COVER SHEET

1746

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

(Company's Full Name)

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

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

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

06 30	SEC FORM 17-Q For the Quarter ended 30 September 2024	Third Friday of November
Month *Day*	FORM TYPE	*Month* *Day*
Fiscal Year		Annual Meeting

N A

Secondary License Type, If Applicable

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

Total Amount of Borrowings

1266	N A	N A
Total No. of Stocholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1.	For the quarterly period ended	**30 September 2024**
2.	SEC Identification No.	**1746**
3.	BIR Tax Identification No.	**000-126-853-000**
4.	Exact name of registrant as specified in its charter	**STI EDUCATION SYSTEMS HOLDINGS, INC.**
5.	Province, Country or other Jurisdiction of incorporation or organization	**Philippines**
6.	(SEC Use Only) Industry Classification Code	____________________
7.	Address of Philippine Office	**7/F STI Holdings Center 6764 Ayala Avenue Makati City, 1226**
8.	Registrant's Telephone No. including Area Code	**(632) 8844-9553**
9.	Former name, former address, former Fiscal year, if changed since last report	

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

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

9,904,806,924 – LISTED SHARES

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

Yes [x] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports;

Yes [x]   No [ ]

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

Yes [x]   No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to Annex "A".

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

Please refer to Annex "B".

PART II - OTHER INFORMATION

Not Applicable

SIGNATURES

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

Registrant: **STI EDUCATION SYSTEMS HOLDINGS, INC.**

Signature and Title: **YOLANDA M. BAUTISTA**
Treasurer and CFO

Date: November 19, 2024

Signature and Title: **MONICO V. JACOB**
President and CEO

Date: November 19, 2024

Annex "A"

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱2,087,708,616**	₱1,855,500,909
Receivables (Note 6)	**1,991,650,468**	466,906,156
Inventories (Note 7)	**145,239,690**	157,140,374
Prepaid expenses and other current assets (Note 8)	**196,436,769**	170,794,876
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	**9,145,000**	8,137,500
	4,430,180,543	2,658,479,815
Noncurrent asset held for sale (Notes 10 and 12)	**1,020,728,064**	1,020,728,064
Total Current Assets	**5,450,908,607**	3,679,207,879
Noncurrent Assets		
Property and equipment (Notes 11 and 29)	**10,236,618,375**	9,926,170,807
Investment properties (Note 12)	**1,177,135,063**	1,187,012,953
Investments in and advances to associates and joint venture (Note 13)	**22,749,042**	21,108,679
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 14)	**76,573,554**	76,670,624
Deferred tax assets - net	**73,591,535**	43,029,099
Goodwill, intangible and other noncurrent assets (Note 15)	**487,246,662**	508,621,805
Total Noncurrent Assets	**12,073,914,231**	11,762,613,967
TOTAL ASSETS	**₱17,524,822,838**	₱15,441,821,846
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	**₱909,011,598**	₱942,427,213
Current portion of interest-bearing loans and borrowings (Note 17)	**536,228,000**	536,274,021
Unearned tuition and other school fees (Note 21)	**2,148,725,326**	179,614,183
Current portion of lease liabilities	**77,883,938**	86,894,606
Income tax payable	**73,954,040**	25,297,811
Total Current Liabilities	**3,745,802,902**	1,770,507,834
Noncurrent Liabilities		
Bonds payable (Note 18)	**815,391,255**	814,967,275
Interest-bearing loans and borrowings - net of current portion (Note 17)	**1,280,815,033**	1,549,840,391
Lease liabilities - net of current portion	**392,260,596**	403,178,658
Pension liabilities - net	**104,221,469**	129,780,991
Deferred tax liabilities - net	**111,057,426**	110,477,037
Other noncurrent liabilities (Note 19)	**185,371,446**	90,693,651
Total Noncurrent Liabilities	**2,889,117,225**	3,098,938,003
Total Liabilities *(Carried Forward)*	**6,634,920,127**	4,869,445,837

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Total Liabilities *(Brought Forward)*	**₱6,634,920,127**	₱4,869,445,837
Equity Attributable to Equity Holders of the Parent Company (Note 20)		
Capital stock	**4,952,403,462**	4,952,403,462
Additional paid-in capital	**1,121,232,549**	1,119,127,301
Cost of shares held by a subsidiary	**(475,248,169)**	(498,142,921)
Cumulative actuarial gain	**65,477,262**	44,378,717
Unrealized fair value adjustment on equity instruments at FVOCI (Note 14)	**20,251,538**	20,349,810
Other equity reserve	**(1,686,369,660)**	(1,686,369,660)
Share in associates':		
Cumulative actuarial gain	**321,569**	321,569
Unrealized fair value loss on equity instruments at FVOCI (Note 14)	**(114)**	(114)
Retained earnings	**6,790,140,480**	6,529,002,580
Total Equity Attributable to Equity Holders of the Parent Company	**10,788,208,917**	10,481,070,744
Equity Attributable to Non-controlling Interests (Note 20)	**101,693,794**	91,305,265
Total Equity	**10,889,902,711**	10,572,376,009
TOTAL LIABILITIES AND EQUITY	**₱17,524,822,838**	₱15,441,821,846

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
REVENUES (Note 21)		
Sale of services:		
Tuition and other school fees	**₱877,980,356**	₱505,356,754
Educational services	**57,623,808**	45,561,976
Royalty fees	**6,057,514**	4,796,349
Others	**35,960,643**	31,171,700
Sale of educational materials and supplies	**60,070,722**	63,764,310
	1,037,693,043	650,651,089
COSTS AND EXPENSES		
Cost of educational services (Note 22)	**281,319,988**	227,141,242
Cost of educational materials and supplies sold (Note 23)	**50,141,658**	45,791,807
General and administrative expenses (Note 24)	**420,914,919**	358,690,090
	752,376,565	631,623,139
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	**285,316,478**	19,027,950
OTHER INCOME (EXPENSES)		
Interest expense (Note 17 and 18)	**(66,501,559)**	(73,328,065)
Rental income (Notes 12 and 25)	**48,946,095**	47,870,904
Interest income (Notes 5 and 6)	**13,093,045**	6,882,659
Foreign exchange gain (loss) – net	**(5,766,652)**	13,731,307
Recovery of accounts written off (Note 6)	**4,215,424**	2,040,631
Dividend income (Note 9)	**153,760**	151,590
Equity in net earnings of associates and joint venture (Note 13)	**1,640,363**	841,055
Fair value gain (loss) on equity instruments at FVPL (Note 9)	**1,007,500**	(1,395,000)
Gain on early extinguishment of loan (Note 17)	–	3,076,465
Other income - net (see Note 4)	**10,161,476**	148,707
	6,949,452	20,253
INCOME BEFORE INCOME TAX	**292,265,930**	19,048,203
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	**61,385,432**	26,148,110
Deferred	**(32,358,169)**	(26,854,178)
	29,027,263	(706,068)
NET INCOME *(Carried Forward)*	**263,238,667**	19,754,271

	Three months ended September 30	
	2024 **(Unaudited)**	2023 (Unaudited)
NET INCOME *(Brought Forward)*	**₱263,238,667**	₱19,754,271
OTHER COMPREHENSIVE INCOME (LOSS)		
Items not to be reclassified to profit or loss in subsequent years:		
Remeasurement gain on pension liabilities	**23,761,228**	2,096,579
Income tax effect	**(2,376,123)**	(209,658)
Fair value change in equity instruments at FVOCI (Note 14)	**(97,070)**	1,321,210
OTHER COMPREHENSIVE INCOME, NET OF TAX	**21,288,035**	3,208,131
TOTAL COMPREHENSIVE INCOME	**₱284,526,702**	₱22,962,402
Net Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱261,137,900**	₱20,291,965
Non-controlling interests	**2,100,767**	(537,694)
	₱263,238,667	₱19,754,271
Total Comprehensive Income (Loss) Attributable To		
Equity holders of the Parent Company	**₱282,138,174**	₱23,457,941
Non-controlling interests	**2,388,528**	(495,539)
	₱284,526,702	₱22,962,402
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 26)	**₱0.026**	₱0.002

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

STI EDUCATION SYSTEMS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023

	Equity Attributable to Equity Holders of the Parent Company (Note 20)											
	Capital Stock	**Additional Paid-in Capital**	**Cost of Shares Held by a Subsidiary**	**Cumulative Actuarial Gain**	**Unrealized Fair Value Adjustment on Equity Instruments at FVOCI** (Note 14)	**Other Equity Reserve**	**Share in Associates' Cumulative Actuarial Gain** (Note 13)	**Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI** (Note 13)	**Retained Earnings**	**Total**	**Equity Attributable to Non-controlling Interests**	**Total Equity**
Balance at July 1, 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**
Net income	–	–	–	–	–	–	–	–	**261,137,900**	**261,137,900**	**2,100,767**	**263,238,667**
Other comprehensive income	–	–	–	**21,098,545**	**(98,272)**	–	–	–	–	**21,000,273**	**287,762**	**21,288,035**
Total comprehensive income	–	–	–	**21,098,545**	**(98,272)**	–	–	–	**261,137,900**	**282,138,173**	**2,388,529**	**284,526,702**
Disposal of shares held by a subsidiary	–	**2,105,248**	**22,894,752**	–	–	–	–	–	–	**25,000,000**	–	**25,000,000**
Deposit for future subscription for non-controlling interest	–	–	–	–	–	–	–	–	–	–	**8,000,000**	**8,000,000**
Balance at September 30, 2024	**₱4,952,403,462**	**₱1,121,232,549**	**(₱475,248,169)**	**₱65,477,262**	**₱20,251,538**	**(₱1,686,369,660)**	**₱321,569**	**(₱114)**	**₱6,790,140,480**	**₱10,788,208,917**	**₱101,693,794**	**₱ 10,889,902,711**
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	–	–	–	–	–	–	–	–	20,291,965	20,291,965	(537,694)	19,754,271
Other comprehensive income	–	–	–	1,861,636	1,304,340	–	–	–	–	3,165,976	42,155	3,208,131
Total comprehensive income	–	–	–	1,861,636	1,304,340	–	–	–	20,291,965	23,457,941	(495,539)	22,962,402
Balance at September 30, 2023	₱4,952,403,462	₱1,119,127,301	(₱498,142,921)	₱7,343,581	₱16,409,100	(₱1,686,369,660)	₱321,569	(₱114)	₱5,240,234,583	₱9,151,326,901	₱81,446,000	₱9,232,772,901

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

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

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱292,265,930**	₱19,048,203
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 11, 12 and 15)	**160,122,327**	155,185,924
Interest expense (Notes 17 and 18)	**66,501,559**	73,328,065
Interest income (Notes 5 and 6)	**(13,093,045)**	(6,882,659)
Net change in net pension liabilities	**(1,798,293)**	981,063
Dividend income (Notes 9 and 15)	**(153,760)**	(151,590)
Unrealized foreign exchange gain – net	**95,685**	(13,730,837)
Equity in net earnings of associates and joint venture (Note 13)	**(1,640,363)**	(841,055)
Fair value (gain) loss on equity instruments at FVPL (Note 9)	**(1,007,500)**	1,395,000
Gain on:		
Early extinguishment of loan	**–**	(3,076,465)
Sale of property and equipment	**–**	(14,391)
Operating income before working capital changes	**501,292,540**	225,241,258
Decrease (increase) in:		
Receivables	**(97,573,397)**	278,801,514
Inventories	**11,900,683**	3,260,619
Prepaid expenses and other current assets	**(30,441,675)**	(17,907,146)
Increase (decrease) in:		
Accounts payable and other current liabilities	**(56,302,993)**	(133,903,963)
Unearned tuition and other school fees	**542,169,926**	479,155,381
Other noncurrent liabilities	**264,369**	(3,474,954)
Net cash generated from operations	**871,309,453**	831,172,709
Income tax paid	**(7,921,012)**	(3,164,458)
Interest received	**13,019,073**	6,863,088
Net cash provided by operating activities	**876,407,514**	834,871,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 11)	**(250,452,280)**	(127,581,406)
Acquisition of/payments for intangible and other noncurrent assets	**(5,765,137)**	(5,701,650)
Proceeds from:		
Sale of shares held in an associate - net (Note 13)	**24,785,625**	–
Redemption of equity instruments at FVOCI (Note 14)	**–**	352,920
Sale of property and equipment	**–**	14,412
Dividends received (Note 9)	**153,760**	151,590
Net cash used in investing activities	**(231,278,032)**	(132,764,134)

(Forward)

	Three months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Long-term loans (Note 17)	**(₱270,000,000)**	(₱252,095,662)
Interests	**(99,255,371)**	(80,083,688)
Lease liabilities	**(43,517,439)**	(41,878,671)
Dividends	**(53,280)**	–
Net cash used in financing activities	**(412,826,090)**	(374,058,021)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(95,685)**	13,730,837
NET INCREASE IN CASH AND CASH EQUIVALENTS	**232,207,707**	341,780,021
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,855,500,909**	1,958,767,553
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	**₱2,087,708,616**	₱2,300,547,574

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

1. Corporate Information

a. General

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

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

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

		Effective Percentage of Ownership	
Subsidiaries	**Principal Activities**	**Direct**	**Indirect**
STI ESG	Educational Institution	**99**	–
STI WNU	Educational Institution	**99**	–
iACADEMY	Educational Institution	**100**	–
AHC	Holding Company	**100**	–
STI College Batangas, Inc. (STI Batangas)	Educational Institution	–	**99**
STI College of Kalookan, Inc. (STI Caloocan) [(a)]	Educational Institution	–	**99**
STI College Novaliches, Inc. (STI Novaliches)	Educational Institution	–	**99**
STI College of Santa Maria, Inc. (STI Sta. Maria)	Educational Institution	–	**99**
STI College Tanauan, Inc. (STI Tanauan)	Educational Institution	–	**99**
STI College Iloilo, Inc. (STI Iloilo)	Educational Institution	–	**99**
STI Lipa, Inc. (STI Lipa)	Educational Institution	–	**99**
STI College Pagadian, Inc. (STI Pagadian)	Educational Institution	–	**99**
STI Training Academy, Inc. (STI Training Academy)	Educational Institution	–	**99**
STI College Tuguegarao, Inc. (STI Tuguegarao)	Educational Institution	–	**99**
NAMEI Polytechnic Institute, Inc.	Educational Institution	–	**93**
NAMEI Polytechnic Institute of Mandaluyong, Inc. (NPIM) [(b)]	Educational Institution	–	**99**
De Los Santos-STI College, Inc. (De Los Santos-STI College) [(c)]	Educational Institution	–	**99**
STI College Quezon Avenue, Inc. (STI Quezon Avenue) [(d)]	Educational Institution	–	**99**
STI College Alabang, Inc. (STI Alabang)	Educational Institution	–	**99**
Clinquant Holdings, Inc. (CHI) [(e)]	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 the Commission on Higher Education (CHED) of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of STI ESG effective August 4, 2021. De Los Santos-STI College has not resumed its school operations as at November 19, 2024.*
[(d)] *A wholly-owned subsidiary of De Los Santos-STI College.*
[(e)] *On June 20, 2024, STI ESG and Total Consolidated Asset Management, Inc. (TCAMI) executed a deed of absolute sale for STI ESG's acquisition of 100.0% 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 Note 11).*

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 September 30, 2024 and June 30, 2024.

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.

Some features of the licensing agreements are as follows:

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

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 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 November 19, 2024, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by 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 at November 19, 2024, STI ESG has not received the CARs from the BIR.

On August 5, 2022, CHED approved the transfer of school operations of STI College Quezon Avenue, Inc. (STI Quezon Avenue) to Tanay, Rizal subject to compliance with certain requirements. Earlier, in September 2020, STI Quezon Avenue announced the suspension of its operations. In September 2022, CHED granted STI Quezon Avenue government recognitions to offer Bachelor of Science (BS) in Business Administration, BS in Tourism Management and BS in Hospitality Management. The government recognition to offer BS in Information Technology was issued in October 2022. The government recognitions received in 2022 replaced the government recognitions issued by CHED in 2009 due to the transfer of location of STI Quezon Avenue from Quezon City to Tanay, Rizal. STI Quezon Avenue has resumed operations on its new site in Tanay, Rizal beginning SY 2022-2023. In a meeting held on November 29, 2023, the BOD of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.”, (2) have perpetual existence, (3) change of fiscal year beginning July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from “STI College Quezon Avenue, Inc.” to “STI Colleges of Rizal, Inc.,” along with the aforementioned amendments.

STI ESG’s network of operating schools totals sixty three (63) schools with thirty seven (37) owned schools and twenty six (26) franchised schools comprising sixty (60) colleges and three (3) education centers.

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

In October 2013, the Parent Company acquired majority ownership interest in STI WNU. The consideration for the acquisition of STI WNU includes contingent consideration amounting to ₱151.5 million. As at September 30, 2024 and June 30, 2024, liability for contingent consideration recognized as “Nontrade payable” amounted to ₱17.0 million (see Note 19). As at September 30, 2024 and June 30, 2024, 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.

On October 11, 2024, the BOD of STI WNU authorized the declaration of stock dividends equivalent to 2,000,000 common shares with an aggregate par value of ₱200.0 million to be taken from the unissued portion of STI WNU’s authorized capital stock. The ₱200.0 million stock dividends will come from STI WNU’s audited retained earnings as of June 30, 2024 and shall be payable to all stockholders of record as of September 30, 2024. This was approved by STI WNU's stockholders in its meeting held on November 14, 2024.

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 corner 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 on October 17, 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.

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 27).

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

2. Basis of Preparation and Material Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards effective July 1, 2024. The adoption of these new standards and amendments did not have any significant impact on the unaudited interim condensed consolidated financial statements except otherwise stated.

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

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

  The amendments had no impact on the Group because the Group's accounting policies are aligned with the amendments to PAS 1.

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

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

  The Group has not entered into any sale and leaseback transactions.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

  The amendments aim to improve transparency around supplier finance arrangements, helping users of financial statements better understand their nature, timing, and financial effects.

  The amendments require disclosures that provide information on the following, among others:
  - The terms and conditions of supplier finance arrangements.
  - The impact these arrangements have on an entity's working capital, liquidity risk, and financial position.
  - Changes in liabilities arising from supplier finance arrangements as part of the reconciliation of cash flows from financing activities

  The Group has not entered into any supplier finance arrangements.

  Entities need to implement these amendments according to the effective date stipulated by the FRSC, with considerations for any specific transition requirements.

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

Effective for Fiscal Year 2026

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

Deferred effectivity

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to September 30, 2024 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

The Group's business is linked to the academic cycle which spans one academic year. The academic cycle for STI ESG and STI WNU is one academic year that starts in August 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. Classes for SY 2023-2024 and SY 2024-2025 were all conducted face-to-face for STI ESG and STI WNU, whereas iACADEMY implemented the Hybrid Learning Format.

The Group remains committed to ensuring adherence to the guidelines set by CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information and guidance on the conduct of face-to-face classes.

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.

4. Segment Information

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

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

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

On a consolidated basis, the Group's performance is evaluated based on unaudited interim condensed consolidated net income and EBITDA, defined as earnings before interest expense, interest income, provision for (benefit from) income tax, depreciation and amortization, loss (gain) on foreign exchange differences, equity in net earnings of associates and joint venture, fair value loss (gain) on equity instruments at FVPL and nonrecurring gains such as gain on termination of lease and gain on early extinguishment of loan. 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 for the three-month periods ended September 30, 2024 and 2023:

	Three months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Consolidated net income	**₱263,238,667**	₱19,754,271
Depreciation and amortization[1]	**137,658,486**	132,310,542
Interest expense[1]	**57,323,198**	64,246,181
Provision for (benefit from) income tax	**29,027,263**	(706,068)
Interest income	**(13,093,045)**	(6,882,659)
Foreign exchange loss (gain) – net	**5,766,652**	(13,731,307)
Equity in net earnings of associates and joint	**(1,640,363)**	(841,055)
Fair value loss (gain) on equity instruments at FVPL	**(1,007,500)**	1,395,000
Unrealized gain on short term investment[2]	**(1,606,103)**	–
Gain on:		
Termination of lease[2]	**(1,575,650)**	–
Early extinguishment of loan[2]	**–**	(3,076,465)
Consolidated EBITDA	**₱474,091,605**	₱192,468,440

[1]*Depreciation and interest expense exclude those related to ROU assets, presented under "Property and equipment" and "Investment properties" accounts, and lease liabilities, respectively.*
[2]*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 three-month periods ended September 30, 2024 and 2023:

	September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Revenues						
External revenue	**₱550,424,784**	**₱53,556,308**	**₱227,368,093**	**₱190,837,881**	**₱15,505,977**	**₱1,037,693,043**
Results						
Income before other income (expenses) and income tax	**79,488,605**	**13,783,168**	**86,505,329**	**103,468,677**	**2,070,699**	**285,316,478**
Equity in net earnings of associates and joint venture	**1,640,363**	**–**	**–**	**–**	**–**	**1,640,363**
Interest expense	**(62,560,612)**	**(1,572,072)**	**(1,599,269)**	**(270,183)**	**(499,423)**	**(66,501,559)**
Interest income	**11,919,329**	**7,580**	**1,037,262**	**127,273**	**1,601**	**13,093,045**
Other income	**54,403,396**	**1,803,264**	**1,626,556**	**770,379**	**114,008**	**58,717,603**
Benefit from (provision for) income tax	**(18,791,711)**	**(554,505)**	**543,568**	**(10,224,615)**	**–**	**(29,027,263)**
Net Income	**₱66,099,370**	**₱13,467,435**	**₱88,113,446**	**₱93,871,531**	**₱1,686,885**	**₱263,238,667**
EBITDA						**₱474,091,605**

	September 30, 2023 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱388,098,814	₱34,606,891	₱126,415,357	₱89,623,432	₱11,906,595	₱650,651,089
Results						
Income (loss) before other income (expenses) and income tax	(51,302,795)	(4,472,051)	48,425,499	29,707,409	(3,330,112)	19,027,950
Equity in net earnings of associates and joint venture	841,055	–	–	–	–	841,055
Interest expense	(69,786,252)	(945,671)	(1,603,983)	(361,708)	(630,451)	(73,328,065)
Interest income	6,855,438	179	5,483	21,550	9	6,882,659
Other income	64,131,276	119,320	866,295	407,413	100,300	65,624,604
Benefit from (provision for) income tax	1,279,375	889,798	1,726,327	(3,189,432)	–	706,068
Net Income (Loss)	(₱47,981,903)	(₱4,408,425)	₱49,419,621	₱26,585,232	(₱3,860,254)	₱19,754,271
EBITDA						₱192,468,440

The following tables present certain assets and liabilities information regarding geographical segments as at September 30, 2024 and June 30, 2024:

	September 30, 2024 (Unaudited)					
	Metro Manila	**Northern Luzon**	**Southern Luzon**	**Visayas**	**Mindanao**	**Consolidated**
Assets and Liabilities						
Segment assets[(a)]	**₱11,398,202,374**	**₱822,293,828**	**₱2,388,460,679**	**₱1,436,963,129**	**₱109,523,765**	**₱16,155,443,775**
Noncurrent asset held for sale	**1,020,728,064**	**–**	**–**	**–**	**–**	**1,020,728,064**
Investments in and advances to associates and joint venture	**22,749,042**	**–**	**–**	**–**	**–**	**22,749,042**
Goodwill	**236,629,190**	**–**	**–**	**15,681,232**	**–**	**252,310,422**
Deferred tax assets – net	**41,445,414**	**3,913,645**	**14,517,912**	**12,417,967**	**1,296,597**	**73,591,535**
Total Assets	**₱12,719,754,084**	**₱826,207,473**	**₱2,402,978,591**	**₱1,465,062,328**	**₱110,820,362**	**₱17,524,822,838**
Segment liabilities[(b)]	**₱1,774,336,902**	**₱204,999,054**	**₱899,622,011**	**₱371,578,356**	**₱66,526,087**	**₱3,317,062,410**
Interest-bearing loans and borrowings	**1,817,043,033**	**–**	**–**	**–**	**–**	**1,817,043,033**
Bonds payable	**815,391,255**	**–**	**–**	**–**	**–**	**815,391,255**
Pension liabilities – net	**48,388,610**	**6,114,358**	**14,191,588**	**34,039,969**	**1,486,944**	**104,221,469**
Lease liabilities	**278,516,185**	**52,218,358**	**96,193,198**	**17,028,505**	**26,188,288**	**470,144,534**
Deferred tax liabilities – net	**111,057,426**	**–**	**–**	**–**	**–**	**111,057,426**
Total Liabilities	**₱4,844,733,411**	**₱263,331,770**	**₱1,010,006,797**	**₱422,646,830**	**₱94,201,319**	**₱6,634,920,127**
Other Segment Information						
Capital expenditure -						
Property and equipment and investment properties						**₱444,400,497**
Depreciation and amortization[(c)]						**137,658,486**
Noncash expenses other than depreciation and amortization						**56,475,482**

	June 30, 2024 (Audited)					
	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 deferred tax liabilities.*
[(c)] *Depreciation and amortization excludes those related to ROU assets.*

5. Cash and Cash Equivalents

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Cash on hand and in banks	**₱1,042,240,090**	₱1,054,977,974
Cash equivalents	**1,045,468,526**	800,522,935
	₱2,087,708,616	₱1,855,500,909

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 three-month periods ended September 30, 2024, and 2023 amounted to ₱10.1 million and ₱5.3 million, respectively.

6. Receivables

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Tuition and other school fees	**₱2,034,149,818**	₱491,275,539
Educational services (see Note 25)	**95,522,254**	62,356,116
Rent, utilities and other related receivables (see Note 25)	**72,417,960**	72,890,694
Receivables from officers and employees (see Note 25)	**36,601,845**	36,078,187
Others	**32,641,491**	31,688,795
	2,271,333,368	694,289,331
Less allowance for expected credit losses	**279,682,900**	227,383,175
	₱1,991,650,468	₱466,906,156

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 ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, 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 school year.

b. 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 thirty (30) days. Interest is charged on past due accounts.

   Interest earned from past due accounts amounted to ₱2.8 million and ₱1.6 million for the three-month periods ended September 30, 2024 and 2023, respectively.

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

d. Receivables from officers and employees substantially represent advances for official business expenses which are necessary and reasonable to carry out the operations of 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 ₱1.4 million, ₱11.3 million and ₱7.8 million as at September 30, 2024, respectively, and ₱1.3 million, ₱11.3 million and ₱7.6 million as at June 30, 2024, respectively. These receivables are expected to be collected within the year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱4.2 million and ₱2.0 million for the three-month periods September 30, 2024 and 2023, respectively.

7. **Inventories**

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
At cost:		
Educational materials:		
Uniforms	**₱108,163,062**	₱118,251,924
Textbooks and other education-related materials	**7,638,400**	7,392,150
	115,801,462	125,644,074
Promotional materials:		
Proware materials	**18,092,971**	19,680,220
Marketing materials	**2,438,200**	1,199,015
	20,531,171	20,879,235
School materials and supplies	**8,907,057**	10,617,065
	₱145,239,690	₱157,140,374

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 September 30, 2024 and June 30, 2024. Allowance for inventory obsolescence amounted to ₱25.1 million as at September 30, 2024 and June 30, 2024. No provision was recognized for the three-month periods ended September 30, 2024 and 2023.

Inventories charged to cost of educational materials and supplies sold amounted to ₱50.1 million and ₱45.8 million for the three-month periods September 30, 2024 and 2023, respectively (see Note 23).

8. Prepaid Expenses and Other Current Assets

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Input VAT – net	**₱75,827,338**	₱69,665,004
Prepaid taxes	**33,371,289**	38,744,218
Prepaid subscriptions and licenses	**26,086,771**	23,159,013
Advances to suppliers	**25,144,654**	28,421,208
Prepaid insurance	**22,487,252**	6,257,333
Software maintenance cost	**648,946**	984,218
Others	**12,870,519**	3,563,882
	₱196,436,769	₱170,794,876

Net input VAT represents the remaining balance after application against any output VAT and is recoverable in future periods. The balance of this account is primarily attributed to input VAT related to (1) STI ESG's acquisition of a parcel of land in South Park District, Alabang, Muntinlupa City amounting to ₱24.7 million (see Note 11), and (2) construction of STI WNU's new School of Basic Education (SBE) building and ancillary works on its Engineering building (see Note 11). This account also includes input VAT recognized on the purchase of other goods and services.

Prepaid taxes primarily pertain to creditable withholding taxes, and prepayments for business and real property taxes. Prepayments for business and real property taxes are recognized as expenses over the applicable period, typically within 12 months ending December of every year. Excess prior year credits as at June 30, 2024 and a substantial portion of creditable withholding taxes during the first quarter of SY 2024-2025 were applied against income tax due for the three-month period ended September 30, 2024.

Prepaid subscriptions and licenses substantially pertain to Microsoft, Adobe Acrobat, Adobe Creative Cloud, eLMS, Sophos Firewall, Toon Boom Harmony and EBSCO online library subscriptions which were paid in advance in preparation for the succeeding school year. The balance as at September 30, 2024 includes prepayment for e-books subscription across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

Advances to suppliers primarily relate to prepayments for the procurement of students' school uniforms. This account also includes advances for expenses related to purchase of supplies and materials, repairs and maintenance works for the school buildings. The balance as at June 30, 2024 likewise includes advances for expenses related to commencement exercises for SY 2023-2024.

Prepaid insurance primarily represents fire insurance coverage on buildings, including equipment and furniture, money, securities and payroll insurance, fidelity insurance, and health and accident insurance coverage for employees. These prepaid insurance premiums were paid in advance and are recognized as expense over the period of coverage which is normally within the fiscal year.

Software maintenance costs substantially pertain to the annual support and maintenance charges for the use of STI ESG's accounting system. These software maintenance costs are recognized as expense over time in accordance with the terms of the respective agreements.

Other prepaid expenses as at September 30, 2024 substantially refer to prepayments for the tickets and venue rental for the National Talent Search competition for the entire network. The balance as at June 30, 2024 mainly 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 ₱9.1 million and ₱8.1 million as at September 30, 2024 and June 30, 2024, 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 gain on equity instruments at FVPL amounting to ₱1.0 million for the three-month period ended September 30, 2024 and fair value loss of ₱1.4 million for the three-month period ended September 30, 2023.

STI ESG recognized dividend income from RCR amounting to ₱0.2 million for the three-month periods ended September 30, 2024 and 2023.

10. Noncurrent Asset Held for Sale

Quezon City Dacion Properties

Noncurrent asset held for sale amounting to ₱1,020.7 million as at September 30, 2024 and June 30, 2024 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 Note 12).

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 three-month periods ended September 30, 2024 and 2023 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 at November 19, 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.

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 period	₱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
Additions	213,498,088	3,028,134	11,594,462	15,527,772	643,329	2,700,001	17,047,196	681,247	687,840	178,992,428	–	28,217,516	81,602	472,699,615
Reclassification	–	108,167,809	1,598,320	–	–	–	–	–	15,842,160	(125,608,289)	–	–	–	–
Disposal	–	–	–	–	–	–	–	–	–	–	–	(13,888,769)	–	(13,888,769)
Depreciation and amortization (see Notes 22 and 24)	–	(95,355,190)	(9,977,967)	(4,381,177)	(4,477,053)	(1,015,357)	(12,039,963)	(890,137)	(999,900)	–	(2,019,875)	(15,072,178)	(2,134,481)	(148,363,278)
Balance at end of period	₱3,607,378,141	₱5,589,056,075	₱123,410,597	₱62,632,992	₱37,631,922	₱13,125,192	₱92,503,497	₱14,734,588	₱24,774,738	₱357,785,558	₱104,354,193	₱199,276,820	₱9,954,062	₱10,236,618,375
At September 30, 2024:														
Cost	₱3,607,378,141	₱8,644,741,219	₱1,035,663,720	₱446,011,140	₱275,116,005	₱36,458,153	₱637,175,018	₱228,926,588	₱27,084,666	₱357,785,558	₱148,107,223	₱378,653,911	₱64,993,457	₱15,888,094,799
Accumulated depreciation and amortization	–	(3,055,685,144)	(912,253,123)	(383,378,148)	(237,484,083)	(23,332,961)	(544,671,521)	(214,192,000)	(2,309,928)	–	(43,753,030)	(179,377,091)	(55,039,395)	(5,651,476,424)
Net book value	₱3,607,378,141	₱5,589,056,075	₱123,410,597	₱62,632,992	₱37,631,922	₱13,125,192	₱92,503,497	₱14,734,588	₱24,774,738	₱357,785,558	₱104,354,193	₱199,276,820	₱9,954,062	₱10,236,618,375

	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 22 and 24)	–	(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

The cost of fully depreciated property and equipment still used by the Group amounted to ₱2,144.8 million and ₱1,975.2 million as at September 30, 2024 and June 30, 2024, respectively. There were no idle property and equipment as at September 30, 2024 and June 30, 2024.

Additions

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

On September 30, 2024, STI ESG and Avida executed the Deed. On the same date, STI ESG settled the second installment amounting to ₱81.6 million. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale. In view of this, STI ESG recognized this acquisition as "Land" under "Property and Equipment" as at September 30, 2024. The related deposits for the asset acquisition were applied to the total purchase price, and STI ESG recognized the liability amounting to ₱102.1 million as a "Other Noncurrent Liability" (see Note 19).

STI ESG is entitled to physical possession and control over the lot upon execution of the Deed. Similarly, the Deed also provided that STI ESG should start the construction within two years from its execution. This lot will be the future site of the new STI Academic Center Alabang (see Notes 15 and 19).

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.

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 ending 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.

As at September 30, 2024, the Group likewise has completed the solar panel installation projects in several schools owned and operated by STI ESG namely: STI Pasay-EDSA, STI Novaliches, STI Las Piñas, and STI Sta. Mesa. These projects, expected to generate an aggregate 402 kilowatts of electricity, have a combined cost of ₱18.5 million.

New School of Basic Education (SBE) Building. In May 2024, the construction of the new SBE building of STI WNU was completed with a total construction cost of ₱243.2 million. Standing on 2,915-square-meter property inside STI WNU campus, this four-storey building can accommodate up to 4,000 pre-elementary, elementary, junior and senior high school students.

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

Property and Equipment under Construction. As at September 30, 2024, STI ESG reported costs of construction-in-progress aggregating to ₱256.9 million mainly pertaining to (1) construction of the new building in STI Ortigas-Cainta campus, (2) class room expansion projects, and (3) construction of a three-storey building at STI Lipa.

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

STI ESG, in anticipation of a growing student population, has undertaken classroom expansion projects for several schools, namely, STI Las Piñas, STI Cubao, STI Sta Mesa, STI Caloocan, STI Lucena, STI San Jose del Monte, STI Global City, and STI Lipa. These expansion projects primarily involve the partitioning of vacant or multi-purpose areas with total investment of ₱117.6 million as at September 30, 2024, and are all, except for STI Lipa, expected to be fully completed by the end of November 2024. The classroom expansion project at STI Lipa is expected to be completed by the end of December 2024. These additional classrooms can accommodate approximately 10,000 students.

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

As at September 30, 2024, the remaining construction-in-progress account includes the costs of construction of STI WNU's new university canteen, kitchen laboratory for its College of Hotel and Tourism Management, sewage treatment plant at the new SBE building and powerhouses at the back of the university plaza and at the main building, and rehabilitation of student lounge and walkway with an aggregate cost of ₱100.9 million. The construction of the new university canteen, kitchen laboratory and rehabilitation of the student lounge and walkway were completed in October 2024. The sewage treatment plant and the powerhouses are expected to be completed in the first quarter of 2025.

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.

Collaterals

Transportation equipment, recognized as right-of-use assets, are pledged as security for the related lease liabilities as at September 30, 2024 and June 30, 2024. The net book value of these equipment amounted to ₱10.0 million and ₱12.0 million as at September 30, 2024 and June 30, 2024, respectively.

12. **Investment Properties**

	September 30, 2024 (Unaudited)			
	Land	**Condominium Units**	**Right-of-Use Asset - Building**	**Total**
Cost:				
Balance at beginning and end of period	**676,807,317**	**780,307,090**	**133,183,838**	**1,590,298,245**
Accumulated depreciation:				
Balance at beginning of period	**–**	**335,601,702**	**67,683,590**	**403,285,292**
Depreciation (see Note 24)	**–**	**6,640,583**	**3,237,307**	**9,877,890**
Balance at end of period	**–**	**342,242,285**	**70,920,897**	**413,163,182**
Net book value	**₱676,807,317**	**₱438,064,805**	**₱62,262,941**	**₱1,177,135,063**

	June 30, 2024 (Audited)			
	Land	Condominium Units	Right-of-Use Asset - Building	Total
Cost:				
Balance at beginning of year	₱489,366,713	₱779,564,396	₱133,183,838	₱1,402,114,947
Additions (see Note 11)	–	742,694	–	742,694
Reclassification from property and equipment	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 24)	–	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

As at September 30, 2024 and June 30, 2024, 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 27) 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 27). PWU is a private non-stock, non-profit educational institution, which provides basic, secondary, and tertiary education to its students while Unlad is a real estate company controlled by the Benitez Family and has some assets which are used to support the educational thrust of PWU. The 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.

Right-of-use Asset - Building. On May 2, 2014, iACADEMY entered into a lease agreement with Metrobank Trust and Banking Group for a building along Sen. Gil J. Puyat Avenue for a period of fifteen (15) years and three (3) months subject to renewal upon mutual agreement. The annual rental is subject to 5.0% escalation every three (3) years or the average of the Consumer Price Index for the last three 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 one (1) and the entirety of the second (2nd) 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.

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).

13. Investments in and Advances to Associates and Joint Venture

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Investments		
Acquisition costs	**₱46,563,409**	₱46,563,409
Accumulated equity in net losses:		
Balance at beginning of period	**(24,133,696)**	(26,143,098)
Equity in net earnings of associates and joint venture	**1,640,363**	2,009,402
Balance at end of period	**(22,493,333)**	(24,133,696)
Accumulated share in associates’ other comprehensive income:		
Balance at beginning and end of period	**329,306**	329,306
	24,399,382	22,759,019
Less allowance for impairment loss	**1,650,340**	1,650,340
	22,749,042	21,108,679
Advances (see Note 25)	**48,134,540**	48,134,540
Less allowance for impairment loss	**48,134,540**	48,134,540
	–	–
	₱22,749,042	₱21,108,679

There is no movement in the allowance for impairment in value of investments in and advances to associates and joint venture for the period ended September 30, 2024 and June 30, 2024. The carrying values of the Group’s investments in and advances to associates and joint venture are as follows:

	September 30, 2024 Unaudited	June 30, 2024 Audited
Associates:		
STI Accent*	**₱48,134,540**	₱48,134,540
Global Resource for Outsourced Workers, Inc. (GROW, Inc.)	**20,551,159**	18,814,679
Joint venture - Philippine Healthcare Educators, Inc.	**3,848,223**	3,944,340
	72,533,922	70,893,559
Allowance for impairment loss	**(49,784,880)**	(49,784,880)
	₱22,749,042	₱21,108,679

**The share in equity of STI Accent for the three-month ended September 30, 2024 and for the year ended June 30, 2024 is not material to the unaudited interim condensed consolidated financial statements.*

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

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Quoted equity shares	**₱10,099,990**	₱10,197,060
Unquoted equity shares	**66,473,564**	66,473,564
	₱76,573,554	₱76,670,624

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

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

STI ESG owns 57,971 shares of De Los Santos Medical Center, Inc. (DLSMC). The carrying value of the investment in DLSMC amounted to ₱32.3 million as at September 30, 2024 and June 30, 2024.

15. Goodwill, Intangible and Other Noncurrent Assets

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Goodwill	**₱252,310,422**	₱252,310,422
Advances to suppliers	**91,461,457**	87,176,799
Deposit for purchase of shares	**60,484,800**	60,484,800
Intangible assets	**38,897,656**	40,778,815
Rental and utility deposits	**33,616,066**	33,584,837
Deferred input VAT	**7,337,588**	10,824,959
Deposit for asset acquisition	**–**	20,412,500
Others	**3,138,673**	3,048,673
	₱487,246,662	₱508,621,805

Goodwill

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

Advances to Suppliers

Advances to suppliers as at September 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion projects (3) acquisition of equipment and furniture, (4) rehabilitation of STI WNU's university gymnasium, and (5) various ongoing major renovation and rehabilitation projects in STI WNU and in some schools owned and operated by STI ESG. The related costs of these projects will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered.

Advances to suppliers as at June 30, 2024 relate substantially to advance payments made for various transactions, including the (1) construction of the new school building at STI Ortigas-Cainta, (2) learning classroom expansion 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.

Most of the aforementioned projects, including the first and second floors of the new school building at STI Ortigas-Cainta campus, were completed in September 2024. The remaining sections of the new building at STI Ortigas-Cainta are expected to be completed by the end of January 2025. The design and set-up of STI ESG's new enrollment system remain ongoing as at November 19, 2024. The related costs for the projects were recognized as "Property and equipment" when the goods were received, or the services were completely rendered. The related costs for the construction of the remaining sections and other capital expenditures for the new school building at STI Ortigas-Cainta will be recognized as "Property and equipment" when the goods are received, or the services are completely rendered while the related cost for the new enrollment system will be recognized as "Intangible assets" upon completion of the project. The construction of STI WNU's university canteen and kitchen laboratory and the rehabilitation of its student lounge were completed in October 2024.

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 (3rd) anniversary of the Share Purchase Agreement.

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

PHI owns a 25,202-square-meter parcel of land located at President Jose P. Laurel Highway, Barangay Darasa, Tanauan City, Batangas. This property is adjacent to the 10,000 sq.m. property owned by CHI (see Note 11).

Intangible Assets

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

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

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

Deposit for Asset Acquisition
In relation to the Deed of Sale on Installments executed by STI ESG and Avida in September 2024 and the settlement of the second installment amounting to ₱81.6 million, STI ESG applied the deposits made to the total purchase price and recognized the acquisition as "Land" under the "Property and equipment" category and the related liability amounting to ₱102.1 million as "Other Noncurrent Liability" (see Note 19).

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

16. Accounts Payable and Other Current Liabilities

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Accounts payable (see Note 25)	**₱472,572,728**	₱484,981,548
Dividends payable (see Note 20)	**30,249,233**	30,302,513
Nontrade payable (see Notes 1 and 27)	**17,000,000**	17,000,000
Accrued expenses:		
Salaries, wages and benefits	**56,892,483**	39,866,784
Contracted services	**56,386,972**	49,288,035
School-related expenses	**45,949,350**	63,307,426
Utilities	**20,710,380**	20,281,193
Interest	**5,809,725**	49,507,925
Advertising and promotion	**2,225,600**	3,058,569
Rent	**515,965**	515,965
Others	**2,324,187**	2,558,624
Due to an affiliate (see Note 25)	**59,319,426**	59,511,839
Statutory payables	**33,700,023**	30,172,258
Network events fund	**33,055,567**	21,150,343
Student organization fund	**32,266,663**	31,689,869
Current portion of advance rent	**13,763,509**	12,476,599
Current portion of refundable deposits	**11,969,909**	10,084,051
Others	**14,299,878**	16,673,672
	₱909,011,598	₱942,427,213

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 (see Notes 1 and 27).

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 25 to the unaudited interim condensed consolidated financial statements.

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

g. Current portion of advance rent pertains to amounts received by the Group which will be earned and applied within the next financial year.

h. Current portion of refundable deposits pertain to security deposits from existing lease agreements which are expected to be settled within the next financial year.

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

17. Interest-bearing Loans and Borrowings

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Term loan facilities[(a)]	**₱1,817,043,033**	₱2,086,114,412
Less current portion	**536,228,000**	536,274,021
Noncurrent portion	**₱1,280,815,033**	₱1,549,840,391

[(a)]Net of unamortized debt issuance costs of ₱13.0 million and ₱13.9 million as at September 30, 2024 and June 30, 2024, respectively.

Term Loan Agreement with Bank of the Philippine Islands (BPI)
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 are to be made in ten (10) equal installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date. Each such installment is to 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 are to be adjusted to 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. The amendment to the Term Loan Agreement was executed on May 17, 2024. The amendment provides that the basis of the floating interest rate will take effect on the next drawdown or on the next repricing date, whichever comes first.

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

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱500,000,000**	₱–
Proceeds	–	500,000,000
Payments	**(50,000,000)**	–
Balance at end of period	**450,000,000**	500,000,000
Deferred finance cost	**(3,347,039)**	(3,536,184)
Balance at end of period	**446,652,961**	496,463,816
Less current portion	**99,249,589**	99,249,589
Balance classified as noncurrent	**₱347,403,372**	₱397,214,227

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

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

1. Debt-to-equity (D/E) ratio not exceeding 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 4) [(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 at September 30, 2024 and June 30, 2024, STI ESG is in compliance with the BPI loan covenants.

Term Loan Agreement with Metropolitan Bank & Trust Company (Metrobank)
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 are to be made in equal or nearly equal consecutive ten (10) installments based on a semi-annual amortization schedule which commences six (6) months from the date of initial borrowing until the maturity date, with the last installment in an amount sufficient to fully pay the loan. Each such installment is to be paid by STI ESG on a repayment date occurring semi-annually from the date of borrowing or initial borrowing, until the maturity date. In case there is more than one (1) borrowing, the repayment date is to be adjusted to coincide with the interest payment date occurring in the same calendar month.

STI ESG has elected to fix the interest on each drawdown on 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 has a duration of six months with 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 1.0% 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 follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱1,000,000,000**	₱–
Proceeds	**–**	1,000,000,000
Payments	**(100,000,000)**	–
Balance at end of period	**900,000,000**	1,000,000,000
Deferred finance cost	**(6,694,079)**	(7,072,368)
Balance at end of period	**893,305,921**	992,927,632
Less current portion	**198,499,178**	198,499,178
Balance classified as noncurrent	**₱694,806,743**	₱794,428,454

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

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

1. Debt-to-equity (D/E) ratio of not more than 1.5x, shall mean the proportion of the Total Debt to Equity, and

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

The term "Total Debt" shall mean all obligations of STI ESG which, in accordance with generally accepted accounting principles (GAAP) 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 GAAP 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 GAAP 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 4) [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 due in the next twelve months*
[d] *The first drawdown from the Metrobank loan facility was made on March 18, 2024*

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

Term Loan Agreement with China Banking Corporation (Chinabank)
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 the 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 the 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 the 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 103.0%; (ii) After the 5th anniversary date of the Initial Drawdown until one business day before the loan maturity date at 100.0% 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:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱600,000,000**	₱720,000,000
Repayments	**(120,000,000)**	(120,000,000)
Balance at end of period	**480,000,000**	600,000,000
Unamortized debt issuance costs	**(2,915,849)**	(3,277,036)
Balance at end of period	**477,084,151**	596,722,964
Less current portion	**238,479,233**	238,525,254
Noncurrent portion	**₱238,604,918**	₱358,197,710

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

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

On September 16, 2021, Chinabank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million. Further, Chinabank reduced the prepayment penalty from 3.0% 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 September 30, 2024 are as follows:

Fiscal Year	Amount
2025	120,000,000
2026	240,000,000
2027	120,000,000
	₱480,000,000

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

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

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

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

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

On August 15, 2022, Chinabank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023. With the waiver, STI ESG is compliant with the above covenants as at December 31, 2023 and June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year.

The Group's DSCR, as defined in the Term Loan Agreement of STI ESG with Chinabank, as at June 30, 2024 is 2.39:1.00 while the Group's D/E ratio, as defined in the same loan agreement is 0.59:1.00. As at September 30, 2024 and 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 10^{th} 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 ten (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 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 the ₱40.0 million regular amortization. The prepayment shall be applied in the inverse order of maturity according to the repayment schedule. The prepayment penalty was again 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 to waive 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:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱–**	₱140,000,000
Payments	**–**	(140,000,000)
Balance at end of period	**₱–**	₱–

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 three-month periods ended September 30, 2024 and 2023 amounted to nil and ₱2.0 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 Effective Interest Rate (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.

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 ₱1,500.0 million.

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.

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 the semi-annual amortization of ₱30.0 million shall be due every March 19 and September 19 of each year to commence from March 19, 2023;

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

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

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

The above modification of terms and conditions resulted in the recognition of a premium on the corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization was fully offset at the end of the loan period. Amortization of loan premium amounting to ₱0.4 million for the three-month period ended September 30, 2023 (nil in 2024) was recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. The interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

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

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

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

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

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

Breakdown of STI ESG’s Corporate Notes Facility Agreement follows:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Balance at beginning of period	**₱–**	₱210,000,000
Payments	**–**	210,000,000
Balance at end of period	**₱–**	₱–

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

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 by 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.

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

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

<u>Interest Expense</u>
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 three-month periods ended September 30, 2024 and 2023 amounted to ₱43.0 million and ₱17.5 million, respectively (see Note 23).

18. **Bonds Payable**

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Fixed-rate bonds due 2027	**₱820,000,000**	₱820,000,000
Less unamortized debt issuance costs	**4,608,745**	5,032,725
Balance at end of period	**₱815,391,255**	₱814,967,275

On March 23, 2017, 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.

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.

The bonds were rated 'PRS A plus' with a Positive Outlook by PhilRatings in November 2024. Obligations rated PRS A have favorable investment attributes and are considered as upper-medium grade obligations. Although these obligations are somewhat more susceptible to the adverse effects of changes in economic conditions, the obligor's capacity to meet its financial commitments on the obligation is still strong. The "plus" further qualifies the assigned rating. A "Positive Outlook" indicates that there is a potential for the present credit rating to be upgraded in the next 12 months.

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

					Carrying Value		
Issued	Interest Payable	Term	Interest Rate	Principal Amount	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)	Features
2017	Quarterly	10 years	6.3756%	₱820,000,000	**₱815,391,255**	₱814,967,275	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary of issue date

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 is 0.59:1.00.

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

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

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

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

On August 19, 2020, pursuant to the Consent Solicitation Statement, STI ESG and the Trustee executed the Supplemental Trust Agreement incorporating the Proposed Amendments, as follows:

- Amendments Relating to Negative Covenants Waiver

  Effective as of 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 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 had 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 (50.0%) 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 4) [b]	₱1,992,058,511
Interest expense [c]	212,659,106
Interest coverage ratio	9.37:1.00

[b] *EBITDA for the last twelve months*

[c] *Total interests due in the next twelve months*

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

Bond Issuance Costs
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 ₱4.6 million and ₱5.0 million at September 30, 2024 and June 30, 2024. Amortization of bond issuance costs amounting to ₱0.4 million and ₱2.1 million for the three-month periods ended September 30, 2024 and 2023, respectively, were recognized as part of "Interest expense" account in the consolidated statements of comprehensive income.

Interest Expense
Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the consolidated statements of comprehensive income amounted to ₱13.5 million, and ₱46.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

19. **Other Noncurrent Liabilities**

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Payable for acquisition of lot (see Notes 11 and 15)	**₱102,062,500**	₱–
Advance rent - net of current portion (see Note 15)	**45,929,651**	44,992,331
Refundable deposits - net of current portion (see Note 15)	**30,114,943**	30,125,618
Deferred lease liability	**6,917,047**	7,228,397
Deferred output VAT	**347,305**	347,305
Deposit for future stock subscription	**–**	8,000,000
	₱185,371,446	₱90,693,651

STI ESG recognized the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City as "Land" under "Property and Equipment" in September 2024. Previous deposits made for this transaction were applied, and the remaining balance of ₱102.1 million was recognized as "Other Noncurrent Liability" representing the amount due sixteen (16) months after the execution of the Deed of Sale on Installments in September 2024.

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

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the 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 16.

Deposit for future stock subscription represents the contribution received by STI ESG's subsidiary, STI Training Academy, from a third party, as advance payment for future subscription and was recognized under the "Other noncurrent liabilities" as at June 30, 2024. As at September 30, 2024, such contribution was recorded under the "Equity" section of the unaudited interim condensed consolidated statements of financial position upon meeting the required criteria for classification under the equity section.

20. **Equity**

Capital Stock
Details as at September 30, 2024 and June 30, 2024 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 September 30, 2024 and June 30, 2024, the Parent Company has a total number of shareholders on record of 1,264 and 1,261, respectively.

Cost of Shares Held by a Subsidiary
This account represents 500,432,895 shares and 477,432,895 shares of STI Holdings owned by STI ESG amounting to ₱498.1 million and ₱475.2 million as at June 30, 2024 and September 30, 2024, respectively, which are treated as treasury shares in the consolidated statements of financial position.

In August and September 2024, STI ESG sold a portion of its investment in STI Holdings for a total consideration of ₱25.0 million, reducing its shareholding by 23.0 million shares, from 500.4 million shares to 477.4 million shares. As a result, STI ESG's equity interest in STI Holdings decreased from 5.05% to 4.82% as at September 30, 2024.

Deposit for future stock subscription for non-controlling interest
Deposit for future stock subscriptions represents payment amounting to ₱8.0 million for a non-controlling interest in STI Training Academy. (see Note 19).

Other Comprehensive Income and Non-controlling Interests

	September 30, 2024 (Unaudited)		
	Attributable to Equity Holders of the Parent Company	**Non-controlling interests**	**Total**
Cumulative actuarial gain	**₱65,477,262**	**₱356,612**	**₱65,833,874**
Fair value changes in equity instruments at FVOCI (see Note 15)	**20,251,538**	**290,712**	**20,542,250**
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)**
	₱86,050,255	**₱655,175**	**₱86,705,430**

	June 30, 2024 (Audited)		
	Attributable to Equity Holders of the Parent Company	Non-controlling interests	Total
Cumulative actuarial gain	₱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

Retained Earnings

On December 21, 2023, cash dividends amounting to ₱0.03 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. This was paid on January 31, 2024.

Policy on Dividends Declaration. STI Holdings follows a dividend declaration policy which was approved by the BOD in 2017 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 Group's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the BOD deems appropriate.

21. Revenues

Disaggregated Revenue Information
The disaggregated revenue information is presented in the consolidated statements of comprehensive income and segment information in a manner that reflects the various sources and categories of revenues generated by the Group for the three-month periods ended September 30, 2024 and 2023.

Timing of Revenue Recognition

	Three months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Services transferred over time	**₱941,661,678**	₱555,715,079
Goods and services transferred at a point in time	**96,031,365**	94,936,010
	₱1,037,693,043	₱650,651,089

Contract Balances
The Group's receivables are disclosed in Note 6 while the contract liabilities are presented as "Unearned tuition and other school fees" in the unaudited interim condensed consolidated statements of financial position. There is no significant change in the contract liability and the timing of revenue recognition for SY 2024-2025 and SY 2023-2024.

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱179.6 million and ₱141.1 million for the three-month periods ended September 30, 2024, and 2023, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the three-month periods ended September 30, 2024 and 2023.

Performance Obligations
The performance obligations related to 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 September 30, 2024 and June 30, 2024, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) which are expected to be satisfied within one year amounted to ₱2,148.7 million and ₱179.6 million, respectively. The contract liabilities as at September 30, 2024 refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations for STI WNU and the schools within the STI ESG network as at June 30, 2024 represent advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the remaining performance obligations for iACADEMY as at June 30, 2024 include the portion of tertiary student assessment initially recorded as a liability account at the start of term 3 SY 2023-2024 and was recognized as earned income proportionately at the end of the related school term in July 2024. On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one (1) year.

22. Cost of Educational Services

	Three months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Faculty salaries and benefits	**₱129,243,149**	₱93,947,289
Depreciation and amortization (see Note 12)	**95,645,899**	87,615,218
Student activities, programs and other related expenses	**29,506,665**	18,676,835
Rental	**8,115,063**	7,156,137
School materials and supplies	**7,167,942**	8,251,760
Software maintenance	**6,569,339**	6,863,635
Courseware development costs	**528,705**	337,822
Others	**4,543,226**	4,292,546
	₱281,319,988	₱227,141,242

23. Cost of Educational Materials and Supplies Sold

	Three months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Educational materials and supplies	**₱46,462,778**	₱43,567,029
Promotional materials	**3,678,880**	2,224,778
	₱50,141,658	₱45,791,807

24. General and Administrative Expenses

	Three months ended September 30	
	2024	2023
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	**₱109,920,883**	₱99,886,509
Depreciation and amortization (see Notes 11 and 12)	**64,476,428**	67,570,706
Light and water	**52,813,267**	33,651,986
Provision for expected credit losses (see Note 6)	**52,299,725**	42,837,782
Outside services	**40,915,168**	34,312,956
Professional fees	**19,843,266**	18,752,496
Advertising and promotions	**21,080,946**	13,209,093
Taxes and licenses	**13,314,304**	8,542,622
Repairs and maintenance	**11,255,374**	8,953,228
Transportation	**6,458,585**	6,075,141
Insurance	**5,583,005**	4,851,959
Meetings and conferences	**4,987,268**	4,538,321
Office supplies	**3,855,044**	2,251,075
Rental	**3,454,174**	3,124,042
Communication	**2,591,573**	2,534,444
Entertainment, amusement and recreation	**2,226,299**	1,987,709
Payment channels and bank charges	**1,752,651**	775,523
Association dues	**1,656,383**	980,489
Software maintenance	**306,207**	1,151,181
Others	**2,124,369**	2,702,828
	₱420,914,919	₱358,690,090

25. Related Party Transactions

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

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

Related Party	Amount of Transactions during the Period September 30, 2024 (Unaudited)	Amount of Transactions during the Period September 30, 2023 (Unaudited)	Outstanding Receivable (Payable) September 30, 2024 (Unaudited)	Outstanding Receivable (Payable) June 30, 2024 (Audited)	Terms	Conditions
Associates						
STI Accent						
Reimbursement for various expenses and other charges	**₱–**	₱–	**₱48,134,540**	**₱48,134,540**	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for ECL
GROW, Inc.						
Rental income and other charges	**187,602**	178,669	**10,227,647**	10,209,550	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	**273,631**	68,496	–	–		
Refundable deposits	**–**	–	**(119,383)**	**(119,383)**	Refundable upon end of contract	Unsecured
STI Marikina						
Educational services and sale of educational materials and supplies	**4,419,822**	3,840,790	**974,688**	**892,949**	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
TCAMI						
Deposit for purchase of shares of PHI	**–**	–	**60,484,800**	60,484,800	15.0% deposit; balance payable on the third anniversary of the share purchase agreement	Unsecured; no impairment
Philhealthcare, Inc.						
Facility sharing and other charges	**88,378**	3,076,985	**26,620**	25,747	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	**–**	8,785,790	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	**–**	–	**(1,950,480)**	(1,950,480)	Refundable upon end of contract	Unsecured
Phils First Insurance Co., Inc.						
Rental and other charges	**1,260,463**	1,213,341	**–**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
Insurance	**4,407,383**	13,254,707	**(2,644,312)**	(2,502)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues and other charges	**1,947,368**	2,605,197	**(3,454)**	(847,182)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilPlans First, Inc.						
Facility sharing, utilities other charges	**2,886,960**	75,000	**3,036,917**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	**937,320**	–	**(937,320)**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**425,234**	–	**216,586**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Philippine Life Financial Assurance Corporation						
Facility sharing, utilities other charges	**224,434**	295,014	**170,413**	133,059	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Related Party	Amount of Transactions during the Period September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	Outstanding Receivable (Payable) September 30, 2024 (Unaudited)	June 30, 2024 (Audited)	Terms	Conditions
GROW VITE Staffing Services Inc.						
Rental income and other charges	**₱442,831**	₱421,744	**₱–**	₱–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and staffing services	**11,386,054**	7,231,486	**(5,333,545)**	(19,838,477)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**250,874**	198,867	**122,870**	157,914	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposit	**–**	–	**(421,744)**	(421,744)	Refundable upon end of contract	Unsecured
STI Diamond						
Reimbursement for various expenses and other charges	**–**	–	**(59,319,426)**	(59,511,839)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Officers and employees						
Receivables for various transactions	**13,434,673**	13,090,178	**36,601,845**	36,078,187	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Facility sharing and other charges	**–**	**–**	**591,672**	653,986	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advertising and promotion charges	**–**	100,000	–	–	30 days upon receipt of billings; noninterest-bearing	Unsecured
			₱89,858,934	₱74,079,125		

**Affiliates are entities under common control of a majority shareholder*

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:

	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)
Deposit for purchase of shares (see Note 15)	**₱60,484,800**	₱60,484,800
Advances to associates and joint venture (see Note 13)	**48,134,540**	48,134,540
Receivables from officers and employees (see Note 6)	**36,601,845**	36,078,187
Rent, utilities and other related receivables (see Note 6)	**14,392,725**	11,180,256
Educational services and sale of educational materials and supplies (see Note 6)	**974,688**	892,949
Accounts payable (see Note 16)	**(11,410,238)**	(23,179,768)
Due to an affiliate (see note 16)	**(59,319,426)**	(59,511,839)
	₱89,858,934	₱74,079,125

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

Category	Amount of Transactions during the Period		Outstanding Receivable (Payable)		Terms	Conditions
	September 30, 2024 (Unaudited)	September 30, 2023 (Unaudited)	**September 30, 2024 (Unaudited)**	June 30, 2024 (Audited)		
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	**6,382,311**	7,578,929	**6,200,262**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	**1,319,417**	1,999,694	**1,319,417**	–	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

Material Related Party Transactions Policy

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

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

The table below shows the summary of net income and weighted average number of common shares outstanding used in the calculation of earnings per share:

	Three-months ended September 30	
	2024 (Unaudited)	2023 (Unaudited)
Net income attributable to equity holders of STI Holdings (a)	**₱261,137,900**	₱20,291,965
Common shares outstanding at beginning and end of period (b) (see Note 20)	**9,904,806,924**	9,904,806,924
Basic and diluted earnings per share on net income attributable to equity holders of STI Holdings (a)/(b)	**₱0.026**	₱0.002

The basic and diluted earnings per share are the same for the three-month periods ended September 30, 2024, and 2023 as there are no dilutive potential common shares.

27. Contingencies and Commitments

Contingencies

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

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

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

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

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

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

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

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

Consequently, the Parent Company recognized the Quezon City properties and the Davao property as "Investment properties". On June 24, 2021, the Parent Company's BOD approved the sale of the Quezon City dacion properties to a potential buyer and reclassified these as noncurrent asset held for sale as these properties have not been used in business since its receipt (see Notes 10 and 12). The Davao property remained as 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 November 19, 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 November 19, 2024, the Court of Appeals has not issued its decision on the said Motion for Reconsideration.

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 CHED 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.

As at November 19, 2024, the Supreme Court has yet to issue the appropriate Resolution on the said Petition insofar as whether to dismiss the same or require STI ESG to file a Comment to the Plaintiffs' Petition for Review.

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.

The Supreme Court issued an Entry of Judgment, which declared the dismissal of the plaintiff's Petition to be final and executory.

On November 4, 2024, STI ESG received a Notice from the Trial Court, which informed the parties that the records of the case have been remanded to said court.

Based on these circumstances, STI ESG will file a Motion for Execution and issuance of Writ of Execution for the Plaintiff to pay the amount of ₱0.3 million as attorney's fees plus cost of suit as provided in the Decision dated January 16, 2020.

e. 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.

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

Commitments

a. Financial Commitments

STI ESG has ₱65.0 million domestic bills purchase lines from various local banks as at September 30, 2024 and June 30, 2024, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks, on which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at September 30, 2024 and June 30, 2024, there is no outstanding availment from these lines.

b. Capital Commitments

As of September 30, 2024 and June 30, 2024, STI ESG's significant contractual commitments include: (1) construction of the new building in STI Ortigas-Cainta campus, (2) learning classroom expansion for some schools owned and operated by STI ESG, (3) renovation and rehabilitation project of STI ESG's Tanay property, (4) construction of a three-storey building at STI Lipa, (5) installation of solar panels, and (6) lot acquisition.

STI ESG has an ongoing project to put up a new school building within the STI Ortigas-Cainta campus. The total contract for this project amounts to ₱217.3 million, with ₱180.4 million and ₱129.1 million already disbursed as at September 30, 2024 and June 30, 2024, respectively.

As at September 30, 2024, the learning classroom expansion projects for several STI ESG schools have a total cost of ₱117.6 million of which payments aggregating to ₱87.7 million and ₱55.9 million have been made as at September 30, 2024 and June 30, 2024, respectively.

The renovation and rehabilitation works at STI ESG's Tanay property has a total contract cost of ₱29.1 million. Total disbursements for this project amounted to ₱26.2 million and ₱21.5 million as at September 30, 2024 and June 30, 2024, respectively.

The construction of a three-storey building at STI Lipa is in full swing. This project has a total contract cost of ₱40.0 million, of which payments aggregating to ₱34.0 million and ₱19.3 million have been made as at September 30, 2024 and June 30, 2024, respectively.

Furthermore, STI ESG has ventured into sustainable initiatives, particularly in solar energy projects. The installation of solar panels, including the roof deck waterproofing activities, at its STI Ortigas-Cainta campus has been completed on November 7, 2023. This project has a total cost of ₱16.7 million, of which ₱14.9 million has been paid as at September 30, 2024 and June 30, 2024. As at September 30, 2024, the Group likewise has completed several solar energy projects in various schools owned and operated by STI ESG. These projects have an aggregate cost of ₱18.5 million, of which ₱5.0 million has been paid as at September 30, 2024 and June 30, 2024.

STI ESG likewise has a contractual commitment with Avida amounting to ₱228.8 million, inclusive of 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, ₱126.7 million and ₱45.1 million have been settled as at September 30, 2024 and June 30, 2024, respectively. STI ESG likewise paid ₱9.2 million for taxes and other charges related to the sale in September 2024. The balance of ₱102.1 million is due sixteen (16) months after the execution of the Deed of Sale on Installments in September 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 as at September 30, 2024 and June 30, 2024. Of these, ₱328.9 million and ₱301.5 million have been paid as at September 30, 2024 and June 30, 2024, respectively.

iACADEMY has contractual commitments and obligations for the construction of its Yakal and Cebu Campus totaling ₱1,100.7 million as at September 30, 2024 and June 30, 2024. Of these, ₱1,033.9 million have been paid as at September 30, 2024 and June 30, 2024.

c. Others
   i. On December 13, 2023, STI ESG and Home Development and Mutual Fund (Pag-IBIG) entered into a memorandum of agreement on the implementation of Pag-IBIG Health and Education Loan Programs (Pag-IBIG HELPs). Under the loan program, the qualified Pag-IBIG member shall be able to pay his/her beneficiary's educational-related expenses to STI ESG at a special discount rate of 20.0% of the tuition fee, subject to the terms and conditions of the program as follows:

      - Entitled to the discount are Pag-IBIG Fund members and their immediate family members;

- The discount is applicable to tuition fees only of incoming college and senior high school students and transferees for tertiary programs and senior high tracks, and specializations; and
- The discount cannot be availed in conjunction with another promo/discount.

ii. On 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 1.0% 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.

iii. On March 17, 2021, STI ESG executed a Memorandum of Agreement (MOA) with DBP for the implementation of the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE). The program grants financial assistance to deserving students from the ranks of underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program starting SY 2020-2021, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. STI ESG and DBP executed a similar MOA in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled starting SY 2021-2022, SY 2022-2023, and SY 2023-2024.

28. Fair Value Information of Financial Instruments

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

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

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

Rental and Utility Deposits. The fair values of these instruments are computed based on the present value of future cash flows discounted using the prevailing BVAL reference rates 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.

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

Management believes that the fair values of deposits, bonds payable and other noncurrent liabilities as at September 30, 2024 do not significantly differ from the fair values of these financial instruments as at June 30, 2024.

29. Note to Unaudited Interim Condensed 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 ₱28.3 million and ₱14.6 million for the three-month periods ended September 30, 2024 and 2023, respectively. Termination of lease agreement accounted for under PFRS 16 for one of the schools owned and operated by STI ESG in 2024 resulting in the reversal of ROU asset and lease liability of ₱13.9 million (see Note 11).

b. Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounting to ₱76.6 million and ₱5.8 million for the three-month periods September 30, 2024 and 2023, respectively (see Notes 11 and 19).

c. Reclassification from "Other noncurrent assets", pertaining to advances to suppliers, to "Property and equipment" amounting to ₱6.3 million and ₱28.0 million for the three-month periods ended September 30, 2024 and 2023, respectively.

d. Reclassification from "Other noncurrent assets", pertaining to deposit for asset acquisition, to "Property and equipment" amounted to ₱20.4 million for the three-month period ended September 30, 2024 (see Notes 10 and 15).

e. Other Noncurrent Liability amounting to ₱102.1 million represents the outstanding installment balance of STI ESG for the acquisition of a parcel of land at South Park District, Alabang, Muntinlupa City. This liability is due sixteen (16) months after the Deed of Sale on Installments was executed in September 2024 (see Notes 11 and 19).

30. **Changes in Liabilities Arising from Financing Activities**

	July 1, 2024	**Cash Flows**	**Reclassified as Current**	**New/Renewed Leases**[2]	**Interest Expense**[1]	**Gain on Early Extinguishment of Loan**	**September 30, 2024**
Current portion of interest-bearing loans and borrowings	**₱536,274,021**	**(₱270,000,000)**	**₱269,025,358**	**₱–**	**928,621**	**₱–**	**₱536,228,000**
Bonds payable	**814,967,275**	**–**	**–**	**–**	**423,980**	**–**	**815,391,255**
Interest-bearing loans and borrowings - net of current portion	**1,549,840,391**	**–**	**(269,025,358)**	**–**	**–**	**–**	**1,280,815,033**
Lease liabilities	**490,073,264**	**(43,517,439)**	**–**	**14,410,348**	**9,178,361**	**–**	**470,144,534**
Dividends payable	**30,302,513**	**(53,280)**	**–**	**–**	**–**	**–**	**30,249,233**
Interest payable[1]	**49,507,925**	**(99,255,371)**	**–**	**–**	**55,557,171**	**–**	**5,809,725**
	₱3,470,965,389	**(₱412,826,090)**	**₱–**	**₱14,410,348**	**₱66,088,133**	**₱–**	**₱3,138,637,780**

[1]*Interest expense is inclusive of amortization of deferred finance charges.*
[2]*Net of lease termination.*

	July 1, 2023	Cash Flows	Reclassified as Current	New/Renewed Leases	Interest Expense	Gain on Early Extinguishment of Loan	September 30, 2023
Current portion of interest-bearing loans and borrowings	₱262,837,889	(₱252,095,662)	₱270,005,185	₱–	₱–	₱–	₱280,747,412
Bonds payable	2,988,422,984	–	–	–	2,054,843	–	2,990,477,827
Interest-bearing loans and borrowings - net of current portion	808,707,735	–	(270,005,185)	–	(95,861)	(3,076,465)	535,530,224
Lease liabilities	536,759,779	(41,878,671)	–	14,055,173	9,081,885	–	518,018,166
Dividends payable	27,411,219	–	–	–	–	–	27,411,219
Interest payable[1]	23,550,067	(80,083,688)	–	–	62,287,198	–	5,753,577
	₱4,647,689,673	(₱374,058,021)	₱–	₱14,055,173	₱73,328,065	(₱3,076,465)	₱4,357,938,425

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

31. **Other Matters**

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

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

On May 2, 2024, STI ESG entered into a Contract to Sell with PSBA Manila for the sale and purchase of a 3,000 square meter parcel of land located at Aurora Boulevard, Quezon City (referred to as the "Subject Property"). The 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 (10.0%) 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 November 19, 2024, the conditions precedent and regulatory approvals for the aforementioned agreements have not been fulfilled.

On May 30, 2024, STI ESG and PSBA executed a Management Agreement appointing STI ESG to manage the operations of PSBA schools with the goal of increasing enrollment as well as promoting PSBA as one of the leading educational institutions in the Philippines for accountancy and business programs. STI ESG shall provide the management services starting July 1, 2024 for PSBA Quezon City and starting August 1, 2024 for PSBA Manila. The management services will be for a period of three (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 November 19, 2024, STI Holdings has yet to receive the reply of PSBA.

STI EDUCATION SYSTEMS HOLDINGS, INC.

Financial Highlights and Key Performance Indicators

(in ₱ millions except margins, financial ratios and earnings per share)	September 30, 2024 (Unaudited)	June 30, 2024 (Audited)	Increase (Decrease) Amount	%
Condensed Consolidated Statements of Financial Position				
Cash and cash equivalents	2,087.7	1,855.5	232.2	12.5
Current assets	5,450.9	3,679.2	1,771.7	48.2
Noncurrent assets	12,073.9	11,762.6	311.3	2.6
Total assets	17,524.8	15,441.8	2,083.0	13.5
Current liabilities	3,745.8	1,770.5	1,975.3	111.6
Noncurrent liabilities	2,889.1	3,098.9	(209.8)	(6.8)
Total liabilities	6,634.9	4,869.4	1,765.5	36.3
Equity attributable to equity holders of the Parent Company	10,788.2	10,481.1	307.1	2.9
Financial ratios				
Debt-to-equity ratio (1)	0.41	0.44	(0.03)	(6.8)
Current ratio (2)	1.46	2.08	(0.62)	(29.8)
Asset–to-equity ratio (3)	1.61	1.46	0.15	10.3

	(Unaudited)			
	Three months ended September 30		Increase (Decrease)	
	2024	2023	Amount	%
Condensed Consolidated Statements of Income				
Revenues	1,037.7	650.6	387.1	59.5
Direct costs (4)	331.5	272.9	58.6	21.5
Gross profit	706.2	377.7	328.5	87.0
Operating expenses	420.9	358.7	62.2	17.3
Operating income	285.3	19.0	266.3	1,401.6
Other income – net	6.9	-	6.9	-
Income before income tax	292.2	19.0	273.2	1,437.9
Net income	263.2	19.8	243.4	1,229.3
EBITDA (5)	474.1	192.5	281.6	146.3
Core income (6)	262.9	3.7	259.2	7,005.4
Net income attributable to equity holders of the Parent Company	261.1	20.3	240.8	1,186.2
Earnings per share (7)	0.026	0.002	0.024	1,200.0

	(Unaudited)			
	Three months ended September 30		Increase (Decrease)	
	2024	2023	Amount	%
Condensed Statements of Cash Flows				
Net cash from operating activities	876.4	834.9	41.5	5.0
Net cash used in investing activities	(231.3)	(132.8)	(98.5)	74.2
Net cash used in financing activities	(412.8)	(374.1)	(38.7)	10.3
Effect of foreign exchange rate changes on cash and cash equivalents	(0.1)	13.7	(13.8)	(100.7)

Financial Soundness Indicators

	(Unaudited)			
	As at/Three months ended September 30		Increase (Decrease)	
	2024	2023	Amount	%
Liquidity Ratios				
Current ratio [2]	1.46	1.01	0.45	45.1
Quick ratio [8]	1.09	0.75	0.34	44.7
Cash ratio [9]	0.56	0.43	0.13	30.2
Solvency ratios				
Debt-to-equity ratio [1]	0.41	0.58	(0.17)	(28.7)
Asset-to-equity ratio [3]	1.61	1.81	(0.20)	(11.0)
Interest coverage ratio [11]	14.66	9.07	5.59	61.5
Debt service cover ratio [10]	3.77	0.62	3.15	508.1
Profitability ratios				
EBITDA margin [12]	46%	30%	16%	53.3
Gross profit margin [13]	68%	58%	10%	17.1
Operating profit margin [14]	27%	3%	24%	823.3
Net profit margin [15]	25%	3%	22%	723.4
Return on equity (annualized) [16]	10%	1%	9%	1,026.0
Return on assets (annualized) [17]	6%	0%	6%	-

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

[2] Current ratio is measured as current assets divided by current liabilities.

[3] Asset-to-equity ratio is measured as total assets divided by total equity.

[4] Direct costs is calculated by adding the costs of educational services and educational materials and supplies sold.

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

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

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

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

[9] Cash ratio is measured as cash and cash equivalents divided by current liabilities.

[10] Debt service cover ratio is measured as EBITDA for the last twelve months divided by total principal and interest due in the next twelve months (see Note 17 of the unaudited condensed interim consolidated financial statements)

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

[12] EBITDA margin is measured as EBITDA divided by total revenues.

[13] Gross profit margin is measured as gross profit divided by total revenues

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

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

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

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

STI Education Systems Holdings, Inc.
Aging of receivables
As at September 30, 2024

Type of Accounts Receivable	Total	0-30 days	31-60 days	61-90 days	over 90 days
Current Receivables	1,991,650,468	1,629,389,154	76,961,798	23,057,792	262,241,724
	1,991,650,468	1,629,389,154	76,961,798	23,057,792	262,241,724

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

ANNEX "B"

STI EDUCATION SYSTEMS HOLDINGS, INC.

<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>

OVERVIEW

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

- STI ESG was incorporated on June 2, 1983. It began with a goal of training as many Filipinos as possible in computer programming and addressing the information technology (IT) education needs of the Philippines. Starting as a training center, STI ESG initially offered short-term computer programming courses that were patterned to satisfy the demand of college graduates and working professionals who wanted to learn more about emerging computer technology.

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

  Over the years, STI ESG began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, STI ESG was granted a permit by the Commission on Higher Education (CHED) to operate colleges and roll out four-year college programs starting with a Bachelor of Science (BS) degree in Computer Science. STI ESG then slowly diversified its programs beyond Information and Communications Technology (ICT) by introducing new programs in the fields of Business and Management, Accountancy, Engineering, Education, Hospitality Management, Tourism Management, and Arts and Sciences. STI ESG is also offering Senior High School (SHS) while select schools in the STI ESG network offer Junior High School (JHS). In School Year (SY) 2022-2023, STI ESG began offering Bachelor of Arts in Psychology and Bachelor of Science in Criminology in certain schools in the network. STI ESG is 98.7% owned by STI Holdings.

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

On November 29, 2023, the Board of Directors (BOD) of STI Quezon Avenue approved the amendments in its Articles of Incorporation and By-Laws as follows: (1) change of its corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," (2) have perpetual existence, and (3) change of its fiscal year to beginning on July 1 of each year and ending on June 30 of the following year, among others. On November 12, 2024, the SEC approved the change of corporate name from "STI College Quezon Avenue, Inc." to "STI Colleges of Rizal, Inc.," along with the aforementioned amendments.

As at November 19, 2024, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 37 schools while franchisees operate 26 schools.

STI ESG's total student capacity aggregates to 146,585 students, with 103,123 pertaining to owned schools and 43,462 for franchised schools.

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

  The university offers pre-elementary, elementary, junior and senior high school, tertiary and post-graduate courses. Tertiary courses include Engineering, Education, Criminology, Business courses such as Accountancy, Management Accounting, Business Administration, Retail Technology and Consumer Science, Hospitality and Tourism Management, and ICT. STI WNU also provides technical-vocational education training services under TESDA and operates a training center as well as an assessment center in relation to the said services. Post-graduate programs include Master's degrees in Business Administration, Public Administration and Education, and Doctorate degrees in Business Administration, Public Administration and Educational Management.

  In May 2024, the construction of the new School of Basic Education (SBE) building of STI WNU was completed with a total construction cost of ₱243.2 million. Standing on a 2,915 square meter property inside the STI WNU campus, this 4-storey building can accommodate up to 4,000 pre-elementary, elementary, junior and senior high school students.

  The entire campus of STI WNU has facilities that can accommodate 15,000 students.

  On September 16, 2024, CHED granted Autonomous status to STI WNU by virtue of CHED Memo 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.

On October 11, 2024, the BOD of STI WNU authorized the declaration of stock dividends equivalent to 2,000,000 common shares with an aggregate par value of ₱200.0 million to be taken from the unissued portion of STI WNU's authorized capital stock. The ₱200.0 million stock dividends will come from STI WNU's audited retained earnings as of June 30, 2024 and shall be payable to all stockholders of record as of September 30, 2024. This was approved by STI WNU's stockholders in its meeting held on November 14, 2024.

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

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

  In July 2021, iACADEMY's Computer Science program received Level 1 formal accreditation status from the Philippine Association of Colleges and Universities Commission on Accreditation, Inc. (PACUCOA), valid from 2021 through 2024.

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

  The first term of the first academic year of iACADEMY Cebu opened with a total of 89 students with 67% of the students enrolled in the Arts and Design programs (Animation and Multimedia Arts and Design). SY 2024-2025 opened with a total enrollment of 235 students resulting in a year-to-year growth rate of 164% with a 3rd-to-1st term migration rate of 96.7%.

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

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

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

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

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

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

With results showing iACADEMY as the top-performing school with an impressive passing rate of 94.83% in the Real Estate Brokers Licensure Examination held in April 2024, iACADEMY fortifies its position as the leading institution in real estate management education. In June 2024, iACADEMY received a Certificate of Recognition as the Top Performing School in the April 2024 Real Estate Brokers Licensure Examination from the Professional Regulation Commission and Professional Regulatory Board of Real Estate Service. In the Real Estate Appraisers Licensure Examination held in August 2024, iACADEMY obtained an overall passing rate of 97.62%, with 11 of its graduates landing top ranks.

In August 2024, iACADEMY's Psychology Program showed promising results with its first batch of takers of the Board Licensure Examination for Psychometricians (BLEP) achieving a 66.7% passing rate. This accomplishment highlights the program's solid foundation and commitment to producing skilled graduates prepared for licensure in psychology.

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

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

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

STUDENT POPULATION

The enrollment figures of the Group for SY 2024-2025 indicate a robust increase of 15% as the Group's student count for SY 2024-2025 reached 138,060 compared to 119,543 enrollees in SY 2023-2024. In SY 2024-2025, the total count of new students reached 55,052, almost at par with the new student enrollees in SY 2023-2024. Furthermore, enrollment in programs regulated by CHED registered an impressive 20% increase to more than 100,000 students compared to more than 83,000 enrollees in SY 2023-2024.

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

	SY 2024-2025	**SY 2023-2024**	**Increase (Decrease)**	
			Enrollees	Percentage
STI ESG				
Owned schools	84,122	71,782	12,340	17%
Franchised schools	37,252	32,200	5,052	16%
	121,374	103,982	17,392	17%
STI WNU	14,503	13,328	1,175	9%
iACADEMY	2,183	2,233	(50)	(2%)
Total Enrollees	**138,060**	**119,543**	**18,517**	**15%**

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

- CHED - students under this group are enrolled in tertiary programs. This category likewise includes students of STI WNU enrolled in post-graduate studies;
- TESDA - students under this group are enrolled in technical-vocational programs; and
- DepEd – pertains to students in primary and secondary education, including JHS and SHS.

	SY 2024-2025			
	CHED	**TESDA**	**DEPED***	**TOTAL**
STI ESG	86,447	1,760	33,167	121,374
STI WNU	11,833	-	2,670	14,503
iACADEMY	1,881	-	302	2,183
Total	**100,161**	**1,760**	**36,139**	**138,060**
Proportion of CHED:TESDA:DepEd	**73%**	**1%**	**26%**	**100%**

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

* *STI ESG DepEd count includes 32,501 SHS students and 666 JHS students in SY 2024-2025 and 30,674 SHS students and 467 JHS students in SY 2023-2024. For iACADEMY, this represents SHS students, while for STI WNU, the count represents 1,968 SHS students and 702 students enrolled in pre-elementary to JHS in SY 2024-2025 and 2,490 SHS students and 668 students enrolled in pre-elementary to JHS in SY 2023-2024.*

For SY 2024-2025, classes across all levels started on August 12, 2024 for both STI ESG and STI WNU. Classes are held onsite across all levels. Meanwhile, classes started on September 5, 2024 for STI WNU's School of Graduate Studies (SGS). Classes of iACADEMY's SHS and tertiary students commenced on August 8, 2024 and August 27, 2024, respectively.

For SY 2023-2024, classes started on August 29, 2023 for both STI ESG and STI WNU, except for STI WNU's SGS which began classes on September 2, 2023. iACADEMY started classes for SHS and tertiary students on August 3, 2023 and August 29, 2023, respectively.

The Group continuously ensures adherence to the guidelines set by CHED, DepEd, local government units (LGUs), and all pertinent agencies that have released information on the conduct of face-to-face classes.

FINANCIAL REVIEW

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

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

I. RESULTS OF OPERATIONS

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

For the three-month period ended September 30, 2024, the Group generated gross revenues of ₱1,037.7 million, higher by 59% or ₱387.0 million from the same period last year of ₱650.7 million. The increase was primarily driven by the 15% increase in the total number of students of the Group and the earlier start of classes for SY2024-2025 for most of the schools in the Group. Gross profit likewise increased by ₱328.5 million or 87% year-on-year.

The Group recorded an operating income of ₱285.3 million for the three-month period ended September 30, 2024 as against ₱19.0 million for the same period last year. Net income after income tax amounted to ₱263.2 million this quarter, 1,233% higher than the ₱19.8 million recorded for the three-month period ended September 30, 2023.

EBITDA, computed as earnings before interest expense, interest income, provision for/benefit from income tax, depreciation and amortization, gain/loss on foreign exchange differences, equity in net earnings/losses of associates and joint venture, gain/loss on equity instruments at fair value through profit or loss (FVPL), and nonrecurring gains/losses such as gain on early extinguishment of loan and gain on termination of lease, is ₱474.1 million for the three-month period ended September 30, 2024, an increase of ₱281.6 million from ₱192.5 million registered during the same period last year. Depreciation and interest expenses for purposes of this computation exclude those related to right-of-use (ROU) assets and lease liabilities, respectively. EBITDA margin for the three-month period ended September 30, 2024 is 46% compared to 30% for the same period last year.

II. FINANCIAL CONDITION

The Group's total assets as at September 30, 2024 amounted to ₱17,524.8 million, 14% or ₱2,083.0 million higher than the ₱15,441.8 million balance as at June 30, 2024. This increase was primarily driven by the ₱1,524.7 million increase in receivables and the ₱310.4 million net increase in property and equipment.

Condensed Consolidated Statements of Financial Position

	Sept. 30,	June 30,	Increase (Decrease)	
(Amounts in Peso millions)	2024	2024	Amount	%
Total Current Assets	5,450.9	3,679.2	1,771.7	48%
Total Noncurrent Assets	12,073.9	11,762.6	311.3	3%
Total Assets	17,524.8	15,441.8	2,083.0	14%
Total Current Liabilities	3,745.8	1,770.5	1,975.3	112%
Total Noncurrent Liabilities	2,889.1	3,098.9	(209.8)	(7%)
Total Liabilities	6,634.9	4,869.4	1,765.5	36%
Total Equity	10,889.9	10,572.4	317.5	3%
Total Liabilities and Equity	17,524.8	15,441.8	2,083.0	14%

Cash and cash equivalents increased by 13% or ₱232.2 million from ₱1,855.5 million to ₱2,087.7 million as at June 30, 2024 and September 30, 2024, respectively, primarily attributable to the Group's profitable operations and improved collection efficiency.

Total receivables balance is up by ₱1,524.7 million from ₱466.9 million as at June 30, 2024 to ₱1,991.6 million as at September 30, 2024. Receivables from students increased by ₱1,132.6 million from ₱418.1 million to ₱1,550.7 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱412.1 million as at September 30, 2024, posting an increase of ₱395.5 million from ₱16.6 million as at June 30, 2024.

Prepaid expenses and other current assets increased by ₱25.6 million or 15%, from ₱170.8 million to ₱196.4 million as at September 30, 2024 primarily driven by higher prepaid insurance and other prepaid expenses, which were partially offset by decreases in prepaid taxes and advances to suppliers.

Property and equipment increased by ₱310.4 million from ₱9,926.2 million as at June 30, 2024 to ₱10,236.6 million as at September 30, 2024, substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG. STI WNU's property and equipment increased by ₱26.4 million, net of depreciation expenses for the period, substantially due to the construction of the university canteen, a kitchen for the College of Hotel and Tourism Management and other construction and rehabilitation projects and the acquisition of office furniture and fixtures, computers and other school equipment.

Deferred tax assets (DTA) increased by ₱30.6 million from ₱43.0 million as at June 30, 2024 to ₱73.6 million as at September 30, 2024, largely representing taxes due on tuition and other school fees collected in advance. In accordance with statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Total current liabilities increased by ₱1,975.3 million to ₱3,745.8 million as at September 30, 2024 from ₱1,770.5 million as at June 30, 2024, mainly due to the ₱1,969.1 million increase in unearned tuition and other school fees from ₱179.6 million to ₱2,148.7 million as at June 30, 2024 and September 30, 2024, respectively. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Total noncurrent liabilities decreased by ₱209.8 million to ₱2,889.1 million as at September 30, 2024 from ₱3,098.9 million as at June 30, 2024 attributed to the reclassification of the portion of noncurrent interest-bearing loans and borrowings due within the next twelve months to current interest-bearing loans and borrowings.

Total equity increased by ₱317.5 million substantially due to the net income and the actuarial gains on pension liabilities recognized by the Group for the three-month period ended September 30, 2024. The cost of shares held by a subsidiary posted a ₱22.9 million movement as STI ESG sold a portion of its shares in the Parent Company aggregating to 23 million shares.

Consequently, STI ESG's equity interest in STI Holdings has been reduced from 5.05% to 4.82% as at September 30, 2024.

III. TOP 5 KEY PERFORMANCE INDICATORS

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

		As at/Three months ended September 30		
		2024	**2023**	**Remarks**
EBITDA margin	EBITDA divided by total revenues	46%	30%	EBITDA margin improved in 2024 as compared to the same period in 2023 mainly due to the increase in revenues arising from the earlier start of SY 2024-2025 and the higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	68%	58%	Gross profit margin improved due to economies of scale, as revenues increased at a faster rate than costs.
Return on equity (ROE)	Net income attributable to equity holders of the Parent Company (annualized) divided by average equity attributable to equity holders of the Parent Company	10%	1%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate. ROE is expected to be lower in the first quarter of both fiscal years, reflecting the Group's seasonality of operations.
Current Ratio	Current assets divided by current liabilities	1.46	1.01	Current ratio improved due to the Group's profitable operations and improved collection efficiency.
Debt-to-equity ratio (D/E ratio)	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.41	0.58	D/E ratio improved due to the redemption by STI ESG of its Series 7Y bonds and the prepayment made by STI ESG on its Corporate Notes Facility.

STI ESG monitors its financial covenants in accordance with the provisions under its loans and trust Agreements.

		As at/Year ended June 30, 2024	Remarks
Debt-to-equity ratio (D/E ratio)[1]	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.59	D/E ratio improved from 0.79 in June 2023 due to principal payments made by STI ESG on its Term Loans and the full redemption of the series 7-year bonds in March 2024.
Debt service cover ratio (DSCR)[2]	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	2.39	The minimum DSCR set by management, the lender banks, and STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest due within the next 12 months (see note below).
Interest Coverage ratio (ICR)[3]	EBITDA for the immediately preceding twelve months divided by interest due in the next twelve months	9.37	ICR is well within the threshold set under the Second Supplemental Trust Agreement.

[1] D/E ratio under the Term Loan Agreements with Chinabank, and Metrobank must not exceed 1.50:1.00, while D/E ratio under the Term Loan Agreement with BPI must not be more than 2.50:1.00.

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

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

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the aforementioned financial covenants, following the respective agreements, as at June 30, 2024 (see Notes 17 and 18) of the unaudited interim condensed consolidated financial statements).

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by 13% or ₱232.2 million from ₱1,855.5 million to ₱2,087.7 million as at June 30, 2024 and September 30, 2024, respectively, primarily attributable to the Group's profitable operations and improved collection efficiency. The Group generated cash from operating activities aggregating to ₱876.4 million during the three-month period ended September 30, 2024. The collection of tuition and other school fees during the three-month period ended September 30, 2024 was the primary contributor to the increase in net cash generated from operating activities. These funds were utilized to pay the second installment for the acquisition of a parcel of lot located at South Park District, Alabang, Muntinlupa City, and the contractor for the new building construction at STI Ortigas-Cainta. Net cash used in financing activities amounted to ₱412.8 million, substantially representing scheduled principal payments of STI ESG's term loans with Chinabank, BPI and Metrobank aggregating to ₱270.0 million. This likewise includes interest payments for STI ESG's term loans and bond issue aggregating to ₱99.3 million during the three-month period ended September 30, 2024.

Total receivables balance is up by ₱1,524.7 million from ₱466.9 million as at June 30, 2024 to ₱1,991.6 million as at September 30, 2024. Receivables from students increased by ₱1,132.6 million from ₱418.1 million to ₱1,550.7 million, largely pertaining to tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s). Outstanding receivables from DepEd for the SHS qualified vouchers, substantially pertaining to the current school year, amounted to ₱412.1 million as at September 30, 2024, posting an increase of ₱395.5 million from ₱16.6 million as at June 30, 2024. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students who are enrolled in a "non-DepEd SHS." A non-DepEd SHS refers to an educational provider not directly operated by DepEd but granted by DepEd with a permit or government recognition to operate SHS. This includes private schools, private colleges and universities; state universities and colleges (SUCs), local universities and colleges (LUCs); and technical and vocational institutions offering SHS. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱14,000 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee (PEAC), facilitates the transfer of funds to the participating schools.

Receivables related to DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) amounted to ₱1.7 million and ₱2.2 million as at September 30, 2024 and June 30, 2024, respectively. DBP RISE covers: (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure which is determined at the beginning of the first term of the course or program; and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱2.4 million as at September 30, 2024 and June 30, 2024. Under the Universal Access to Quality Tertiary Education Act (UAQTEA) or RA No. 10931, and its Implementing Rules and Regulations (IRR), students enrolled in select private HEIs and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expenses. Additional benefits are likewise given to persons with disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled. In July 2023, UniFast issued Memorandum Circular No. 5 for the allocation of funds for new TES grants. The circular provides, among others, that the new TES grantees for the first semester of SY 2023-2024 shall receive ₱20.0 thousand per school year or ₱10.0 thousand per semester to cover the full or partial cost of tuition and other school fees. New TES grantees who are PWDs shall receive an additional subsidy of ₱10.0 thousand per school year or ₱5.0 thousand per semester.

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

Receivables related to educational services and sale of educational materials and supplies amounted to ₱95.5 million as at September 30, 2024, higher by ₱33.2 million from ₱62.3 million balance as at June 30, 2024. This account comprises receivables from franchised schools for the educational services rendered by STI ESG and receivables for educational materials and supplies sold to franchised schools. The increase in receivables largely represents receivables on network charges related to the use of eLearning Management System, Microsoft License subscriptions, among others, and sale of uniforms and prowares during the three-month period ended September 30, 2024. These receivables from franchised schools are expected to be settled within 30 days from the invoice date.

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 ₱227.4 million as at June 30, 2024 to ₱279.7 million as at September 30, 2024 due to the provision for ECL recognized during the three-month period.

Inventories decreased by 8% or ₱11.9 million from ₱157.1 million to ₱145.2 million as at June 30, 2024 and September 30, 2024, respectively, mainly due to the sale of uniforms during the three-month period.

Prepaid expenses and other current assets increased by ₱25.6 million or 15%, from ₱170.8 million to ₱196.4 million as at September 30, 2024, substantially attributed to the increase in prepaid insurance and other prepaid expenses, partially offset by the lower balance of advances to suppliers and prepaid taxes as at September 30, 2024. Prepaid insurance increased by ₱16.2 million from ₱6.3 million to ₱22.5 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money securities payroll and fidelity insurance, and health insurance coverage for employees. The premiums related to these insurance coverages were settled in advance and are recognized as expenses over the respective periods of the insurance coverages, which are normally within one year from the beginning of the current fiscal year. Other prepaid expenses as of September 30, 2024, primarily consist of prepayments for tickets and venue rental for the National Talent Search competition, scheduled on November 22, 2024, for the entire STI ESG and STI WNU network. Prepaid taxes decreased from ₱38.7 million to ₱33.4 million as of June 30, 2024 and September 30, 2024, respectively, as creditable withholding taxes were applied to income tax due. Advances to suppliers decreased from ₱28.4 million to ₱25.1 million primarily due to the completion of deliveries and full payment of certain purchase orders for student uniforms for SY 2024-2025 during the three-month period ended September 30, 2024.

The carrying value of the equity instruments designated at fair value through profit or loss (FVPL) amounted to ₱5.90 per share or an aggregate of ₱9.1 million as at September 30, 2024 compared to ₱5.25 per share or an aggregate value of ₱8.1 million as at June 30, 2024. These equity instruments pertain to STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the PSE. Dividends received from this investment amounted to ₱0.2 million for both the three-month periods ended September 30, 2024 and 2023.

Property and equipment increased by ₱310.4 million from ₱9,926.2 million as at June 30, 2024 to ₱10,236.6 million as at September 30, 2024, substantially attributed to STI ESG's acquisition of a parcel of lot in Alabang, Muntinlupa City and construction of new buildings, solar panel installation, classroom expansion, and various renovation and rehabilitation projects in schools owned and operated by STI ESG. STI WNU's property and equipment increased by ₱26.4 million, net of depreciation expenses for the period, substantially due to the construction of the university canteen, a kitchen for the College of Hotel and Tourism Management and other construction and rehabilitation projects and the acquisition of office furniture and fixtures, computers and other school equipment.

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

Investments in and advances to associates and joint venture went up by 8% or ₱1.6 million due to the Group's equity share in the earnings of an associate for the three-month period ended September 30, 2024.

Deferred tax assets (DTA) increased by ₱30.6 million from ₱43.0 million as at June 30, 2024 to ₱73.6 million as at September 30, 2024, largely representing DTA recognized on tuition and other school fees collected in advance. In accordance with statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

Total current liabilities increased by ₱1,975.3 million to ₱3,745.8 million as at September 30, 2024 from ₱1,770.5 million as at June 30, 2024, mainly due to the ₱1,969.1 million increase in unearned tuition and other school fees from ₱179.6 million to ₱2,148.7 million as at June 30, 2024 and September 30, 2024, respectively. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

Accounts payable and other current liabilities decreased by ₱33.4 million from ₱942.4 million to ₱909.0 million as at June 30, 2024 and September 30, 2024, respectively, largely due to payments made to various suppliers and contractors of ongoing and recently completed construction and renovation projects and decrease in accrued expenses. Accrued expenses for commencement costs and other student activities, decreased by ₱17.4 million, reflecting payments made to suppliers during the three-month period ended September 30, 2024. Accrued interest payable decreased by ₱43.7 million due to payments made by STI ESG.

Unearned tuition and other school fees increased substantially by ₱1,969.1 million from ₱179.6 million as at June 30, 2024 to ₱2,148.7 million as at September 30, 2024. These unearned revenues will be recognized as income over the remaining months of the related school term(s).

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

Current portion of lease liabilities declined by ₱9.0 million from ₱86.9 million as at June 30, 2024 to ₱77.9 million as at September 30, 2024 due to payments made during the three-month period, net of reclassification to current portion of lease obligations due within the next twelve months. Noncurrent portion of lease liabilities decreased by ₱10.9 million from ₱403.2 million as at June 30, 2024 to ₱392.3 million as at September 30, 2024. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the consolidated financial statements of the Group following the adoption of PFRS 16, *Leases*.

Income tax payable amounted to ₱74.0 million as at September 30, 2024, mainly representing income tax due on the taxable income for the three-month period ended September 30, 2024 of STI WNU, iACADEMY, STI ESG and some of its subsidiaries. Income tax due on the taxable income of the Parent Company was covered by its tax credits.

Pension liabilities declined by 20% or ₱25.6 million from ₱129.8 million to ₱104.2 million as at June 30, 2024 and September 30, 2024, respectively, representing remeasurement adjustments forming part of STI ESG's pension assets for the three-month period ended September 30, 2024. This decrease was partially offset by the pension expense recognized for the three-month period ended September 30, 2024.

Other noncurrent liabilities increased by ₱94.7 million from ₱90.7 million to ₱185.4 million. The balance as at September 30, 2024 substantially pertains to STI ESG's payable for the acquisition of a parcel of lot in Alabang, Muntinlupa City amounting to ₱102.0 million. This amount is due on the 16th month after the execution of the Deed in September 2024. This was partially offset by the reclassification of the deposit for future stock subscription amounting to

₱8.0 million which was previously classified under the noncurrent liability section. This deposit for future stock subscription to STI Training Academy was reclassified from liability to equity section as part of noncontrolling interest, having met the required conditions for classification under the equity section.

Total equity increased by ₱317.5 million substantially due to the net income and the actuarial gains on pension liabilities recognized by the Group for the three-month period ended September 30, 2024. The cost of shares held by a subsidiary posted a ₱22.9 million movement as STI ESG sold a portion of its shares in the Parent Company amounting to 23 million shares. Consequently, STI ESG's equity interest in STI Holdings has been reduced from 5.05% to 4.82% as at September 30, 2024.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

Total revenues reached ₱1,037.7 million during the three-month period ended September 30, 2024, higher by 60% or ₱387.1 million more than the ₱650.6 million generated during the same period last year. The increase was primarily driven by the 15% increase in the total number of students of the Group and the earlier start of classes for SY2024-2025 for most of the schools in the Group.

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended September 30		Increase (Decrease)	
(Amounts in Peso millions)	**2024**	**2023**	Amount	%
Revenues	1,037.7	650.6	387.1	60%
Costs and expenses	752.4	631.6	120.8	19%
Operating income	285.3	19.0	266.3	1,399%
Other income	6.9	-	6.9	-
Income before income tax	292.2	19.0	273.2	1,434%
Provision for (benefit from) income tax	29.0	(0.8)	29.8	(3,725%)
Net income	263.2	19.8	243.4	1,233%
Other comprehensive income	21.3	3.2	18.1	564%
Total Comprehensive Income	284.5	23.0	261.5	1,139%

Tuition and other school fees amounted to ₱878.0 million for the three-month period ended September 30, 2024, 74% or ₱372.6 million more than tuition fees generated for the same period last year. This increase is primarily due to the earlier start of classes for SY2024-2025 for STI WNU and the schools within the STI ESG network, which began on August 12, compared to August 29 for the previous year. This timing difference has substantially contributed to the higher revenues of the Group for the three-month period ended September 30, 2024. The Group registered a significant enrollment growth of 15% for SY 2024-2025 reaching over 138,000 students up from nearly 120,000 enrollees in SY 2023-2024. New students enrolled in CHED programs increased by 7% from 34,274 in SY 2023-2024 to 36,827 in SY 2024-2025. Furthermore, enrollment in programs regulated by CHED registered an impressive 20% increase to over 100,000 in SY 2024-2025 compared to enrollment in SY 2023-2024 of over 83,000 students. As CHED programs generate higher revenues per student, this increase further bolsters the Group's financial performance for the period.

Revenues from educational services and royalty fees both increased by 26% attributed to the increase in the student population of franchised schools for SY 2024-2025. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues increased by ₱4.8 million or 15% compared to the same period last year from ₱31.2 million to ₱36.0 million for the three-month period ended September 30, 2024, concomitant with the higher number of students this year. Similarly, the subscription costs for the Microsoft licenses increased due to a change in the subscription package—from Microsoft Office 365 A1 Plus to Microsoft Office 365 A3. This upgrade or higher-tier plan provides additional features and capabilities resulting in a higher per-user cost. The amounts billed to the franchised schools are taken up as part of "Other Revenues" while the related costs are reported as part of "Other Direct Expenses."

The revenues generated from the sale of educational materials and supplies amounted to ₱60.1 million for the three-month period ended September 30, 2024, compared to ₱63.8 million for the same period last year. Sales for both periods were primarily driven by uniform and proware items. The decline is due to timing differences as some of the student uniforms were distributed as early as the last quarter ended June 30, 2024 compared to last year wherein some sales transactions were completed during the first quarter of SY 2023-2024. The cost of educational materials and supplies sold amounted to ₱50.1 million and ₱45.8 million for the three-month periods ended September 30, 2024 and 2023, respectively.

The cost of educational services increased by ₱54.2 million from ₱227.1 million for the three-month period ended September 30, 2023 to ₱281.3 million for the three-month period ended September 30, 2024. This increase is primarily attributed to higher instructors' salaries and benefits, as well as higher expenditures related to student activities and programs. The substantial increase in these costs is primarily attributed to the growing student population.

Instructors' salaries and benefits are up by ₱35.3 million from ₱93.9 million to ₱129.2 million year-on-year. This is due to the earlier start of classes for SY 2024-2025 compared to the previous year, and bigger faculty roster concomitant with the increase in student population.

Depreciation expense increased by ₱8.0 million from ₱87.6 million to ₱95.6 million for the three-month periods ended September 30, 2023 and 2024, respectively, due to depreciation recorded this period on STI ESG's completed construction projects, iACADEMY's Cebu campus, and STI WNU's new School of Basic Education (SBE) building. Expenses attributed to school activities and programs increased by ₱4.3 million from ₱3.6 million to ₱7.9 million for the three-month periods ended September 30, 2023 and 2024, respectively, driven by the increase in student population. This account also includes subscription costs for the use of the eLearning Management System, MS License, and Amadeus, which increased due to the larger student population. STI ESG also subscribed for access to e-books across various fields such as business, education, healthcare, engineering, and more. This subscription ensures that the schools within the STI network meet CHED's requirements for libraries and academic resources to maintain high standards in instruction, research, and student support. Other direct expenses also increased, largely attributed to student insurance expense which grew concomitant with the student population.

Gross profit improved from ₱377.7 million to ₱706.2 million for the three-month periods ended September 30, 2023 and 2024, respectively, primarily due to the earlier start of classes and higher enrollment. Similarly, gross profit margins improved from 58% to 68% year-on-year.

General and administrative expenses grew by 17% or ₱62.2 million from ₱358.7 million to ₱420.9 million for the three-month periods ended September 30, 2023 and 2024, respectively, largely attributed to expenses related to salaries and benefits, light and water, janitorial and security services, repairs and maintenance, provision for estimated credit losses and advertising and promotion expenses.

Salaries and benefits are higher by 10% or ₱10.0 million, amounting to ₱109.9 million for the three-month period ended September 30, 2024 compared with ₱99.9 million for the same period last year, due to salary adjustments granted to employees. Also, certain plantilla positions were filled up during the nine months ended September 30, 2024.

Light and water expenses are higher by ₱19.2 million or 57% year-on-year. This increase is net of cost savings from the solar power system installed at STI Ortigas-Cainta, which has a total capacity of 212 kilowatts. Similarly, outside services including security and janitorial services increased by ₱6.6 million or 19%. These increases are primarily attributed to the earlier start of SY 2024-2025 compared to the previous year and likewise due to higher student population. Some schools reported an uptick in the security and janitorial personnel to meet the growing demands, alongside increases in minimum wage rates charged by security and utility service providers.

The Group recognized a provision for ECL amounting to ₱52.3 million from the three-month period ended September 30, 2024, largely representing ECLs on outstanding receivables from students' tuition and other school fees as at September 30, 2024. This is higher by ₱9.5 million or 22% compared to ₱42.8 million for the three-month period ended September 30, 2023. This increase reflects the estimated credit losses on tuition and other school fees for SY 2024-2025. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned 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.

Advertising and promotions expenses rose by ₱7.9 million from ₱13.2 million to ₱21.1 million for the three-month periods ended September 30, 2023 and 2024, respectively, as online advertisements and promotions were intensified before the start of SY 2024-2025.

Professional fees amounted to ₱19.8 million for the three-month period ended September 30, 2024, higher by ₱1.1 million than that of the same period last year of ₱18.8 million.

Taxes and licenses expense increased by 56% from ₱8.5 million to ₱13.3 million for the three-month periods ended September 30, 2023 and 2024, respectively, reflecting the increase in local taxes concomitant with the increase in revenues.

Repairs and maintenance expenses rose by ₱2.3 million or 26% to ₱11.3 million from ₱9.0 million for the three-month periods ended September 30, 2024 and 2023, respectively, due to refurbishment of school facilities.

Association dues increased by 69% or ₱0.7 million from ₱1.0 million to ₱1.7 million for the three-month periods ended September 30, 2023 and 2024, respectively, representing dues paid by STI ESG for one of its investment properties, previously covered by its former lessee, whose lease contract ended in June 2024.

Meetings and conferences, office supplies, travel and representation expenses likewise increased by ₱0.4 million, ₱1.6 million, ₱0.4 million, and ₱0.2 million, respectively, driven by the Group's increasing student population and the Group's expanding business activities.

The Group generated an operating income of ₱285.3 million for the three-month period ended September 30, 2024, an improvement of ₱266.3 million or 1,399% from the ₱19.0 million operating income earned during the same period last year, driven by the higher revenues resulting from the earlier start of SY 2024-2025 compared to SY 2023-2024, as well as the higher number of students enrolled in SY 2024-2025. Operating income margin for the three-month period ended September 30, 2024 reached 28% compared to 3% for the same period last year. Operational efficiency was optimized due to efficient control of direct and administrative expenses and the advantage of increased operating leverage.

Interest expenses decreased by ₱6.8 million from ₱73.3 million for the three-month period ended September 30, 2023 to ₱66.5 million for the same period this year mainly due to the principal payments made by STI ESG on its Term Loan Facility with Chinabank in March 2024 and September 2024, and the full settlement of STI ESG's Corporate Notes Facility with Chinabank in September 2023. STI ESG likewise redeemed in full its series 7-year bonds aggregating to ₱2,180.0 million in March 2024. The resulting decrease in interest expenses related to these principal payments and bond redemption was partially offset by the increase in the interest rates on STI ESG's outstanding interest-bearing loans under the Term Loan Facility with Chinabank which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023. This account also includes interest expenses associated with drawdowns made in March 2024 amounting to ₱500.0 million from STI ESG's Term Loan Facility with BPI, and ₱1,000.0 million from STI ESG's Term Loan Facility with Metrobank, bearing interest rates of 8.4211% and 7.8503% per annum, respectively. The interest rates for these loans of STI ESG with BPI and Metrobank were repriced effective September 18, 2024 with prevailing interest rates set at 7.8735% and 7.8135% per annum, respectively. The interest rate for the Term Loan facility of STI ESG with Chinabank was repriced at 7.8749% per annum effective September 19, 2024

Interest income increased by ₱6.2 million from the previous year's ₱6.9 million to ₱13.1 million for the three-month period ended September 30, 2024 due to interest earned on the Group's short-term investments and money market placements.

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

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

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱13.7 million for the three-month period ended September 30, 2023. The Group also recognized realized foreign exchange loss of ₱5.7 million and realized gain of ₱0.5 million for the three-month periods ended September 30, 2024 and 2023, respectively.

The Group recognized as income the recovery of previously written-off accounts amounting to ₱4.2 million for the three-month period ended September 30, 2024 compared to ₱2.0 million for the same period the previous year.

Equity in net earnings of associates and joint venture amounted to ₱1.6 million and 0.8 million for the three-months period ended September 30, 2024 and 2023, respectively.

STI ESG recognized a ₱1.6 million gain on the termination of a contract of lease accounted for under PFRS 16.

The Group also recognized other income aggregating to ₱8.6 million for the three-month period ended September 30, 2024. This account includes ₱6.8 million in utilities cost charged by iACADEMY to its lessee at the Buendia, Makati City building. Unrealized gain on short-term investments amounting to ₱1.6 million was recorded by the Group for the three-month period ended September 30, 2024. Both periods include amortization of bond issue costs ₱152.8 thousand and ₱226.8 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

The Group reported provision for income tax amounting to ₱29.0 million and benefit from income tax of ₱706.0 thousand for the three-month periods ended September 30, 2024 and 2023, respectively.

Net income after tax of ₱263.2 million was recorded for the first three months of the current fiscal year, as against ₱19.8 million for the same period last year, an improvement of ₱243.4 million or 1,233%, attributed to the earlier start of the school year for STI ESG and STI WNU coupled with the substantial increase in the Group's enrollment this SY 2024-2025. Net income margin likewise improved from 3% to 25% year-on-year.

The Group recognized a remeasurement gain on pension liabilities amounting to ₱21.4 million and ₱1.9 million, both net of income tax effect, for the three-month periods ended September 30, 2024 and 2023, respectively, due to the adjustments in the market value of equity shares forming part of STI ESG's pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to a loss of ₱97.1 thousand and gain of ₱1.3 million for the three-month periods ended September 30, 2024 and 2023, respectively, due to the movements in the market price of quoted equity shares held by STI ESG.

Total comprehensive income of ₱284.5 million was generated for the three-month period ended September 30, 2024, compared to ₱23.0 million for the same period last year, an improvement of 1,139% or ₱261.5 million.

EBITDA is up by 146% or ₱281.6 million from ₱192.5 million to ₱474.1 million for the three-month periods ended September 30 2023 and 2024, respectively. EBITDA margin for the three-month period ended September 30, 2024 is at 46% compared to 30% for the same period last year.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱262.9 million for the three-month period ended September 30, 2024 compared to ₱3.8 million core income for the same period last year.

VI. FINANCIAL RISK DISCLOSURE

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

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

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

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

As at September 30, 2024 and June 30, 2024, the Group's current assets amounted to ₱5,450.9 million and ₱3,679.2 million, respectively, while current liabilities amounted to ₱3,745.8 million and ₱1,770.5 million, respectively. Current liabilities include unearned tuition and other school fees amounting to ₱2,148.7 million and ₱179.6 million as at September 30, 2024 and June 30, 2024, respectively. Unearned tuition and other school fees represent performance obligations related to revenues from tuition and other school fees, which will be satisfied over time as the students receive the services provided by the Group.

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

In relation to the Group's interest-bearing loans and borrowings from local banks, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total principal and interest due for the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender banks, and the STI ESG bondholders.

The Term Loan Agreement with Chinabank prescribes that the financial covenants shall be observed and computed based on STI ESG's unaudited interim consolidated financial statements as at and for the six-month period ending December 31 of each year and based on the audited consolidated financial statements as at and for the year ending June 30 of each year. The term loan agreements with BPI and Metrobank prescribe that the financial covenants shall be observed and computed annually based on STI ESG's audited consolidated financial statements as at and for the year ending June 30 of each year. STI ESG is compliant with the DSCR requirement as at June 30, 2024, as defined in the term loan agreements, (see Note 17 of the unaudited interim condensed consolidated financial statements).

The second supplemental agreement replaced the DSCR measure with the ICR, as discussed in Note 18. The Group's policy is to keep the debt service coverage ratio at or above 1.05:1.00. The Group's policy is to keep the interest coverage ratio at or above 3.00:1.00. 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. STI ESG has been compliant with the financial covenants imposed under the loan and bond trust agreements.

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

It is the Group's policy to require 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 long-term loans and bonds. While the Group's long-term debt has a floating interest rate, the Group elected to have the interest rate repriced every six months on its new loans and every year on the old loans, thus minimizing the exposure to market changes in interest rates. The interest rates for the STI ESG bonds are, however, fixed for the 10-year tenor.

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

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

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

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

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

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

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

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

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

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

f. The various loan agreements entered into and the issuance of fixed-rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants in the loan agreements. Please see Notes 17 and 18 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as

Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.

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

h. The Group's business is linked to the academic cycle which spans one academic year. The academic cycle for STI ESG and STI WNU is one academic year that starts in August 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. Classes for SY 2023-2024 and SY 2024-2025 were all conducted face-to-face for STI ESG and STI WNU, whereas iACADEMY implemented the Hybrid Learning Format. 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.

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 17 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements). STI ESG redeemed in full its Series 7Y bonds in March 2024.

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

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

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

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

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

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

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

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

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

The management agreement may be extended provided that (i) such extension shall be subject to mutual agreement of the Parties; (ii) STI ESG shall be entitled to use the PSBA Manila and Quezon City properties rent-free during the extended management period, and

(iii) the same terms and conditions shall apply during the extended management period unless otherwise agreed upon by the Parties in writing.

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