024 in the European Journal of Education and Pedagogy Volume 5 Issue 1.

Allain Vincent Gaspar, Christian Gaspar, Jean Michel Gabrielle Gomez, Mel Ivan Magsino, and Christian Raymond Zalameda published their paper titled "Reducing Plastic Wastes And CO2 By Balancing The Ph Levels In The Ocean Using Ocdron" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 1 in January 2024.

Joshua Erdy A. Tan, Jay R. San Pedro, and Dionnies Bendicio presented their paper titled "Best Practices of Impact Assessment of Corporate Social Responsibility (CSR) on Advocacy of Indigenous Communities in the Philippines: A Systematic Literature Review Towards UN SDG 17" during the 1st Science and Technology Impact Assessment Conference co-organized by the Department of Science and Technology, through DOST-PCIEERD, DOST-PCAARRD, University of the Philippines Los Baños – School of Environmental Science and Management, and Elsevier from August 24 to 26, 2023 via Zoom. This was also published in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 1 in January 2024.

Ruth Mary Cas, Marita Laborte, Jay R San Pedro, and Cecilia Sy published their paper titled "Converging Perspectives On Predetermined Asynchronous Sessions In A Learning Environment" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 2 in May 2024. This converging inquiry aims to analyze the perceptions of students and instructors toward the predetermined asynchronous sessions from a Philippine Private Higher Education Institution. Predetermined asynchronous sessions were implemented to provide a certain autonomy and address a certain level of difficulties experienced by the students in the previous academic years. A validated research instrument was floated among the students and educators of the institution for an ample period of time. It revealed that the perception toward the predetermined asynchronous classes varies among students and educators at the institution.

Marian Leonido, Anna Frizelle Melchor, Jay R San Pedro, and Cynthia Vasquez published their paper titled "Assessment Of Library Resources, Services, And Facilities In The Digital Age: Basis For A Development Plan" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 2 in May 2024.

Jonalyn Irish Bernardino, Anna Fernandez, Wendelyn Molera, Ma. Michelle Mensenares, and Ma. Czarina Simbulan published their paper titled "Understanding

Students' Attrition Behavior In A Philippine Private Higher Education Institution: Basis For An Intervention Plan" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 2 in May 2024.

Apolinario Cuyson III, Weena Jennifer Espardinez, Newton Nano, Bernard Temporosa, Raidel Dimal, John Carlo Jumawan, and Lerma Pantrollina published their paper titled "Tracing Employability Characteristics of Animation Graduates from 2018-2022" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 2 in May 2024.

Mitch Andaya, Apolinario Cuyson III, Marita Laborte, Jay R San Pedro, and Cecilia Sy published their paper titled "Philippine Private Higher Education Institution Guided Online Autonomous Learning a Response to the Educational Transition in the New Norm" in the institutional research journal, iCONNECT Multidisciplinary Research Journal Volume 1 Number 2 in May 2024.

Isang Pagsipat sa Kasalukuyan at Kinabukasan ng Artificial Intelligence sa School of Computing ng iACADEMY by Michael Anthony Albano, Angel Jovelle Caballero, Joshua, Klein Garcia, Chrystal Jane Lirios, Ryan Peighton Maniquiz, and Don Gerardo Molina presented this study during the 7th International Conference on Asian and Philippine Studies (ICAPS) organized by Dalubhasaan ng mga Umuusbong na Mag-aaral sa Araling Filipino (DANUMN) dated from May 30 to June 1, 2024, at 456 Hotel le Grande in Baguio City, Philippines.

Research Work

Jona Claudio Claudio from STI College General Santos published a paper titled, "The Relationship Between Sleep and Mood" on the Akademika: Educational Learning Anthology Volume 11, Publication Date: November 11, 2023.

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

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

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

Faculty members of STI WNU also actively contribute to various academic research. Key publications include the following:

"Issues and Challenges Encountered by Police Officers in Automated Fingerprints Identification System Operation (AFIS)." This research work was produced by faculty members Jarold Kinsman B. Alagos, Dr. Liza Joy B. Barican and Dr. Nicholas S. Caballero of the College of Criminal Justice Education (SY 2023-2024).

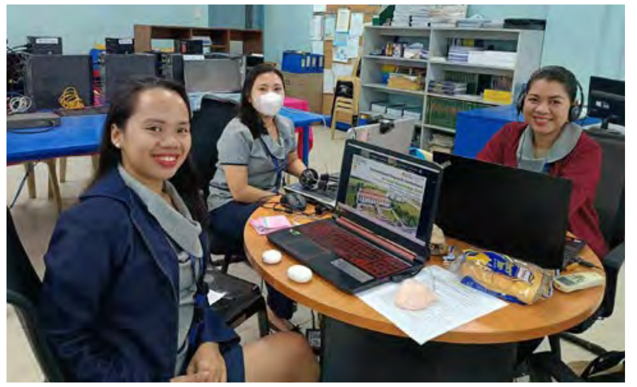
"Bullet Accuracy of Canik TP9SF Elite Pistol and Taurus G3 Pistol: A Comparative Analysis." This study was conducted by Dr. Nicholas S. Caballero, Dr. Liza Joy B. Barican, and Wilfredo O. De La Cruz Jr. of the College of Criminal Justice Education (SY 2023-2024). De La Cruz was awarded "Best Paper Presentation" during the 2nd Asia Pacific Conference on Educational Research, Social Science and Humanities (APCERSSHH-2023) which was held virtually from September 24 to 25, 2023.

During the same event, the work of Dr. Liza Joy B. Barican of the College of Criminal Justice Education, (SY 2023-2024) entitled "Perceived Stress and Resilience of Criminology Teachers and Students during Pandemic" was awarded as Best Paper.

"Digitalization of Document Management and Monitoring in the Department of the Interior and Local Government Negros Occidental." This study was produced by El Jireh P. Bibangco, and Rhyan C. De Loyola of the College of Information and Communication Technology (SY 2023-2024).

"Silver Technology in the Post-Pandemic Era: A Senior Citizen Information Management System." This was produced by Edreian Escototo, and Dr. Mae B. Lodana of the College of Information and Communication Technology (SY 2023-2024).

"Comparative Analysis of Supervised Learning Algorithm in Predicting Students at Risk of Failure in Introductory Programming Courses" by Mary Gift Dionson of the College of Information and Communication Technology (SY 2023-2024). This was presented at the Asian University Digital Resource Network International Research Conference on Local Knowledge 2024 University of Batangas, Lipa City, from February 1 to 2, 2024.



Likewise presented at the same event were "Specialized Crime Scene Investigation Simulator: A Gamified Learning Tool for Criminal Justice Education" by Ellen Mae S. Guanzon of the ITSSMO (SY 2023-2024) and "Predictors of College Students' Academic Performance in Introductory Programming Courses" by Danica Duazo of the College of Information and Communication Technology (SY 2023-2024).

"Revolutionizing Temperament Assessment: An investigation into Inception-V3 Architect Applied to Dermatoglyphics." This work by Mary Gift D. Dionson of the College of Information and Communication Technology (SY 2023-2024) was presented at the 23rd INFOTECH-JAHORINA 2024 International Symposium (March 20 to 22, 2024) and published by the Institute of Electrical and Electronics Engineers (IEEE) (April 22, 2024).

"Exploring Authentic Leadership Practices: An In-Depth Analysis of Chiefs of Police in Negros Occidental, Philippines" by Richie Rose B. Ginete of the College of Criminal Justice Education (SY 2023-2024). This work was presented at the 1st International Multidisciplinary Research Conference, Silay Institute on May 2024. Ginete was awarded as Best Presenter at this conference.

Presented at the 11th HCU (Huachiew Chalermprakiet University) International Academic Conference on July 24 to 28, 2024 were the following works:

"Marketability of Computer Shop and Printing Services" by Winnie Joy C. Mananap and Christy Marie B. Rioja of the College of Business, Management and Accountancy (SY 2023-2024); "Influencing Factors Affecting CBMA Students' Career Choice" by Anamor B. Jerez, Maricon Edna A. Arca, and Dr. Mima M. Villanueva of the College of Business, Management and Accountancy (SY 2023-2024); "Solid Waste Management Practices of Public Market Vendors: Basis for an Action Plan" by Dr. Mima M. Villanueva of the College of Business, Management and Accountancy and Dr. Yasmin P. Dormido of the College of Arts and Science (SY 2023-2024); and, "Now Whats On Your Mind: A Pragmatic Analysis of Facebook Posts" by Dr. Annie Christy Jones and Dr. Yasmin P. Dormido of the College of Arts and Science (SY 2023-2024).

"Influence of Senior High School Strand on the Academic Performance in College." This work by Kimberly L. Perez of the College of Business, Management and Accountancy (SY 2023-2024) was published in the Geo Academic Journal 2024.

"Cash Handlers Knowledge and Practices in Identifying Counterfeit Currency." This work by Jimmy G. Artus Jr. of the College of Criminal Justice Education (SY 2023-2024) was presented at the 4th International Research Conference in the Academe and Industry.

ECONOMIC VALUE

The Group aims to sustain the organization's long-term success for its stockholders, other stakeholders, and the nation.

Economic Performance

The Group's economic impact goes beyond its financial performance as its network of schools has produced great talents and contributed to the supply of human capital, locally as well as to global industry. The Group's impact on employment, both direct and indirect, helps contribute to the country's economic growth and development.

As the economy reopened, the Group's economic performance continued to improve in SY 2023-2024. This was brought about by the notable increase in the number of enrollees and improvement in the enrollment mix of the Group. The economic performance disclosures cover STI Holdings and its subsidiaries. Of the economic value distributed for SY 2023-2024, a significant portion was composed of operating costs and employee wages and benefits.

2024 Economic Value Generated and Distributed

PhP4,988M Economic value generated

PhP3,668M Economic value distributed

PhP1,042M
Employee wages and benefits

PhP211M
Taxes given to government

PhP2M
Other cost

PhP1,832M
Operating costs (including payments to suppliers)

PhP581M
Dividends given to stockholders and interest expense

PhP1,320M Economic value retained

Detailed information about the Group's financial performance, including its operations, net sales, total capitalization, quantity of products and services provided, and entities included in the consolidated financial statements can be found in its Annual Report (SEC Form 17-A), which is available on the website **www.stiholdings.com.**

Procurement Practice

The Group strives to establish standards and guidelines to guarantee that its supply chain transactions deliver optimal value for the procurement of goods and services, while also promoting transparency, fairness, and equality among all suppliers.

The entities within the Group follow an accreditation program for its contractors and suppliers to ensure that their vendors are capable of delivering goods and/or services with technical, commercial, and financial capability, adequate equipment and facilities, good service performance, or any measure that will safeguard quality and reliability. Some suppliers are sourced within the locality, province, or region where the school is located.

2024 Performance

Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	**98%**

ENVIRONMENTAL INITIATIVES

The Group acknowledges the need to contribute positively to the efforts made in addressing climate change, decreasing energy consumption, and reducing carbon emissions as it recognizes that its operations impact its surrounding communities and the environment.

Energy and Emissions

The Group primarily relies on electricity for its energy requirements. The reduction of carbon footprint will contribute to the preservation of beauty and balance of nature and the environment.

Along with global warming, risks include sudden fuel price increases, prolonged power blackouts, and demand charge increases imposed by utility companies. On the other hand, there are opportunities in considering renewable sources of energy.

The schools within the network maintain generator systems to mitigate operational disruptions caused by power outages, thus ensuring continuity of operations. Further, as part of its commitment to sustainability and cost reduction, STI ESG installed solar panels at the STI ESG Head Office and STI Academic Center Ortigas-Cainta. This initiative is part of the broader plan to explore and adopt renewable energy sources in select schools. Since the installation in October 2023, STI ESG has achieved significant energy savings of 190,355 kWh.

At STI WNU, the management approach to energy and emissions involves a comprehensive strategy that includes implementing energy-efficient upgrades, promoting renewable energy, and engaging the school community in sustainability efforts. The Sustainability Coordinator oversees these initiatives, ensuring that energy use and emissions are monitored and reported regularly. The school's commitment to reducing its carbon footprint is demonstrated through specific goals, actions, and stakeholder engagement, contributing to a more sustainable educational environment.

Energy management at STI WNU is tantamount to systematic, proactive, optimal and eco-friendly utilization of power and water resources alongside meeting the University's operational objectives. This is embodied in the policies that are also aligned with the institutionalization of energy conservation practices. These energy management policies aim to reduce fuel consumption by introduction of energy-efficient and conservation measures. These policies will likewise raise awareness on energy-related issues and encourage all STI WNU stakeholders to help reduce energy consumption and avoid activities that may result in excessive energy wastage. The policies will also ensure that all modifications in the facilities of the university observe the highest energy-efficient design standards, especially when constructing new buildings.

iACADEMY seeks opportunities in reducing its carbon footprint through its commitment to lowering annual electricity usage and implementing green initiatives, such as establishing plants on the garden and roof deck, and also minimizing standard operating hours to achieve further energy savings.

The following tables show the Group's energy consumption and carbon footprint during the reporting period:

2024 Performance

Energy Consumption[1]

Renewable sources (GJ)
546.49 (GJ)

Diesel
1,674.47 (GJ)

Gasoline
118.66 (GJ)

Electricity
14,010,392.19 kWh

LPG
527.17 (GJ)

Emissions (tons of CO_2)[2]

Direct (Scope 1) GHG emissions
158.76

Total carbon footprint (Scope 1 + Scope 2)
10,165.62

Indirect (Scope 2) GHG emissions
10,006.85

[1] *Fuel consumption of the Group is driven primarily by the use of diesel, gasoline, and LPG to power its vehicles, generators, machineries, kitchen laboratories, and canteen stoves in STI ESG-owned campuses, STI WNU, and iACADEMY.*

[2] *Source of Emission Factors: US EPA Greenhouse Gas Inventory Guidance – Direct Emissions from Stationary Combustion Sources, IPCC 2006 Guidelines for National Greenhouse Inventories, and Department of Energy (DOE) National Grid Emission Factors*
Source of Global Warming Potential: IPCC Sixth Assessment Report (AR6)
Source of Conversion Factors: US Energy Information Administration Energy conversion calculators, Elgas LPG conversions, Aqua-calc compound and materials volume calculator

SOCIAL COMMITMENT

The Group believes that the success and strength of a company lie in its employees' expertise, harmonious relationship with partners in the communities, and the desire to work for the creation of a sustainable future for all.

Employment

Attracting and retaining highly capable employees with a diverse array of relevant skills, experience, and capabilities is paramount to ensure sustained high performance within the organization. To support this, the Group offers competitive employee wages and compensation packages, including performance-based bonuses, as well as executive remuneration aligned with key performance indicators. By offering competitive and fair compensation, the Group motivates its employees and creates a rewarding work environment that not only attracts top talent but encourages their long-term commitment. This approach nurtures a dynamic and skilled workforce, fostering innovation, productivity, and the achievement of strategic goals while ensuring the organization's enduring success. The Group likewise cultivates a culture characterized by a strong focus on service, trustworthiness, and innovation, and aims to generate adaptable solutions that cater to the continuously evolving requirements of its stakeholders and the environment.

While faced with the complexities of overseeing a widespread workforce situated across various key cities throughout the country, the Group maintains its unwavering commitment to harness the talent and dedication of every employee. This commitment is grounded in a culture rooted in performance and empowerment. The Group strongly upholds principles of equality, diversity, and the promotion of health and well-being within its policies and operational approaches.

The Group secures an employment contract that indicates a clear expectation of the organization from each of its employees. The organization also abides by all the requirements of the Department of Labor and Employment (DOLE), government, and non-government agencies in relation to employment. An employment agreement also secures employees' profession, tenure, benefits, and career development.

Female	**1,560**
Male	**1,443**
Total number of employees	**3,003**
Attrition rate*	**22%**

**Includes only full-time employees*

The ratio of the daily salary of the lowest paid employee to the daily minimum wage of the region where the employee is working ranges from 1:1 to 1.38:1 for the subsidiaries of the Group.

Diversity and Inclusion

The Group recognizes the importance of promoting diversity and inclusion in the workplace to attract the most qualified and diverse applicants who will offer insightful and creative ideas and initiatives to the organization. The Group firmly promotes equality, diversity, and health and well-being in its policies and practices. Recognition of the individuality of the members of the organization is a step towards honing one's potential. It offers a comfortable work environment that is conducive to learning and growth. While ensuring equal opportunities for a diverse workforce can be challenging, there is an opportunity to fully utilize contributions from the variety of perspectives such an organization brings.

In addition, STI ESG does not discriminate based on gender identity or gender expression in any aspect of the employment relationship including hiring, promotions, training, working conditions, compensation, and benefits. As such, STI ESG implemented guidelines allowing transgender or transitioning employees to dress in the uniform that corresponds with their gender identity in January 2023.

The Group recognizes that an inclusive workplace promotes a strong sense of belonging among employees which, in turn, boosts engagement and results in heightened productivity and notable improvement in work performance. This allows the employees to foster a greater understanding of their significance within the organization and fuels their drive for self-improvement.

2024 Performance

Percentage of female workers in the workforce	**52%**
Percentage of male workers in the workforce	**48%**
Number of employees from indigenous communities and/or vulnerable sector	**90**

Learning and Development

The Group regards its employees as one of the organization's most valuable assets, firmly believing that investing in talent is essential for ensuring long-term business growth and success. Furthermore, the Group is committed to offering its employees developmental programs that enable them to excel in their current roles and prepare for career advancement opportunities. It believes that the professional growth of its faculty and staff increases productivity, efficiency, and delivery of quality services. While there is a potential risk of employee turnover after training, the organization remains dedicated to facilitating ongoing professional growth.

As part of STI ESG and STI WNU's Learning Delivery System, its faculty members undergo periodic competency-based certifications and training to ensure that they are proficient in the subject matter necessary for delivering daily lessons. The training programs may vary from year to year depending on the results of the faculty members' needs assessments.

Additionally, all faculty members and staff of STI ESG and STI WNU undergo regular performance evaluation ratings from superiors and peers.

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

In August 2023, a series of trainings were conducted among various faculty members. With speakers from Netsynch Computer Solutions, 23 Hospitality Management faculty members participated in a training program that enabled them to gain necessary knowledge and skills on using the eZee Optimus Point-of-Sale (POS) and eZee Absolute Property Management System (PMS). These software are integrated in the courses Applied Business Tools and Technologies in Hospitality and Advanced Office Productivity Tools in Hospitality. On the other hand, 13 IT faculty members participated in a training with speakers from FastTrack IT Academy where they learned about SAP that was integrated in the IT courses. Amadeus likewise held a faculty training program that enabled 12 Tourism faculty members to gain the necessary knowledge and skills on the use of the Amadeus Basic Reservation software, which is integrated in the course Applied Business Tools and Technologies in Tourism. Lastly, 14 Computer Engineering faculty members were oriented and trained on how to effectively facilitate the course Robot Assembly and Programming with the use of the required robot kit, e-Gizmo's PBOT Jr. Standard.

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

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

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

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

For SY 2023-2024, STI WNU conducted 33 in-house seminars for its faculty and staff. These seminars gave the University's faculty and staff opportunities to enhance their knowledge, stay updated with academic trends in their respective fields, and refine their teaching strategies. By fostering a culture of continuous learning, the University continuously improves instructional quality and aligns its standards with the current industry standards.

Moreover, these seminars serve as a platform for addressing University-specific challenges, promoting innovation, and ensuring that its instructional programs and methodologies remain relevant as they are vital in driving academic excellence and integrity of the institution.

Additionally, iACADEMY seeks to provide its employees with training programs that help them carry out their jobs well and set them up for career progression. To guarantee the academic rigor of the school's learning system, iACADEMY employs EOS (Entrepreneurial Operating System) level of management. iACADEMY tracks staff and faculty members' internal and external changes or progress using typical Specific, Measurable, Attainable, Realistic and Timely (SMART) KPIs every Level 10 meeting.

Amidst the evolving demands within the education sector, iACADEMY recognized the need to transform traditional in-classroom learning delivery to alternative modes and applied online learning platforms, tools, and technologies along with years of experience in blended learning. In this regard, during SY 2023-2024, the faculty trainings were conducted online using eLMS and video conferencing solutions such as MS Teams and Google Meet. Intensive training using EOS tool was extended to all employees to ensure everyone is aligned with iACADEMY's Vision, Mission and Core Values. During the monthly Fun Friday activity, an employee engagement initiative arranged by the Human Resources department, participants are able to share each employee's emotional motivation, welcome new joiners, recognize recipients of core values awards, announce accomplishments across all divisions, and sharpen their skills.

2024 Performance

Total training hours provided to employees

Female	7,851.50
Male	9,606.00

Average training hours provided to employees

Female	5.03
Male	6.66

The Learning and Development initiatives demonstrate a comprehensive approach to enhancing employee skills and integrating advanced technologies within the organization. iACADEMY plays a pivotal role in facilitating these trainings, which not only promote individual professional growth but also foster teamwork and drive overall organizational efficiency. Key stakeholders, including employees, management, customers, and external partners, stand to benefit from improved performance, innovation, and enhanced service quality. The organization is committed to a policy of continuous learning, with structured goals aimed at increasing employee engagement and productivity, as evidenced by specific targets for teamwork efficiency and technology adoption. Furthermore, allocated resources, established grievance mechanisms, and various ongoing programs underscore the organization's dedication to cultivating a thriving learning environment.

Safety and Well-being

The Group is committed to providing a safe and healthy work environment for all employees. This commitment is rooted in the belief that a secure and well-maintained workplace is essential in fostering a productive and positive learning atmosphere, and improved overall performance.

To achieve this goal, the Group implemented comprehensive safety measures, including regular hazard assessments, emergency preparedness plans, and rigorous facility maintenance. Emergency response teams onsite, including a certified first-aider, are also established to be activated in case of a hazardous event. The Group has also made available medical insurance as part of its employee benefits, which covers consultation and hospitalization. During the reporting period, the Group recorded zero incidents of work-related injuries and ill health.

By prioritizing safety and well-being, the Group has cultivated a culture of care and responsibility. This commitment to a safe and healthy work environment has directly contributed to the Group's overall success and the satisfaction of its employees.

Safe man-hours	19,522,664
No. of work-related injuries	0
No. of work-related fatalities	0
No. of work-related ill-health	0
No. of safety drills	91

Community Relations and Strategic Partnerhips

STI ESG considers community relations and strategic partnerships as a vital part of the operations of STI Foundation in partnership with the STI community. The STI Foundation aims to contribute to the improvement of the country's educational system through programs and projects with local government and private institutions that promote excellence in education.

The core mission of the STI Foundation centers on providing educational opportunities to various groups, including public school teachers, students, persons with disabilities (PWDs), and underprivileged youth, with the ultimate goal of contributing to nation-building by fostering a society where equal opportunities empower self-reliant individuals.

The STI Foundation is dedicated to achieving nationwide outreach through partnerships with STI campuses nationwide, aiming to create a broader impact and address the needs of diverse local communities. In addition to collaborating with industry and local government partners, the STI Foundation actively involves volunteers from its employee and student base to ensure the success of its programs. This commitment to giving back is evident through the STI Foundation's active engagement in campaigns and initiatives supporting out-of-school youth, government agencies, and local communities, among others.

Management intends to further expand its partnerships with the private sector and industry collaborators to offer more scholarships to financially disadvantaged youth. As an educational institution, the STI Foundation supports young individuals in completing their degrees, equipping them for gainful employment and fulfilling careers. Moreover, the STI Foundation facilitates student placement services, bridging the gap between the industry and graduates seeking job opportunities. Beyond the financial value of obtaining a degree, scholars sponsored by the STI Foundation gain the opportunity for improved career prospects.

Among the programs implemented by the Group with its partners are as follows:

COMMUNITY SERVICES

Brigada Eskwela

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

Wellness and Spa Series

The Wellness and Spa Series under STI WNU offers the Brgy. Tomongtong Women's Associatio in E.B. Magalona, an opportunity to generate income while promoting health, relaxation, and community engagement along the Tomongtong Mangrove Eco-trail.

Coastal Clean Up Drive and Social Awareness Seminar

The Coastal Clean-Up Drive and Social Awareness Seminar aims to engage the community in preserving marine environments while educating participants on the importance of coastal conservation and sustainable practices.

Community Day

Community Day is a heartfelt celebration designed to foster fellowship and connection among selected priority recipients through engaging activities and meaningful gift-giving.

Bread and Pastries Production

The Bread and Pastries Production initiative by the Brgy. Tomongtong Women's Association aims to empower local women by providing them with skills training and income opportunities through the creation of delicious baked goods along the Mangrove eco-trail.

Project Digibar: (Digitalization for Barangay)

Project Digibar aims to enhance the efficiency and accessibility of local governance in the City of Bacolod by implementing digital solutions that streamline services and empower barangays to engage with their communities more effectively.

Defense Tactics Training: STI WNU-College of Criminal Justice Education (CCJE) in Collaboration with DILG Bacolod

The Defense Tactics Training program, conducted by STI WNU-CCJE in collaboration with the Department of the Interior and Local Government (DILG) Bacolod, aims to equip participants with essential skills and knowledge in self-defense and tactical strategies to enhance community safety and resilience.

Safety Measures at Home and School and Self-Care Seminar

The Safety Measures at Home and School and Self-Care Seminar for the residents of Partner Community in Brgy. Dos Hermana, Talisay City, aims to educate participants on essential safety protocols and self-care practices to foster a safer, healthier environment for families and children.

Water Filter Installation

The Water Filter Installation project in Brgy. Dos Hermanas aims to provide residents with access to clean and safe drinking water by installing efficient water filtration systems in the community.

Basic Sign Language Training Program

The Basic Sign Language Training Program for STI WNU Implementer aims to facilitate easy communication and understanding between implementers and community recipients by equipping participants with essential sign language skills.

CED CARES: A Literacy Enrichment Initiative Program

CED CARES: A Literacy Enrichment Initiative Program aims to enhance literacy skills among children at the Vista Alegre-Granada Relocation Elementary School in Purok Progreso II, fostering a love for reading and learning through engaging educational activities.

Empowering Parents on the Child Literacy Program

The Empowering Child Literacy Program for Parents or Guardians of Children in Tutorial Classes is designed to equip them with the tips and knowledge needed to support and enhance their children's literacy development at home.

BJMP Book Donation, Library Organization Management and Mental Health Awareness Seminar

The BJMP Book Donation, Library Organization Management, and Mental Health Awareness Seminar aim to enhance the educational resources and mental well-being of Bureau of Jail Management and Penology (BJMP) personnel and Persons Deprived of Liberty (PDLs) in Negros Occidental and Bacolod City through the provision of books and comprehensive training sessions.

Leadership Training for PWD by Guidance

The Leadership Training for PWD Officers of Different Barangays in Bacolod City is designed to empower individuals with disabilities by equipping them with essential leadership skills and fostering community engagement through collaborative initiatives.

A Campaign of Compassion and Community Engagement

STI WNU United: A Campaign of Compassion and Community Engagement seeks to mobilize donations of cash and goods to provide immediate support and relief for victims facing calamities and urgent basic needs within the community. Initiatives such as Thanksgiving Offering, Dressdown for A Cause and 1st Monday Habit and Library for book donations, and materials taken from the renovation through the Purchasing and Assets Management Office of STI WNU .

A Unified Effort to Support Our Partner Communities

STI WNU Cares: A Unified Effort aims to provide coordinated emergency relief operations and support for partner communities affected by floods, typhoons, fires, and other related crises, ensuring timely assistance and resources including items such as soap, alcohol, towels, water, school supplies and unused clothing, among others, during times of need.

Harvesting Hope: A Community Gardening Initiative for Food Security and Family Empowerment

Harvesting Hope: A Community Vegetable Gardening Initiative aims to enhance food security and empower families by fostering innovative gardening practices that promote sustainable food production and community resilience.

Vermi-Composting for Sustainable Living in the PWD Community

Vermi-Composting for Sustainable Living in the PWD Community is an initiative designed to educate individuals with disabilities on sustainable waste management practices through vermicomposting, fostering environmental stewardship and self-sufficiency.

Communication Skills Training for the Differently Abled Persons (DAPs)

Communication Skills Training for Differently Abled Persons (DAPs) empowers PWD members who are ready to work by enhancing their communication abilities and boosting their self-esteem, facilitating greater inclusion and opportunities in the workforce.

Puppet Theater Project Initiative

Puppet Theater as a Medium of Advocacy on Environment for School Children in the Community uses engaging performances to educate and inspire young audiences about environmental issues and the importance of sustainability through creative storytelling.

Roots of Resilience: Establishing a Mangrove Nursery for Coastal Restoration

Roots of Resilience: Establishing a Mangrove Nursery for Coastal Restoration aims to restore coastal ecosystems by cultivating mangrove saplings, enhancing biodiversity, and strengthening community engagement in environmental conservation efforts.

School for Experiential and Entrepreneurial Development (SEED)

A Service Learning (points and grade-based) Project (SLP) to support the Social Orientation and Community Involvement (SOCI) partner organization. This project focuses on improving the marketing collaterals of SEED to be used for their branding and fundraising.

Special Achievers - Service Learning Project

A program titled 'Beyond Boundaries' is a basic Adobe Photoshop and Canva workshop conducted by the college students for the benefit of Special Achievers' PWD students.

Cartwheel Foundation

MMA and Animation students were tasked with creating educational materials such as worksheets, coloring books, and alphabetic and numerical flashcards translated into English, Tagalog, and their local dialect, Sinama Bajau.

World Wide Fund (WWF) for Nature Philippines

Students from the Animation, Music, and Film Production programs were tasked with modernizing and revamping the environmental education materials of WWF. These materials will be used during the school and community visits to educate students about the environment and wildlife sustainability.

Angeles City Senior High School - "Securely Unraveling the AI Enigma: A Mind-Bending Workshop of Chatbots, Encryption, and Interactive Slides"

As one of the top schools in the country that offers technology-centered and industry-driven programs, iACADEMY aims to support our educational partners as part of our community development initiative through the Project B.R.I.D.G.E (Building Relationships with Industry Donors and Givers for Education) and the Adopt a School Program by the Department of Education. iACADEMY's Dean from the School of Computing, Dr. Francisco Napalit, conducted a workshop titled "Securely Unraveling the AI Enigma: A Mind-Bending Workshop of Chatbots, Encryption, and Interactive Slides."

Philippine Red Cross - Blood Donation Drive

In a bid to make a tangible difference in the community, iACADEMY collaborated with the Philippine National Red Cross, Rizal Chapter, Makati Branch, for a Blood Donation Drive on October 20, 2023. This initiative falls under the auspices of the Social Orientation and Community Involvement unit (SOCI) and NSTP, reflecting iACADEMY's commitment to holistic education and community welfare. The event was met with an enthusiastic response from the iACADEMY community. A total of 77 pre-registration sign-ups were recorded, with 63 individuals registering as donors. As the day unfolded, 37 individuals stepped forward as heroes, successfully donating their precious life-giving blood. Among these heroes were students and dedicated iACADEMY faculty and staff. Each volunteer's donation of one (1) bag, or 450ml, of blood is a vital contribution to the cause. These seemingly small acts collectively resulted in more than 16 liters of blood across various blood types being added to the PNRC's blood reserve.

Cartwheel Foundation - Mobile Library

In celebration of National Book Week, iACADEMY's Library team and the Social Orientation and Community Involvement unit organized a mobile library for the Sama Bajau beneficiaries of the Cartwheel Foundation. This activity aims to promote literacy and reading among children aged 6-12 years old. It also provides a platform for our students to interact with our partners through games and storytelling sessions.

World Vision Philppines - 'Share Ko Lang' Outreach Activity

A Fundraising and Outreach Activity for the benefit of the Baseco Learning Center of World Vision PH. With the support of iACADEMY employees, teachers, alumni, and students, the activity have raised funds for school supplies and Christmas gifts for 30 students from Baseco.

More Than Profit: Understanding Social Entrepreneur

As part of the SBLA Week 2024 activities, iACADEMY had a talk about the concept of "Social Entrepreneurship" and its impact on the community. The school invited Mr. Shanonraj Khadka, Director of Work in Progress and Co-founder of GK Farm Innovations Inc., and Ms. Monica Aclan, Deputy Executive Director of Project PEARLS, to speak to 50 SBLA students.

How Fashion Empowers Women and Communities

A collaboration between SOCI and SODA for Re-Fashion Week 2024. iACADEMY invited their partners from Project PEARLS to talk about the G.R.O.W (Giving Resources and Opportunities for Women) program and how it supports their women workforce. The G.R.O.W 'Nanays' also gave a Macramé workshop for 20 Fashion Design students.

Plastic Bank Launch

SHS-SC and CSO together with SOCI partnered with Plastic Bank to spread awareness on the proper use of plastic and how it can be recycled responsibly in October 2023. They encouraged students to bring plastic bottles that may be donated in exchange in the future for monetary compensation which the organizations may use to purchase additional supplies and trash bins for the school.

Interacting with organizations like Plastic Bank and the World Wildlife Fund (WWF) can inspire students to adopt more sustainable lifestyles, reduce their carbon footprint, and become more conscious consumers. It can also motivate students to become more proactive in their communities, advocating and spreading awareness of environmental issues among their peers and families.

Basic MS Office Workshop in Partnership with Barangay Bangkal, Makati LGU

This is a workshop conducted by Mr. Jayson Viernes of the School of Computing about basic MS Office tools. A total of 37 students from Bangkal Elementary School and Barangay Bangkal participated in the two (2) batches held on May 4, 2024, and June 29, 2024.

STUDENT FINANCIAL AID AND OTHER PROGRAMS

Agustin Anita Tanco Foundation Scholarship Program

Agustin Anita Tanco Foundation Scholarship Program partnered with STI to offer financial assistance to deserving and qualified students. The aim is to provide relevant, accessible and efficient technical education and skill development to support the development of Filipino middle-level manpower.

Metrobank STRONG Scholarship Program

Metrobank, with its goal of extending opportunities to qualified and talented but financially challenged students, implemented the METROBANK STRONG Scholarship Program.

DBP RISE

STI ESG executed a memorandum of agreement with the Development Bank of the Philippines (DBP) on March 17, 2021 for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed similar MOAs in November 2021 and in May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022, SY 2022-2023, and SY 2023-2024.

UPLIFT Cares

UPLIFT 6th Moving Up and Completion Ceremony is an awarding ceremony recognizing the grantees' achievements and completion journey.

Twelve Teachers Thousand Live Project

The Twelve Teachers Thousand Lives Project is a scholarship initiative aimed at enhancing educational quality in underserved areas of Negros Occidental by providing free tuition and support from local government units, while encouraging scholars to engage in community service and develop the skills and values necessary to become impactful educators and community members.

MEMBERSHIP IN ASSOCIATIONS

Establishing institutional linkages and memberships in associations is instrumental for educational institutions in driving learning and innovation. These partnerships empower academic institutions to participate in meaningful collaborations aimed at enhancing opportunities for their stakeholders.

STI ESG is active in the following associations or has fostered partnerships with known industry leaders:

- Association of Administrators in Hotel/Hospitality & Restaurant Management Educational Institutions (AAHRMEI);
- Institute of Computer Engineers of the Philippines (ICpEP);
- Internet and Mobile Marketing Association of the Philippines (IMMAP);
- Philippine Association of National Advertisers (PANA);
- Public Relations Society of the Philippines (PRSP); and
- NCR School Registrar's Association (NASCRA).

STI WNU has various local and international industry and organizational partners to help enrich its students' and faculty members' academic learnings and real-life skills. These include but are not limited to Asian University Digital Resource Network, TESOL Asia SITE Ltd. Australia, Galuh University, Panasiatic Solutions, Focus Direct, Inc., Today English Ltd. Partnership (TELP), Huachiew Chalermprakiet University, OK English Academy, Globe Telecom, Bacolod City Police Office, and the Bureau of Fire Protection.

STI WNU and its students are active members of the following organizations:

- Association of Administrators in Hotel/Hospitality & Restaurant Management Educational Institutions (AAHRMEI);
- Council of Hotel and Restaurant Educators of the Philippines (COHREP);
- Tourism Educators and Movers Philippines (TEAM PHILS WV);
- Hotel and Restaurant Association of Negros Occidental (HRANO);
- Bacolod City Tourism Office and Department of Tourism Region VI;
- Philippine Society of IT Educators (PSITE);
- Integrated Society of Information Technology Enthusiast (ISITE);
- Philippine Society of Information Technology Educators Foundation, Inc. (PSITEFI);
- Bacolod-Negros Occidental Federation of ICT (BNeFIT);
- Philippine Institute of Civil Engineers (PICE);
- Junior Philippine Society of Mechanical Engineers (JPSME);
- Institute of Integrated Electrical Engineers of the Philippines (IIEEP);
- Global Educators Professional Enhancement International, Inc. (GEPEII);
- Asian Qualitative Research Association (AQRA);
- Asian Society of Teachers for Research (ASTR);
- Asian Association of Interdisciplinary Research (AAIR);
- National Organization of Science and Educators of the Philippines, Inc. (NOSEPI);
- Philippine Association for Teachers and Educators, Inc. (PAFTEI); and
- Philippine Association of Graduate Studies (PAGE).

iACADEMY is committed to producing industry-ready Game Changers. In line with this commitment, iACADEMY is always on the lookout for opportunities to forge meaningful partnerships. This includes curriculum integration with leading local and international organizations.

- iACADEMY has been chosen by Amazon Web Services (AWS), a subsidiary of Amazon that provides on-demand cloud computing platforms, as the first and only school in the Philippines to offer Cloud Computing Certification Courses. This partnership allows iACADEMY to embed subjects in its curriculum that allow its graduates not only to have a BS in Computer Science (BS CS) degree but also get certified in the various Cloud Computing Courses of Amazon.
- iACADEMY is also a school partner for Python Institute and Linux Professional Institute (LPI). Here, trained and certified professors are able to prepare BS CS students for the international programming standards required for professional certification exams.
- iACADEMY is the first Philippine school chosen by Alibaba Business School's Global Digital Talent Program (GDT, formerly GET) to implement digital and e-commerce driven business college courses. Under this program, the GDT team has trained the professors of iACADEMY with its e-commerce courseware that will be incorporated in iACADEMY's business course subjects.
- iACADEMY is the first educational partner of PricewaterhouseCoopers (PwC) Philippines for the BS in Accountancy program in developing the curriculum and teaching some of the subjects using real world cases and experiences.
- iACADEMY is the first Toon Boom Center of Excellence in Asia. Under this partnership, BS in Animation students are taught to use the animation production and storyboarding software by certified Toon Boom trainers. Students also have the chance to get certified in using this award-winning software which is the global standard for animation and storyboarding.
- Global leaders in audio and sound technology, Dolby Atmos and Avid, partnered with iACADEMY to teach a world-class BA in Music Production and Sound Design program. In this program, students will be using industry-standard tools and training courtesy Dolby Atmos and Avid.
- iACADEMY has also partnered with industry leaders to equip its students in Film and Visual Effects, and Multimedia Arts and Design with the most relevant skills, tools and technology for the industry upon graduating. This includes tools to create content with Blackmagic cameras and DaVinci Resolve, and opportunity to learn from Blackmagic and DaVinci Resolve professionals.
- iACADEMY is the first academic partner of CLO Virtual Fashion in the Philippines in which students are being taught this technology as part of BA in Fashion Design and Technology's Computer-Aided Design class.

CUSTOMER DATA AND PRIVACY

The Group is committed to the responsible and lawful treatment of all personal data that it collects. The Group believes in keeping personal data shared by its stakeholders safe and secure, and ensuring that such are collected and processed by lawful means. The subsidiaries continue to adhere to the Data Privacy Act of 2012 (DPA) and its implementing rules and regulations.

Risks identified include unauthorized or malicious disclosure of personal data, data theft and excessive data collection. However, there are opportunities in adopting policies and best practices within the education industry.

Concerns regarding data privacy may be communicated to the respective data privacy officers of the schools. There has been one incident of data breach during the fiscal year. In response to this incident, the Group implemented comprehensive measures to enhance its cybersecurity defenses and prevent future occurrences, such as regular security audits and employee awareness. Through ongoing monitoring and vigilance, the Group is committed to safeguarding sensitive information and ensuring the confidentiality and integrity of its data.

2024 Performance

No. of substantiated complaints on customer privacy	**0**
No. of complaints addressed	**0**
No. of customers, users, and account holders whose information is used for secondary purposes	**0**
No. of data breaches, including leaks, thefts and losses of data	**1**

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