

COVER SHEET

SEC Registration Number

0 0 0 0 0 1 1 3 1 5 6

S T I E D U C A T I O N S E R V I C E S G R O U P ,
I N C . (A P r i v a t e E d u c a t i o n a l I n
s t i t u t i o n) a n d S U B S I D I A R I E S

(Company's Full Name)

S T I A c a d e m i c C e n t e r O r t i g a s - C a
i n t a , O r t i g a s A v e n u e E x t e n s i o n
, C a i n t a , R i z a l

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

ARSENIO C. CABRERA JR.

Contact Person

(6 3 2) 8 8 1 3 7 1 1 1

Company Telephone Number

0 6 3 0

Month Day
Fiscal Year

SEC FORM 17-Q For the Six-month Period Ended
31 December 2023

FORM TYPE

1st Thursday of November

Month Day
Annual Meeting

N/A

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

N/A

Amended Article Number/Section

6 3

Total No. of Stockholders

Total Amount of Borrowings

₱3 Billion bonds

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the six-month period ended December 31, 2023
2. SEC Identification Number 113156
3. BIR Tax Identification Number 000-143-457-000
4. Exact name of registrant as specified in its charter STI EDUCATION SERVICES GROUP, INC.
5. Province, country or other jurisdiction of incorporation or organization Metro Manila, Philippines
6. Industry Classification Code (SEC Use Only)
7. Address of Principal Office STI Academic Center Ortigas-Cainta
Ortigas Avenue Extension,
Cainta, Rizal
8. Registrant's telephone number (including area code) (632) 8812-17-84
9. Former name, former address, former fiscal year, if changed since last report N/A
10. Securities Registered pursuant to Sections 4 and 8 of the RSA.

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
-----	-----
Common Stock	3,081,877,170 shares Issued and Outstanding
Fixed Rate Bonds	₱3,000,000,000.00 Outstanding
11. Are any or all of these securities listed on a Stock Exchange?

Yes []No [☒]

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

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

12. Check whether the registrant:

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

Yes [☒]

No [☐]

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

Yes [☒]

No [☐]

PART I – FINANCIAL INFORMATION

Item 1 – Financial Statements

Please refer to Annex “A”.

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

Please refer to Annex “B”.

PART II – OTHER INFORMATION

Not applicable

SIGNATURE PAGE

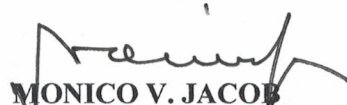
Pursuant to the requirements of Section 17 of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

STI EDUCATION SERVICES GROUP, INC.

By:

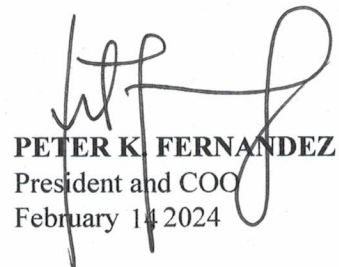
Signature and Title

Date


MONICO V. JACOB
Vice Chairman and CEO
February 14 2024


Signature and Title

Date


PETER K. FERNANDEZ
President and COO
February 14 2024

Signature and Title

Date


YOLANDA M. BAUTISTA
Treasurer
February 14 2024

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

INTERIM CONDENSED CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023 AND JUNE 30, 2023

	December 31, 2023	June 30, 2023
	(Unaudited)	(Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱1,751,594,967	₱1,571,737,633
Receivables (Note 6)	981,230,575	342,010,955
Inventories (Note 7)	137,299,016	125,227,248
Prepaid expenses and other current assets (Note 8)	73,527,812	114,852,313
Equity instruments at fair value through profit or loss (FVPL) (Note 9)	7,579,500	8,990,000
Total Current Assets	2,951,231,870	2,162,818,149
Noncurrent Assets		
Property and equipment (Note 10)	7,428,880,115	7,505,664,889
Investment properties (Note 11)	662,613,433	675,138,874
Investments in and advances to associates and joint venture (Notes 12)	487,518,705	493,988,698
Equity instruments at fair value through other comprehensive income (FVOCI) (Note 13)	72,503,212	71,501,232
Deferred tax assets - net	54,770,972	41,994,892
Goodwill, intangible and other noncurrent assets (Note 14)	403,776,037	331,164,982
Total Noncurrent Assets	9,110,062,474	9,119,453,567
TOTAL ASSETS	₱12,061,294,344	₱11,282,271,716
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 15)	₱1,047,033,614	₱560,930,731
Current portion of bonds payable (Note 17)	2,178,424,767	2,175,083,335
Current portion of interest-bearing loans and borrowings (Note 16)	240,953,959	183,042,276
Unearned tuition and other school fees	799,438,295	43,940,924
Current portion of lease liabilities	53,656,798	53,358,726
Income tax payable	2,208,776	376,536
Total Current Liabilities	4,321,716,209	3,016,732,528
Noncurrent Liabilities		
Interest-bearing loans and borrowings - net of current portion (Note 16)	476,022,331	748,861,025
Bonds payable - net of current portion (Note 17)	814,139,854	813,339,649
Lease liabilities - net of current portion	258,432,516	282,377,214
Pension liabilities - net	78,383,120	79,429,605
Other noncurrent liabilities (Note 18)	45,087,828	46,338,093
Total Noncurrent Liabilities	1,672,065,649	1,970,345,586
Total Liabilities (Carried Forward)	5,993,781,858	4,987,078,114

	December 31, 2023	June 30, 2023
	(Unaudited)	(Audited)
Total Liabilities <i>(Brought Forward)</i>	₱5,993,781,858	₱4,987,078,114
Equity Attributable to Equity Holders of the Parent Company		
(Note 19)		
Capital stock	3,087,829,443	3,087,829,443
Additional paid-in capital	386,916,479	386,916,479
Treasury stock	(10,833,137)	(10,833,137)
Cumulative actuarial gain	6,606,813	2,589
Unrealized fair value adjustment on equity instruments at FVOCI		
(Note 13)	16,369,958	15,008,758
Other equity reserve	(46,104,556)	(46,104,556)
Share in associates':		
Cumulative actuarial gain	163,082	163,082
Unrealized fair value loss on equity instruments at FVOCI		
(Note 12)	(39,194)	(38,774)
Retained earnings	2,629,650,372	2,865,327,141
Total Equity Attributable to Equity Holders of the Parent Company	6,070,559,260	6,298,271,025
Equity Attributable to Non-controlling Interests	(3,046,774)	(3,077,423)
Total Equity	6,067,512,486	6,295,193,602
TOTAL LIABILITIES AND EQUITY	₱12,061,294,344	₱11,282,271,716

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

STI EDUCATION SERVICES GROUP, INC.**(A Private Educational Institution)****AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED****STATEMENTS OF COMPREHENSIVE INCOME****FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022**

	Six months ended December 31		Three months ended December 31	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES (Note 20)				
Sale of services:				
Tuition and other school fees	₱1,305,256,940	₱885,718,424	₱ 970,459,700	₱658,067,389
Educational services	76,656,325	64,154,664	31,094,348	26,679,838
Royalty fees	8,497,062	7,110,948	3,700,713	3,165,941
Others	36,454,185	30,327,237	8,361,377	6,619,802
Sale of goods -				
Sale of educational materials and supplies	89,763,411	84,261,607	22,848,671	16,983,038
	1,516,627,923	1,071,572,880	1,036,464,809	711,516,008
COSTS AND EXPENSES				
Cost of educational services (Note 21)	412,494,412	327,633,625	255,665,744	199,923,184
Cost of educational materials and supplies sold (Note 22)	66,941,858	62,468,521	19,095,506	12,213,187
General and administrative expenses (Note 23)	579,946,029	510,131,172	291,118,167	254,688,583
	1,059,382,299	900,233,318	565,879,417	466,824,954
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAX	457,245,624	171,339,562	470,585,392	244,691,054
OTHER INCOME (EXPENSES)				
Interest expense (Notes 16 and 17)	(135,684,621)	(141,873,564)	(67,973,102)	(69,276,759)
Rental income	58,354,069	57,999,273	30,220,962	30,171,526
Interest income (Notes 5 and 6)	10,288,237	6,739,064	5,257,130	4,007,764
Equity in net earnings of associates and joint venture (Note 12)	8,543,414	7,049,741	5,493,561	4,530,357
Foreign exchange gain (loss) - net	7,435,201	7,557,491	(6,295,896)	(19,219,109)
Gain on:				
Early extinguishment of loan (Note 16)	3,076,465	—	—	—
Sale of property and equipment	415,344	49,943	400,953	—
Recovery of accounts written off (Note 6)	2,265,475	3,404,112	418,283	842,805
Dividend income (Notes 9 and 13)	2,016,624	1,623,949	1,865,034	546,333
Fair value gain (loss) on equity instruments at FVPL (Note 9)	(1,410,500)	(542,500)	(15,500)	837,000
Other income (expenses) - net	(521,938)	4,302,278	(295,143)	(245,154)
	(45,222,230)	(53,690,213)	(30,923,718)	(47,805,237)
INCOME BEFORE INCOME TAX				
<i>(Carried Forward)</i>	412,023,394	117,649,349	439,661,674	196,885,817

	Six months ended December 31		Three months ended December 31	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
INCOME BEFORE INCOME TAX				
<i>(Brought Forward)</i>	₱412,023,394	₱117,649,349	₱439,661,674	₱196,885,817
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	44,803,962	2,652,963	24,215,347	977,829
Deferred	(13,509,882)	(3,333,683)	12,962,883	1,782,131
	31,294,080	(680,720)	37,178,230	2,759,960
NET INCOME	380,729,314	118,330,069	402,483,444	194,125,857
OTHER COMPREHENSIVE INCOME (LOSS)				
Items not to be reclassified to profit or loss in subsequent years:				
Remeasurement gain on pension liabilities	7,338,027	349,430	5,241,448	1,397,719
Tax effect on remeasurement gain on pension liabilities	(733,803)	(34,944)	(524,145)	(139,772)
Unrealized fair value adjustment on equity instruments at FVOCI (Note 13)	1,361,200	433,448	102,240	(191,968)
Share in associate's unrealized fair value adjustment on equity instruments at FVOCI (Note 12)	(420)	12,958	(3,565)	12,958
OTHER COMPREHENSIVE INCOME, NET OF TAX	7,965,004	760,892	4,815,978	1,078,937
TOTAL COMPREHENSIVE INCOME	₱388,694,318	₱119,090,961	₱407,299,422	₱195,204,794
Net Income (Loss) Attributable To				
Equity holders of the Parent Company	₱380,698,665	₱119,386,385	₱402,203,263	₱194,380,069
Non-controlling interests	30,649	(1,056,316)	280,181	(254,212)
	₱380,729,314	₱118,330,069	₱402,483,444	₱194,125,857
Total Comprehensive Income (Loss) Attributable To				
Equity holders of the Parent Company	₱388,663,669	₱120,147,277	₱407,019,241	₱195,459,006
Non-controlling interests	30,649	(1,056,316)	280,181	(254,212)
	₱388,694,318	₱119,090,961	₱407,299,422	₱195,204,794
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 25)	₱0.124	₱0.039	₱0.130	₱0.063

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022

	Capital Stock (Note 19)	Additional Paid-in Capital	Treasury Stock (Note 19)	Cumulative Actuarial Gain (Loss)	Unrealized Fair Value Adjustment on Equity Instruments at FVOCI (Note 13)	Other Equity Reserve (Note 19)	Share in Associates' Cumulative Actuarial Gain (Note 12)	Share in Associates' Unrealized Fair Value Loss on Equity Instruments at FVOCI (Note 12)	Retained Earnings (Note 19)	Total	Equity Attributable to Non-controlling Interests	Total Equity
Balance at July 1, 2023	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱2,589	₱15,008,758	(₱46,104,556)	₱163,082	(₱38,774)	₱2,865,327,141	₱6,298,271,025	(₱3,077,423)	₱6,295,193,602
Net income	—	—	—	—	—	—	—	—	380,698,665	380,698,665	30,649	380,729,314
Other comprehensive income (loss)	—	—	—	6,604,224	1,361,200	—	—	(420)	7,965,004	7,965,004	—	7,965,004
Total comprehensive income (loss)	—	—	—	6,604,224	1,361,200	—	—	(420)	380,698,665	388,663,669	30,649	388,694,318
Dividends declaration	—	—	—	—	—	—	—	—	(616,375,434)	(616,375,434)	—	(616,375,434)
Balance at December 31, 2023	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱6,606,813	₱16,369,958	(₱46,104,556)	₱163,082	(₱39,194)	₱2,629,650,372	₱6,070,559,260	(₱3,046,774)	₱6,067,512,486
Balance at July 1, 2022	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱9,775,594	₱13,277,006	(₱46,104,556)	₱796,685	(₱45,903)	₱2,452,343,935	₱5,893,955,546	(₱1,703,604)	₱5,892,251,942
Net income	—	—	—	—	—	—	—	—	119,386,385	119,386,38	(1,056,316)	118,330,069
Other comprehensive income	—	—	—	314,486	433,448	—	—	12,958	760,892	760,892	—	760,892
Total comprehensive income	—	—	—	314,486	433,448	—	—	12,958	119,386,385	120,147,277	(1,056,316)	119,090,961
Dividends declaration	—	—	—	—	—	—	—	—	(215,731,402)	(215,731,402)	—	(215,731,402)
Balance at December 31, 2022	₱3,087,829,443	₱386,916,479	(₱10,833,137)	₱10,090,080	₱13,710,454	(₱46,104,556)	₱796,685	(₱32,945)	₱2,355,998,918	₱5,798,371,421	(₱2,059,920)	₱5,795,611,501

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022

	Six months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱412,023,394	₱117,649,349
Adjustments to reconcile income before income tax to net cash flows:		
Depreciation and amortization (Notes 10, 11, 21 and 23)	242,045,073	240,496,279
Interest expense (Notes 16 and 17)	135,684,621	141,873,564
Unrealized foreign exchange gain - net	(7,118,351)	(7,409,074)
Interest income (Notes 5 and 6)	(10,288,237)	(6,739,064)
Equity in net earnings of associates and joint venture (Note 12)	(8,543,414)	(7,049,741)
Dividend income (Notes 9 and 13)	(2,016,624)	(1,623,949)
Fair value loss on equity instruments at FVPL (Note 9)	1,410,500	542,500
Gain on:		
Early extinguishment of loan (Note 16)	(3,076,465)	—
Sale of property and equipment (Note 10)	(415,344)	(49,943)
Movements in pension	6,291,542	5,682,500
Operating income before working capital changes	765,996,695	483,372,421
Decrease (increase) in:		
Receivables	35,855,087	204,295,597
Inventories	(12,071,768)	35,949,652
Prepaid expenses and other current assets	(1,270,685)	(32,110,539)
Increase (decrease) in:		
Accounts payable and other current liabilities	(137,581,583)	(175,576,221)
Unearned tuition and other school fees	94,749,641	76,904,360
Other noncurrent liabilities	(1,250,264)	28,667,357
Net cash generated from operations	744,427,123	621,502,627
Interest received	10,288,237	6,739,064
Income tax paid	(376,536)	(161,722)
Net cash provided by operating activities	754,338,824	628,079,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 10)	(105,730,550)	(47,225,109)
Investment properties (Note 11)	(742,697)	(149,542,157)
Proceeds from:		
Redemption of equity instruments at FVOCI (Note 13)	352,920	—
Sale of property and equipment (Note 10)	415,412	50,000
Sale of noncurrent asset held for sale (Note 29)	—	19,000,000
Dividend received (Notes 9 and 13)	2,016,624	1,472,979
Payments for other noncurrent assets (Note 14)	(95,931,392)	(25,076,166)
Net cash used in investing activities	(199,619,683)	(201,320,453)

(Forward)

	2023 (Unaudited)	2022 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Interests	(₱121,520,566)	(₱130,255,937)
Long-term loans (Note 16)	(212,095,670)	(244,012,094)
Lease liabilities	(48,363,922)	(45,706,446)
Dividends paid	—	(276,853)
Net cash used in financing activities	(381,980,158)	(420,251,330)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7,118,351	7,409,074
NET INCREASE IN CASH AND CASH EQUIVALENTS	179,857,334	13,917,260
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,571,737,633	1,242,529,465
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 5)	₱1,751,594,967	₱1,256,446,725

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

STI EDUCATION SERVICES GROUP, INC.

(A Private Educational Institution)

AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

a. General

STI Education Services Group, Inc. (STI ESG or the Parent Company) and its subsidiaries (hereafter collectively referred to as the “Group”) are all incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC). The Parent Company was incorporated on June 2, 1983 and is involved in establishing, maintaining, and operating educational institutions to provide pre-elementary, elementary, secondary, including Senior High School (SHS), and tertiary as well as post-graduate courses, post-secondary and lower tertiary non-degree programs. The Group also develops, adopts and/or acquires, entirely or in part, such curricula or academic services as may be necessary in the pursuance of its main activities, relating but not limited to information technology services, information technology-enabled services, education, hotel and restaurant management, engineering, business studies, psychology and criminology.

The registered office address of the Parent Company is STI Academic Center Ortigas-Cainta, Ortigas Avenue Extension, Cainta, Rizal.

As at December 31, 2023 and June 30, 2023, the subsidiaries of the Parent Company, which are all incorporated in the Philippines, are as follows:

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

^(a) A subsidiary through a management contract

^(b) STI Iloilo, STI Pagadian and STI Tuguegarao ceased operations effective SY 2020-2021; NPIM ceased operations effective June 30, 2022.

^(c) In June 2016, De Los Santos-STI College advised the Commission of Higher Education (CHED) of the suspension of its operations for SYs 2016-2017 and 2017-2018 as a result of the implementation of the Government's K to 12 program. De Los Santos-STI College became a wholly-owned subsidiary of the Parent Company effective August 4, 2021. De Los Santos-STI College has not resumed its school operations as at February 14, 2024.

^(d) On March 16, 2023, STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. STI Alabang became a wholly-owned subsidiary of STI ESG as at March 31, 2023.

^(e) A wholly-owned subsidiary of De Los Santos-STI College.

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

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

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

b. Merger with several majority and wholly-owned subsidiaries

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

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

On September 25, 2013, STI ESG’s Board of Directors (BOD) approved an amendment to the Phases 1 and 2 mergers whereby STI ESG would issue shares at par value, to the stockholders of the non-controlling interests. In 2014, STI ESG issued 1.9 million additional shares at par value to the stockholders of one of the merged schools. As at February 14, 2024, the amendment is still pending approval by the SEC.

Also, STI ESG requested for confirmatory ruling on the tax-free mergers covered by Phases 1 and 3, from the Bureau of Internal Revenue (BIR). As a response to the request made for the Phases 1 and 3 mergers, the BIR informed STI ESG through letters dated November 25, 2022 and September 28, 2022, respectively, that Section 40 C.2 of the Tax Code, as amended by RA No. 11534 or the CREATE Act, now mandates that for purposes of availing the tax exemption, prior BIR confirmatory ruling is no longer required. In this regard, the Parent Company applied for the issuance of the Certificates Authorizing Registration (CAR) for the tax-free transfers of real estate in exchange for shares pursuant to the provisions of Section 40. C.2 of the Tax Code. As at February 14, 2024, the Parent Company has not received the CARs from the BIR.

For SY 2021-2022, NPIM exclusively enrolled students for Junior High School (JHS) and SHS only. Its former grade school students were advised earlier to transfer to another school or were refunded the fees paid, if any. For SY 2022-2023, the JHS and SHS students of NPIM were given the option to transfer to STI Sta Mesa, a school owned and operated by STI ESG. NPIM ceased

operations effective June 30, 2022. Likewise, STI College San Fernando City, Inc. (STI La Union), a franchised school, informed the CHED in June 2021, and DepEd and TESDA in July 2021 of its decision not to accept enrollees for SY 2021-2022. Management continues to identify strategic opportunities to improve efficiency within the Group. The cessation of operations of NPIM and STI La Union did not have a material financial impact on the Group.

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

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

As at December 31, 2023, STI ESG's network of operating schools totals 63 schools with 37 owned schools and 26 franchised schools comprising 60 colleges and 3 education centers.

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

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

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

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

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

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

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

The amendments to the Practice Statement provide non-mandatory guidance.

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

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

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

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

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

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

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

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

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

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

Standards Issued but not yet Effective

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

Effective for Fiscal Year 2025

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

Effective for Fiscal Year 2026

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

Deferred effectivity

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

The Group has not early adopted the previously mentioned standards. The Group continues to assess the impact of the above new, amended and improved accounting standards and interpretations that are effective subsequent to December 31, 2023 on its unaudited interim condensed consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the unaudited interim condensed consolidated financial statements when these amendments are adopted.

3. Seasonality of Operations

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

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

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

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

4. Segment Information

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

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

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

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

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

	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)
Consolidated net income	₱380,729,314	₱118,330,069
Depreciation and amortization ¹	209,244,401	210,263,783
Interest expense ¹	124,975,430	130,909,528
Provision for (benefit from) income tax	31,294,080	(680,720)
Interest income	(10,288,237)	(6,739,064)
Equity in net earnings of associates and joint venture	(8,543,414)	(7,049,741)
Foreign exchange gain – net	(7,435,201)	(7,557,491)
Gain on early extinguishment of loan	(3,076,465)	–
Fair value loss on equity instruments at FVPL	1,410,500	542,500
Consolidated EBITDA	₱718,310,408	₱438,018,864

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

Inter-Segment Transactions

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

Geographical Segment Data

The following tables present revenue and income information regarding geographical segments for the six-month periods ended December 31, 2023 and 2022:

	For the six-month period ended December 31, 2023 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱860,184,440	₱130,164,245	₱465,872,039	₱16,892,962	₱43,514,237	₱1,516,627,923
Results						
Income before other income and income tax	173,634,499	39,674,156	232,821,293	1,084,107	10,031,569	457,245,624
Equity in net earnings of associates and joint venture	8,543,414	—	—	—	—	8,543,414
Interest expense	(128,706,051)	(1,823,551)	(3,170,847)	(698,799)	(1,285,373)	(135,684,621)
Interest income	9,692,509	333	594,551	48	796	10,288,237
Other income ^(a)	69,559,942	237,737	1,677,271	46,765	109,025	71,630,740
Provision for income tax	(28,368,831)	(920,230)	(2,005,019)	—	—	(31,294,080)
Net Income	₱104,355,482	₱37,168,445	₱229,917,249	₱432,121	₱8,856,017	₱380,729,314
EBITDA						₱718,310,408

	For the six-month period ended December 31, 2022 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Revenues						
External revenue	₱598,114,694	₱99,438,157	₱333,304,172	₱13,261,275	₱27,454,582	₱1,071,572,880
Results						
Income (loss) before other income (expenses) and income tax	20,031,453	13,798,654	140,754,603	(306,158)	(2,938,990)	171,339,562
Equity in net earnings of associates and joint venture	7,049,741	—	—	—	—	7,049,741
Interest expense	(134,894,233)	(2,095,400)	(2,840,586)	(862,525)	(1,180,820)	(141,873,564)
Interest income	6,667,558	7,898	57,997	3,108	2,503	6,739,064
Other income ^(a)	71,677,420	488,891	2,004,081	78,996	145,158	74,394,546
Benefit from (Provision for) income tax	1,283,739	93,797	(696,816)	—	—	680,720
Net Income (Loss)	(₱28,184,322)	₱12,293,840	₱139,279,279	(₱1,086,579)	(₱3,972,149)	₱118,330,069
EBITDA						₱438,018,864

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

The following tables present certain assets and liabilities information regarding geographical segments as at December 31, 2023 and June 30, 2023.

	As at December 31, 2023 (Unaudited)					
	Metro Manila	Northern Luzon	Southern Luzon	Visayas	Mindanao	Consolidated
Assets and Liabilities						
Segment assets ^(a)	₱8,684,753,514	₱758,938,481	₱1,602,515,342	₱78,454,766	₱143,444,483	₱11,268,106,586
Goodwill (see Note 14)	250,898,081	—	—	—	—	250,898,081
Investments in and advances to associates and joint venture (see Note 12)	487,518,705	—	—	—	—	487,518,705
Deferred tax assets – net	45,796,084	2,144,883	5,093,056	41,555	1,695,394	54,770,972
Total Assets	₱9,468,966,384	₱761,083,364	₱1,607,608,398	₱78,496,321	₱145,139,877	₱12,061,294,344
Segment liabilities^(b)	1,228,011,858	₱128,323,452	₱470,323,076	₱15,956,832	₱51,153,295	₱1,893,768,513
Interest-bearing loans and borrowings (see Note 16)	716,976,290	—	—	—	—	716,976,290
Bonds payable (see Note 17)	2,992,564,621	—	—	—	—	2,992,564,621
Pension liabilities	56,317,508	6,154,748	13,103,913	141,047	2,665,904	78,383,120
Lease liabilities	107,614,525	50,439,959	96,908,948	22,038,294	35,087,588	312,089,314
Total Liabilities	₱5,101,484,802	₱184,918,159	₱580,335,937	₱38,136,173	₱88,906,787	₱5,993,781,858
Other Segment Information						
Capital expenditures for property and equipment						₱137,877,826
Depreciation and amortization ^(c)						209,244,401
Noncash expenses other than depreciation and amortization						61,250,022

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

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

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

^(c) Depreciation and amortization exclude those related to ROU assets.

5. Cash and Cash Equivalents

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Cash on hand and in banks	₱817,193,289	₱751,428,149
Cash equivalents	934,401,678	820,309,484
	₱1,751,594,967	₱1,571,737,633

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

Interest earned from cash in banks and cash equivalents amounted to ₱8.1 million and ₱3.9 million for the six-month periods ended December 31, 2023 and 2022, respectively.

6. Receivables

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Tuition and other school fees	₱1,119,028,911	₱471,046,281
Educational services, materials and supplies (see Note 24)	94,771,883	63,793,857
Rent, utilities, and other related receivables	51,346,180	56,455,263
Advances to officers and employees (see Note 24)	26,845,043	23,348,967
Dividends receivable (see Note 12)	15,012,987	—
Others	19,532,777	17,715,312
	1,326,537,781	632,359,680
Less allowance for expected credit losses (ECL)	345,307,206	290,348,725
	₱981,230,575	₱342,010,955

The terms and conditions of the receivables are as follows:

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

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

May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively. Receivables from DBP amounted to ₱2.5 million and ₱1.6 million as at December 31, 2023 and June 30, 2023, respectively.

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

- b. Educational services pertain to receivables from franchisees arising from educational services, royalty fees, and other charges. Receivables related to educational materials and supplies substantially pertain to sale of uniforms and proware items. These receivables are generally noninterest-bearing and are normally collected within 30 days from the invoice date. Interest is charged on past due accounts.

Interest earned from past due accounts amounted to ₱2.2 million and ₱2.8 million for the six-month periods ended December 31, 2023 and 2022, respectively.

- c. Rent, utilities, and other related receivables are normally collected within the fiscal year (see Note 24).
- d. Dividends receivable as at December 31, 2023 pertains to dividends declared by STI Holdings on December 21, 2023 which were received by STI ESG on January 31, 2024 (see Note 12).
- e. Advances to officers and employees represent advances for official business expenses which are reasonable and necessary to carry out the operations of head office and the schools. These advances are normally liquidated within one month from the date the advances were obtained.
- f. Others mainly include receivables from a former franchisee, vendors of STI ESG and Social Security System amounting to ₱1.6 million, ₱6.5 million, and ₱6.3 million, respectively, as at December 31, 2023 and amounting to ₱1.6 million, ₱6.5 million, and ₱5.2 million, respectively, as at June 30, 2023. These receivables are expected to be collected within the fiscal year.

Recovery of accounts pertaining to tuition and other school fees which were previously written off amounted to ₱2.3 million and ₱3.4 million for the six-month periods ended December 31, 2023 and 2022, respectively.

7. Inventories

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
At cost:		
Educational materials:		
Uniforms	₱102,244,346	₱95,765,980
Textbooks and other education-related materials	10,086,017	9,574,986
Total (Carried Forward)	112,330,363	105,340,966

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Total (<i>Brought Forward</i>)	₱112,330,363	₱105,340,966
Promotional materials:		
Proware materials	19,028,602	13,621,873
Marketing materials	429,471	428,244
	19,458,073	14,050,117
School materials and supplies	5,510,580	5,836,165
	₱137,299,016	₱125,227,248

Inventories recognized as obsolete, substantially composed of old tertiary uniforms and textbooks, are fully provided with allowance for inventory obsolescence. Hence, the carrying value of these inventories at net realizable value is nil as at December 31, 2023 and June 30, 2023. Allowance for inventory obsolescence amounted to ₱24.1 million as at December 31, 2023 and June 30, 2023. No provision was recognized for the six-month periods ended December 31, 2023 and 2022.

Inventories charged to cost of educational materials and supplies sold amounted to ₱66.9 million and ₱62.5 million for the six-month periods ended December 31, 2023 and 2022, respectively (see Note 22)

8. Prepaid Expenses and Other Current Assets

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Prepaid taxes	₱19,528,373	₱55,039,332
Input VAT – net	19,079,915	24,862,201
Prepaid insurance	10,516,304	736,637
Advances to suppliers	13,995,662	18,245,027
Prepaid subscriptions and licenses	8,439,007	12,292,941
Software maintenance cost	630,379	1,480,531
Prepaid internet cost	87,816	87,916
Others	1,250,356	2,107,728
	₱73,527,812	₱114,852,313

Prepaid taxes as at December 31, 2023 represent creditable withholding taxes which will be applied against future income tax due. This account also includes prepayments real property taxes which will be recognized as expenses over the period covered. Prepaid taxes as at June 30, 2023 also include excess prior year's tax credits which have been applied against STI ESG's income tax due during the six-month period ended December 31, 2023 and prepaid local taxes which have been recognized as expense for the six-month period ended December 31, 2023.

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

Prepaid insurance as at December 31, 2023 primarily represents fire insurance coverage on buildings, including equipment and furniture, money security payroll, fidelity insurance, and health insurance coverage for employees. The balance as at June 30, 2023 primarily represents fire insurance on buildings and vehicle insurance coverage. These insurance premiums were paid in advance and are recognized as expenses over the period of coverage which is normally within the fiscal year.

Advances to suppliers as at December 31, 2023 and June 30, 2023 primarily relate to advance payments for ongoing repair works in certain wholly-owned schools of STI ESG and initial payments made for the procurement of students' school uniforms.

Prepaid subscriptions and licenses as at June 30, 2023 substantially pertains to Microsoft license, , e-Learning Management System (eLMS) and Firewall subscriptions while the balance as at December 31, 2023 includes prepayment for PeopleSoft Campus Solutions (PSCS) subscriptions. These subscriptions are normally renewed annually and are recognized as expense in accordance with the terms of the respective agreements.

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

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

Other prepaid expenses mainly include advance payments made for the use of a recruitment platform, club memberships, and the annual monitoring of 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 ₱7.6 million and ₱9.0 million as at December 31, 2023 and June 30, 2023, respectively.

STI ESG recognized fair value loss on equity instruments at FVPL amounting to ₱1.4 million and ₱0.5 million for the six-month periods ended December 31, 2023 and 2022, respectively.

STI ESG recognized dividend income from RCR amounting to ₱0.3 million for the six-month periods ended December 31, 2023 and 2022.

10. Property and Equipment

The rollforward analyses of this account are as follows:

December 31, 2023 (Unaudited)													
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	P2,496,599,185	P4,494,444,742	P110,214,053	P27,679,382	P13,734,407	P1,453,695	P42,424,554	P12,076,809	P35,995,589	P114,453,562	P143,839,829	P12,749,082	P7,505,664,889
Additions	—	44,462,691	12,634,762	7,195,187	11,169,130	—	26,005,384	435,122	35,232,853	—	12,549,544	2,068,509	151,753,182
Reclassification	—	29,449,097	—	—	—	—	—	—	(29,449,097)	—	—	—	—
Lease modification	—	—	—	—	—	—	—	—	—	—	76,065	—	76,065
Disposal	—	—	(21)	(31)	—	—	(16)	—	—	—	—	—	(68)
Depreciation and amortization (see Notes 21 and 23)	—	(134,500,267)	(27,256,326)	(7,853,806)	(10,629,154)	(223,635)	(13,985,403)	(1,364,690)	—	(4,283,559)	(23,940,770)	(4,576,343)	(228,613,953)
Balance at end of period	P2,496,599,185	P4,433,856,263	P95,592,468	P27,020,732	P14,274,383	P1,230,060	P54,444,519	P11,147,241	P41,779,345	P110,170,003	P132,524,668	P10,241,248	P7,428,880,115
At December 31, 2023													
Cost	P2,496,599,185	P6,636,222,173	P790,121,970	P331,921,554	P187,807,650	P9,832,517	P450,065,889	P134,489,629	P41,779,345	P147,662,847	P278,464,250	P57,856,753	P11,562,823,762
Accumulated depreciation and amortization	—	(2,202,365,910)	(694,529,502)	(304,900,822)	(173,533,267)	(8,602,457)	(395,621,370)	(123,342,388)	—	(37,492,844)	(145,939,582)	(47,615,505)	(4,133,943,647)
Net book value	P2,496,599,185	P4,433,856,263	P95,592,468	P27,020,732	P14,274,383	P1,230,060	P54,444,519	P11,147,241	P41,779,345	P110,170,003	P132,524,668	P10,241,248	P7,428,880,115

June 30, 2023 (Audited)													
	Land	Buildings	Office and School Equipment	Office Furniture and Fixtures	Leasehold Improvements	Transportation Equipment	Computer Equipment and Peripherals	Library Holdings	Construction-in-Progress	Right-of-use Asset - Land	Right-of-use Asset - Building	Right-of-use Asset - Transportation Equipment	Total
Cost, Net of Accumulated Depreciation and Amortization													
Balance at beginning of period	P2,490,502,923	P4,657,884,261	P142,541,856	P34,076,151	P22,634,918	P68,550	P25,043,203	P15,152,417	P5,454,242	P122,558,699	P115,584,849	P12,502,657	P7,644,004,726
Additions	—	40,732,456	29,885,200	10,421,642	7,190,502	1,599,200	34,547,563	2,738,404	30,541,347	—	75,917,367	9,405,873	242,979,554
Disposal	—	—	(89)	(68)	—	—	(54)	(46)	—	—	—	—	(257)
Reclassification from investment properties (see Note 11)	46,593,333	69,136,320	—	—	—	—	—	—	—	—	—	—	115,729,653
Reclassification to investment properties (see Note 11)	(40,497,071)	(20)	—	—	—	—	—	—	—	—	—	—	(40,497,091)
Lease termination/modification	—	—	123,199	—	40,505	1	1,860,144	139,042	—	—	(1,156,865)	(1,588,667)	(2,745,532)
Effect of business combination	—	—	—	—	—	—	—	—	—	—	—	—	2,162,891
Depreciation and amortization (see Notes 21 and 23)	—	(273,308,275)	(62,336,113)	(16,818,343)	(16,131,518)	(214,056)	(19,026,302)	(5,953,008)	—	(8,105,137)	(46,505,522)	(7,570,781)	(455,969,055)
Balance at end of period	P2,496,599,185	P4,494,444,742	P110,214,053	P27,679,382	P13,734,407	P1,453,695	P42,424,554	P12,076,809	P35,995,589	P114,453,562	P143,839,829	P12,749,082	P7,505,664,889
At June 30, 2023													
Cost	P2,496,599,185	P6,556,588,274	P781,083,400	P325,556,549	P183,762,696	P9,832,517	P428,742,761	P132,656,706	P35,995,589	P148,128,581	P290,789,014	P56,238,544	P11,445,973,816
Accumulated depreciation and amortization	—	(2,062,143,532)	(670,869,347)	(297,877,167)	(170,028,289)	(8,378,822)	(386,318,207)	(120,579,897)	—	(33,675,019)	(146,949,185)	(43,489,462)	(3,940,308,927)
Net book value	P2,496,599,185	P4,494,444,742	P110,214,053	P27,679,382	P13,734,407	P1,453,695	P42,424,554	P12,076,809	P35,995,589	P114,453,562	P143,839,829	P12,749,082	P7,505,664,889

The cost of fully depreciated property and equipment still used by the Group amounted to ₱1,496.6 million and ₱1,369.4 million as at December 31, 2023 and June 30, 2023, respectively. There were no idle properties and equipment as at December 31, 2023 and June 30, 2023.

Additions

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

As at December 31, 2023, the remaining construction-in-progress includes renovation and rehabilitation projects in certain wholly-owned schools of STI ESG. These projects, with an aggregate contract cost of ₱23.9 million, started during the six-month period ended December 31, 2023 and are all set to be completed within the fiscal year.

STI ESG had its roof deck waterproofing activities and subsequently installed solar panels at its head office building located in the STI Ortigas-Cainta campus. The school, owned and operated by STI ESG, which is located beside the head office building, is also expected to benefit from these solar panels which have a total capacity of 212 kilowatts. Cost savings for both administrative and school energy consumption are expected from these solar panels. These projects have an aggregate cost of ₱10.6 million. The roof deck waterproofing works and design and installation of solar power system were completed in November 2023.

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

Reclassification from Investment Properties. As at June 30, 2023, property and equipment includes land and building, together with all improvements thereon (Tanay property), where STI Tanay was situated. The Tanay property, with a carrying value of ₱115.7 million as at the date of transfer of STI Quezon Avenue to Tanay, Rizal, has been reclassified from “Investment Properties” to “Property and Equipment” in September 2022 upon transfer of STI Quezon Avenue’s operations to Tanay, Rizal starting SY 2022-2023 (see Note 1). Included as part of the remaining construction-in-progress as at June 30, 2023 (as mentioned in the preceding paragraphs), STI ESG has invested an aggregate of ₱14.5 million for the major renovations made for this Tanay property. This includes construction of the perimeter fence and gate, exterior wall repainting and roof deck repairs, among others. The project was completed in January 2024.

Collaterals

Transportation equipment, recognized as ROU assets, are pledged as security for the related lease liabilities as at December 31, 2023 and June 30, 2023. The net book value of these equipment amounted to ₱10.2 million and ₱12.7 million as at December 31, 2023 and June 30, 2023, respectively.

11. Investment Properties

The rollforward analyses of this account are as follows:

	December 31, 2023 (Unaudited)			
	Land	Condominium Units and Buildings	Construction- in-Progress	Total
Cost:				
Balance at beginning of period	₱204,626,879	₱779,564,396	₱–	₱984,191,275
Additions	–	742,697	–	742,697
Balance at end of period	₱204,626,879	780,307,093	–	984,933,972
Accumulated Depreciation:				
Balance at beginning of year	–	309,052,401	–	309,052,401
Depreciation (see Note 23)	–	13,268,138	–	13,268,138
Balance at end of period	–	322,320,539	–	322,320,539
Net book value	₱204,626,879	₱457,986,554	₱–	₱662,613,433

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

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

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

Reclassification from Property and Equipment. In June 2023, STI ESG reclassified the parcels of land, including the improvements thereon, located in Las Piñas City as part of “Investment properties”. The

carrying value at the time of reclassification is P40.5 million. These properties, a part of which is being used as warehouse, have existing leases with varying terms expiring in 2024 up to 2026.

12. Investments in and Advances to Associates and Joint Venture

The details and movements of this account are as follows:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Investments		
Acquisition costs	P549,867,252	P549,867,252
Accumulated equity in net losses:		
Balance at beginning of period	(56,002,862)	(63,658,004)
Equity in net earnings of associates and joint venture	8,543,414	15,161,635
Dividends received	(15,012,987)	(7,506,493)
Balance at end of year	(62,472,435)	(56,002,862)
Accumulated share in associates' other comprehensive income:		
Balance at beginning of period	124,308	750,782
Remeasurement loss on pension liability	—	(633,603)
Unrealized fair value adjustment on equity instruments designated at FVOCI	(420)	7,129
Balance at end of period	123,888	124,308
	487,518,705	493,988,698
Advances (see Note 24)	48,134,540	48,134,540
Less allowance for impairment loss	48,134,540	48,134,540
	—	—
	P487,518,705	P493,988,698

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

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Associates (see Note 24):		
STI Holdings	P465,156,554	P473,239,081
STI Accent*	48,134,540	48,134,540
GROW	18,421,207	16,733,574
Joint venture - PHEI	3,940,944	4,016,043
	535,653,245	542,123,238
Allowance for impairment loss	48,134,540	48,134,540
	P487,518,705	P493,988,698

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

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

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

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Quoted equity shares	₱7,001,040	₱5,639,840
Unquoted equity shares	65,502,172	65,861,392
	₱72,503,212	₱71,501,232

a. Quoted Equity Shares

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

b. Unquoted Equity Shares

Unquoted equity shares pertain to shares that are not listed on the stock exchange.

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

STI ESG recognized dividend income from unquoted equity shares at FVOCI amounting to ₱0.5 million and ₱1.3 million for the six-month periods ended December 31, 2023 and 2022, respectively.

14. Goodwill, Intangible and Other Noncurrent Assets

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Goodwill	₱250,898,081	₱250,898,081
Intangible assets	32,504,793	32,667,775
Rental and utility deposits (see Note 18)	24,294,288	25,254,523
Advances to suppliers	94,231,816	20,130,653
Others	1,847,059	2,213,950
	₱403,776,037	₱331,164,982

Goodwill

As at December 31, 2023 and June 30, 2023, the Group’s goodwill acquired through business combinations have been allocated to certain schools which are considered as separate CGUs. Management performs its impairment test at the end of each annual reporting period for all the CGUs. No impairment was recognized for the six-month periods ended December 31, 2023 and 2022.

Intangible Assets

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

Rental and Utility Deposits

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

Advances to Suppliers

Advances to suppliers as at December 31, 2023 substantially pertain to advances to contractors for the (1) ongoing construction of the new school building in STI Ortigas-Cainta, and (2) building improvement and upgrade of the laboratory facilities of the Tanay property. The related costs of these projects will be recognized as “Property and equipment” when the goods are received, or the services are completely rendered.

Advances to suppliers as at June 30, 2023 relate to advance payments made for various transactions, including the (1) construction of canteen and basketball roofing projects at STI Legazpi, (2) renovation of the Tanay property of STI ESG, (3) acquisition of capital assets, and (4) various ongoing projects of the other schools owned and operated by STI ESG. The related costs of these projects will be recognized as “Property and equipment” when the goods are received, or the services are completely rendered.

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

15. Accounts Payable and Other Current Liabilities

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Dividends payable	₱630,837,100	₱15,161,749
Accounts payable	223,019,196	323,655,444
Accrued expenses:		
Contracted services	33,050,940	41,214,857
School activities, programs and other related expenses	23,789,235	48,556,774
Interest	20,567,566	21,499,453
Utilities	16,133,286	7,731,670
Salaries, wages and benefits	4,649,785	25,188,663
Rent	3,092,734	2,366,145
Advertising and promotion	2,250,056	3,268,457
Others	1,868,826	1,728,669
Network events fund	28,474,075	18,927,070
Statutory payables	26,926,106	22,924,438
Student organization fund	25,451,003	20,793,423
Current portion of refundable deposits (see Note 18)	3,516,674	3,925,833

(Forward)

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Current portion of advance rent (see Note 18)	86,750	74,400
Others	3,320,282	3,913,686
	₱1,047,033,614	₱560,930,731

The terms and conditions of the liabilities are as follows:

- a. Dividends payable substantially pertain to cash dividends declared by STI ESG on December 21, 2023, which have been subsequently paid on January 12, 2024 (see Note 19). This likewise includes dividends declared in prior years which are unclaimed as at report date and are due on demand.
- b. Accounts payable are noninterest-bearing and are normally settled within a 30 to 60-day term.
- c. Accrued expenses, and other payables are expected to be settled within the next year.
- d. Network events fund refers to fees collected from the students and are used to subsidize the expenses intended for network-wide social, academic, arts, and sports competitions with the objective of enhancing the student development programs of the schools within the network. This fund is expected to be fully utilized within the school year.
- e. Statutory payables primarily include taxes and other payables to government agencies which are normally settled within 30 days.
- f. The student organization fund similarly refers to fees collected from the students and set aside to support the activities, initiatives, and operations of student organizations within the respective schools. This fund is expected to be fully utilized within the school year.
- g. Refundable deposits pertain to security deposits received from lessees by virtue of lease agreements and are expected to be returned to lessees upon termination of the lease, net of cost of repairs and other reimbursements, as provided in the lease agreements. These amounts pertain to deposits on lease expiring within the next financial year.
- h. Advance rent pertains to amount received by the Group which will be earned and applied within the next financial year.

Terms and conditions of payables to related parties are disclosed in Note 24 to the unaudited interim condensed consolidated financial statements.

16. Interest-bearing Loans and Borrowings

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Term loans ^(a)	₱716,022,331	₱715,342,511
Corporate notes ^(b)	—	213,518,516
Landbank ACADEME Program ^(c)	953,959	3,042,274
Total (<i>Carried Forward</i>)	716,976,290	931,903,301

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Total <i>(Brought Forward)</i>	716,976,290	931,903,301
Less current portion	240,953,959	183,042,276
Noncurrent portion	₱476,022,331	₱748,861,025

^(a)Net of unamortized debt issuance costs of ₱4.0 million and ₱4.7 million as at December 31, 2023 and June 30, 2023, respectively.

^(b)Balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5million

^(c)Net of unamortized debt issuance costs of ₱0.1 thousand and ₱7.9 thousand as at December 31, 2023 and June 30, 2023, respectively.

Term Loan Agreement

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

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

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

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

The Agreement prescribes that the following financial covenants shall be observed and computed based on STI ESG's 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.

The Group's D/E ratios and DSCRs, as defined in the Term Loan Agreement, as at December 31, 2023 and June 30, 2023 are as follows:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities ^(a)	₱5,194,343,563	₱4,943,137,190
Total equity	6,067,512,486	6,295,193,602
Debt-to-equity ratio	0.86:1.00	0.79:1.00

^(a) *Excluding unearned tuition and other school fees*

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) ^(b)	₱1,528,966,805	₱1,248,675,261
Total interest-bearing liabilities ^(c)	2,611,620,466	2,631,125,982
Debt service cover ratio	0.59:1.00	0.47:1.00

^(b) *EBITDA for the last twelve months*

^(c) *Total interest-bearing debts and interests due in the next twelve months*

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

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

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	₱720,000,000	₱960,000,000
Repayments	—	(240,000,000)
Balance at end of year	720,000,000	720,000,000
Deferred finance cost	(3,977,669)	(4,657,489)
Balance at end of year	716,022,331	715,342,511
Less current portion	240,000,000	120,000,000
Balance classified as noncurrent	₱476,022,331	₱595,342,511

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

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

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

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

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

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

Corporate Notes Facility

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

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

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

executed by the parties on the same date. The Amendment and Supplemental Agreement allowed STI WNU to draw up to ₱300.0 million from the facility.

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

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

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

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

- a) change in interest rate of either (1) the 1-year Benchmark Rate (PDST-R2) plus a margin of 1.5% per annum which interest rate shall in no case be lower than 3.75% per annum or (2) the 3-month Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 3.50% per annum.
- b) amendments on the required financial ratios, whereby STI ESG shall maintain the following ratios which shall be computed based on the consolidated financial statements:
 - (1) Debt-to-equity ratio of not more than 1.50x, computed by dividing total debt by total equity. For the purpose of this computation, total debt shall exclude unearned tuition and other school fees;
 - (2) Debt service cover ratio of a minimum of 1.05x.

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

- a) amendment of the maturity date from July 31, 2021 to September 19, 2026, where semi-annual amortization of ₱30.0 million shall be every March 19 and September 19 of each year to commence from March 19, 2023;
- b) amendment of the interest rate repricing date for the interest period commencing on January 31, 2021 while all succeeding interest rate repricing dates shall be on the interest payment date of the interest period ending on September 19 of every year, thereafter;
- c) amendment of the interest period commencing on January 31, 2021 and each successive period of six months commencing from September 19, 2021 and ending on the relevant maturity date; and
- d) amendment of the 1-year Benchmark Rate plus a margin of 1.50% per annum which interest rate shall in no case be lower than 5.50% per annum for the interest period covering

January 31, 2021 to September 18, 2021 and 6.25% per annum for each succeeding interest period thereafter.

The above modification of terms and conditions resulted in the recognition of premium on corporate notes facility amounting to ₱8.3 million. The premium on the interest-bearing loans and borrowings will be amortized and presented as a reduction of future interest expense. The impact of the loss on loan modification and loan premium amortization will be fully offset at the end of the loan period. The balance as at June 30, 2023 is inclusive of unamortized premium on corporate notes facility amounting to ₱3.5 million. Amortization of loan premium amounting to ₱0.4 million and ₱0.6 million for the six-month periods ended December 31, 2023 and 2022, respectively, were recognized as a reduction of interest expense in the unaudited interim condensed consolidated statements of comprehensive income. Interest rate for the Corporate Notes Facility was repriced at the rate of 6.5789% per annum effective September 20, 2022.

Breakdown of the Group's Credit Facility Agreement follows:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Balance at beginning of year	₱210,000,000	₱240,000,000
Repayments	(210,000,000)	30,000,000
	–	210,000,000
Add unamortized premium on corporate notes	–	3,518,516
Balance at end of year	–	213,518,516
Less current portion	–	60,000,000
Noncurrent portion	₱–	₱153,518,516

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

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

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

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

Waivers of Certain Covenants

- a. On June 23, 2020, STI ESG requested China Bank for waivers of certain covenants in its Term Loan Agreement and Corporate Notes Facility Agreement in connection with STI ESG's availment of the Land Bank of the Philippines (LandBank) ACcess to Academic Development to Empower the Masses towards Endless Opportunities (ACADEME) Program.
- b. On July 23, 2020, China Bank approved the waiver of the following covenants:
 - Assignment of revenues/income. The Borrower/Issuer shall not assign, transfer or otherwise convey any right to receive any of its income or revenues except when such assignment, transfer, or conveyance: (i) is made on an arm's length basis under normal commercial terms; or (ii) is required by Law; and, in either case, does not result in a Material Adverse Effect and provided that the Borrower/Issuer shall notify the Lender/Note Holder in the event that any of the above transactions are entered into with related parties or any of the Subsidiaries or Affiliates of the Borrower/Issuer;
 - Encumbrances. The Borrower/Issuer shall not permit any Indebtedness to be secured by or to benefit from any Lien, in favor of any creditor or class of creditors on, or in respect of, any present or future assets or revenues of the Issuer or the right of the Issuer in receiving income; and
 - Ranking of Notes. The Borrower/Issuer shall ensure that for so long as any Note is outstanding, the Issuer shall not incur or permit to arise any Indebtedness which ranks ahead of the Notes whether it be by virtue of being evidenced by a public instrument as provided by Article 2244, paragraph 14 of the Civil Code of the Philippines, as the same may be amended from time to time, or otherwise.
- c. On July 23, 2020, China Bank approved the temporary waiver of the DSCR requirement on both the Term Loan and the Corporate Notes Facility Agreements with STI ESG covering the period ended March 31, 2021. On December 18, 2020, China Bank approved the temporary waiver of the DSCR requirement covering the period ended December 31, 2020 and the period ended June 30, 2021.
- d. On August 15, 2022, China Bank approved the request of STI ESG for the waiver of the DSCR requirement for the periods ended June 30, 2023 and December 31, 2023.

LandBank ACADEME Program

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

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

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

The carrying value of the loan amounted to ₱0.9 million and ₱3.0 million as at December 31, 2023 and June 30, 2023, respectively. In August 2023, STI ESG made a payment of ₱2.1 million while the remaining balance of the loan was fully paid on January 31, 2024.

Interest Expense

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

Interest incurred on the loans (including amortization of debt issuance costs and premium) amounted to ₱30.6 million and ₱37.5 million for the six-month periods ended December 31, 2023 and 2022, respectively.

17. Bonds Payable

This account consists of:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Principal:		
Fixed-rate bonds due 2024	₱2,180,000,000	₱2,180,000,000
Fixed-rate bonds due 2027	820,000,000	820,000,000
	3,000,000,000	3,000,000,000
Less unamortized debt issuance costs	7,435,379	11,577,016
Balance at end of year	2,992,564,621	2,988,422,984
Less current portion	2,178,424,767	2,175,083,335
Noncurrent portion	₱814,139,854	₱813,339,649

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

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

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

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

Year Issued	Interest Payable	Term	Interest Rate	Principal Amount	Carrying Value		Features
					December 31, 2023 (Unaudited)	June 30, 2023 (Audited)	
2017	Quarterly	7 years	5.8085%	₱2,180,000,000	₱2,178,424,767	₱2,175,083,335	Callable on the 3rd month after the 5th anniversary of Issue Date and on the 6th anniversary of Issue Date
2017	Quarterly	10 years	6.3756%	820,000,000	814,139,854	813,339,649	Callable from the 7th anniversary issue and every year thereafter until the 9th anniversary issue date
				₱3,000,000,000	₱2,992,564,621	₱2,988,422,984	

Covenants

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

The Group's D/E ratios and DSCRs, as defined on the bond trust agreement, as at December 31, 2023 and June 30, 2023 are as follows:

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Total liabilities ^(a)	₱5,194,343,563	₱4,943,137,190
Total equity	6,067,512,486	6,295,193,602
Debt-to-equity ratio	0.86:1.00	0.79:1.00

^(a) Excluding unearned tuition and other school fees

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
EBITDA (see Note 4) ^(b)	₱1,528,966,805	₱1,248,675,261
Total interest-bearing liabilities ^(c)	310,980,490	528,177,322
Debt service cover ratio	4.92:1.00	2.36:1.00

^(b) EBITDA for the last twelve months

^(c) Total interest-bearing debts and interests due in the preceding twelve months

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

As at December 31, 2023 and June 30, 2023, STI ESG has complied with the above covenants.

Amendments to the Trust Agreement

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

- Amendments Relating to Negative Covenants Waiver

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

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

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

▪ Amendment Relating to DSCR Waiver

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

(k) maintain and observe the following financial ratios:

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

Bond Issuance Cost

The Parent Company incurred costs related to the issuance of the bonds in 2017 amounting to ₱53.9 million. These costs are capitalized and amortized using the effective interest rate method. The carrying value of the unamortized bond issuance costs amounted to ₱7.4 million and ₱11.6 million as at December 31, 2023 and June 30, 2023, respectively. Amortization of bond issuance costs amounting to ₱4.1 million and ₱3.9 million for the six-month periods ended December 31, 2023 and 2022, respectively, were recognized as part of “Interest expense” account in the unaudited interim condensed consolidated statements of comprehensive income.

Interest Expense

Interest expense (including amortization of bond issuance costs) associated with the bonds payable recognized in the unaudited interim condensed consolidated statements of comprehensive income amounted to ₱93.6 million and ₱93.3 million for the six-month periods ended December 31, 2023 and 2022, respectively.

18. Other Noncurrent Liabilities

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Advance rent - net of current portion (see Note 14)	₱24,866,687	₱24,770,387
Refundable deposit - net of current portion (see Note 14)	16,953,526	17,157,470
Deferred lease liability	3,267,615	4,410,236
	₱45,087,828	₱46,338,093

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

Refundable deposits are held by the Group throughout the term of the lease and are refunded in full to the lessee at the end of the lease term if the lessee has performed fully and observed all of the conditions and provisions in the lease. Refundable deposits are presented in the unaudited interim condensed consolidated statements of financial position at amortized cost. The difference between the fair value

at initial recognition and the notional amount of the refundable deposit is charged to “Deferred lease liability” and amortized on a straight-line basis over the respective lease term.

19. Equity

Capital Stock

The details of the issued and outstanding number of common shares and amount as at December 31, 2023 and June 30, 2023 are as follows:

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

Treasury Stock

Treasury stock held by the Parent Company as at December 31, 2023 and June 30, 2023 amounted to ₱10.8 million.

Retained Earnings

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

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

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

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

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

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

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

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

20. Revenues

Disaggregated Revenue Information

The disaggregated revenue information is presented in the statement of comprehensive income and segment information in a manner that reflects the various sources and categories of revenues generated by the Company during the six-month periods ended December 31, 2023 and 2022.

Timing of revenue recognition

	Six- months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
Services transferred over time	₱1,390,410,327	₱956,984,036
Goods and services transferred at a point in time	126,217,596	114,588,844
Total consolidated revenue	₱1,516,627,923	₱1,071,572,880

Contract Balances

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

Revenue recognized from amounts included in the contract liabilities at the beginning of the period amounted to ₱43.9 million and ₱30.6 million for the six-month periods ended December 31, 2023 and 2022, respectively.

There was no revenue recognized from performance obligations satisfied in previous years for the six-month periods ended December 31, 2023 and 2022.

Performance Obligations

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

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

On the other hand, the performance obligations related to the sale of educational materials and supplies and other revenues are satisfied upon receipt by the customers since the control of the goods and

products is transferred at this point. The payment for the sale of educational materials and supplies is generally due within 30 days from delivery.

As at December 31, 2023 and June 30, 2023, the transaction price allocated to the remaining performance obligations (unsatisfied or partially satisfied) amounted to ₱799.4 million and ₱43.9 million, respectively. The contract liabilities as at December 31, 2023 refer to the portion of student assessment initially recorded as a liability account at the start of the school term and recognized as earned income proportionately until the end of the related school term(s). Meanwhile, the remaining performance obligations as at June 30, 2023 include advance payment for tuition and other school fees for the school year commencing after the financial reporting date and will be recognized as tuition and other school fees within the related school term(s). On the other hand, the Group does not have any performance obligations that are expected to be satisfied in more than one year.

21. Cost of Educational Services

This account consists of:

	Six-months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
Faculty salaries and benefits	₱ 187,783,960	₱ 133,446,823
Depreciation and amortization (see Note 10)	138,865,968	138,068,487
Student activities, programs and other related expenses	51,565,183	32,679,113
School materials and supplies	13,373,928	3,929,275
Rental	14,383,586	10,767,820
Software maintenance	4,859,007	4,891,577
Courseware development costs	747,953	989,337
Others	914,827	2,861,193
	₱412,494,412	₱327,633,625

22. Cost of Educational Materials and Supplies Sold

This account consists of:

	Six-months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
Educational materials and supplies	₱60,286,019	₱59,699,048
Promotional materials	6,655,839	2,769,473
	₱66,941,858	₱62,468,521

23. General and Administrative Expenses

This account consists of:

	Six-months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
Salaries, wages and benefits	₱163,220,988	₱137,586,668
Depreciation and amortization (see Notes 10 and 11)	103,179,105	102,427,792
Light and water	68,105,383	63,936,881
Professional fees	42,343,615	40,622,981
Provision for ECL (see Note 6)	54,958,480	41,256,926
Outside services	50,798,289	41,546,724
Taxes and licenses	15,671,343	14,829,324
Transportation	15,103,306	14,461,264
Repairs and maintenance	12,045,565	8,840,815
Advertising and promotions	9,177,749	4,052,792
Insurance	8,434,636	7,592,128
Entertainment, amusement and recreation	8,295,070	7,971,034
Meetings and conferences	7,121,805	6,874,114
Rental	6,189,959	4,614,780
Office supplies	3,702,141	3,545,686
Communication	2,193,685	2,118,150
Software maintenance	1,894,013	1,793,636
Association dues	1,340,841	391,420
Others	6,170,056	5,668,057
	₱579,946,029	₱510,131,172

24. Related Party Transactions

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

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

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
<i>Associates</i>						
STI Accent						
Reimbursement for various expenses and other charges	₱—	₱	₱48,134,540	₱48,134,540	30 days upon receipt of billings; noninterest-bearing	Unsecured; with provision for impairment
GROW, Inc.						
Rental income and other charges	357,338	584,205	10,309,950	10,657,720	30 days upon receipt of billings	Unsecured; no impairment
Reimbursement for various expenses and other charges	142,529	—	—	—	30 days upon receipt of billings	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
Refundable deposits	₱21,166	₱—	(₱119,383)	(₱98,217)	Refundable upon end of contract	Unsecured
STI Holdings						
Advisory fees	7,200,000	7,200,000	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	13,756	80,080	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Dividends payable (see Note 19)	608,124,607	212,843,613	(608,124,607)	—	Due and demandable; noninterest-bearing	Unsecured
Dividend income	15,012,987	7,506,493	15,012,987	—	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Alabang**						
Educational services and sale of educational materials and supplies	—	4,430,771	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Marikina						
Educational services and sale of educational materials and supplies	6,615,349	5,432,747	708,778	248,242	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Affiliates*						
PhilCare						
Rental income and other charges	6,100,780	6,368,624	1,339,618	429,817	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
HMO coverage	8,785,790	8,826,325	—	(4,911)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Refundable deposits	—	—	(1,950,480)	(1,950,480)	Refundable upon end of contract	Unsecured
Phil First Insurance Co., Inc.						
Utilities and other charges	—	—	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Insurance	16,692,412	14,688,781	(55,454)	(1,250)	30 days upon receipt of billings; noninterest-bearing	Unsecured
Philippines First Condominium Corporation						
Association dues, utilities and other charges	4,903,204	6,609,038	(816,412)	(18,940)	30 days upon receipt of billings; noninterest-bearing	Unsecured
PhilLife						
Insurance	2,319,920	370,925	(406,384)	—	30 days upon receipt of billings; noninterest-bearing	Unsecured
Rental income and related charges	153,570	6,765,484	40,181	273,257	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	—	—	—	(1,950,480)	Refundable upon end of contract	Unsecured
GROW Vite Staffing Services, Inc.						
Rental income and other charges	843,487	383,403	—	—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	394,666	500,836	61,533	182,738	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Janitorial and Staffing Services	11,165,853	10,450,790	(7,817,447)	(1,934,655)	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Refundable deposits	49,959	—	(421,744)	(371,785)	Refundable upon end of contract	Unsecured
STI WNU						
Educational services and sale of educational materials and supplies	14,040,889	9,261,456	16,958,500	4,410,938	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses and other charges	6,966,590	2,819,432	10,447,822	3,848,149	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

(Forward)

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
iACADEMY						
Reimbursement for various expenses and other charges	P—	P1,042,201	P—	P—	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Advances for various expenses	19,707,790	21,689,793	26,845,042	23,348,967	Liquidated within one month; noninterest-bearing	Unsecured; no impairment
Others						
Rental and other charges	-	-	778,612	965,550	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
			(P489,074,348)	P86,169,200		

*Affiliates are entities under common control of a majority Shareholder

** Became a wholly-owned subsidiary as at March 31, 2023

Related party receivables and payables are generally settled in cash.

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

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)
Dividends Payable	(P608,124,607)	P—
Advances to associates and joint venture (see Note 12)	48,134,540	48,134,540
Educational services and sale of educational materials and supplies (Note 6)	28,115,100	8,507,329
Advances to officers and employees (see Note 6)	26,845,042	23,348,967
Rent, utilities, and other related receivables (see Note 6)	12,529,894	12,509,082
Dividends Receivables	15,012,987	—
Accounts payable (Note 15)	(11,587,304)	(6,330,718)
	(P489,074,348)	P86,169,200

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

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
Subsidiaries						
STI Caloocan						
Educational services, sale of educational materials and supplies, management fees, and other charges	P53,993,540	P38,738,239	P—	P—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	2,926,786	59,737,162	(223,782,245)	(248,802,294)	30 days from billing or cut-off date; noninterest-bearing	Unsecured
Rental income and other related charges	25,144,800	25,144,800	—	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Novaliches						
Educational services, sale of educational materials and supplies, management fees, and other charges	20,767,712	19,793,871	24,377,544	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	5,979,467	23,626,740	2,782	(12,977,576)	30 days from billing or cut-off date; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
Rental income and other related charges	₱15,360,000	₱15,360,000	₱—	₱—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Dividend income	14,999,988	—	14,999,988	—	Due and demandable; noninterest-bearing	Unsecured; no impairment
STI Tuguegarao						
Educational services, sale of educational materials and supplies, management fees, and other charges	—	—	13,136,613	13,136,613	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	7,076	29,563	3,895,364	3,917,851	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI DLS College						
Reimbursement for various expenses	5,076	—	(47,467,635)	(47,472,711)	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Quezon Avenue						
Educational services, sale of educational materials and supplies, management fees, and other charges	4,235,913	2,307,266	7,600,342	4,604,720	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	3,541,034	3,773,033	11,858,794	9,386,119	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Rental income and other related charges	5,142,379	5,670,000	17,278,394	11,518,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Batangas						
Educational services, sale of educational materials and supplies, management fees and other charges	17,698,845	12,391,860	16,644,915	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	—	1,205,202	—	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	8,484,830	7,484,400	1,458,027	28,117,876	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Iloilo						
Educational services, sale of educational materials and supplies,	—	3,711	—	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	5,076	—	19,777,198	19,772,122	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Pagadian						
Educational services, sale of educational materials and supplies,	—	—	5,426,444	5,426,444	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
Reimbursement for various expenses	5,076	—	9,028,958	9,022,882	30 days from billing or cut-off date; noninterest-bearing	Unsecured; with provision for impairment
STI Tanauan						
Educational services, sale of educational materials and supplies,	7,428,234	4,921,665	7,537,762	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	466,401	14,491,120	993,346	1,532,003	30 days from billing or cut-off date; noninterest-bearing	Unsecured

(Forward)

Related Party	Amount of Transactions During the Period		Outstanding Receivable (Payable)		Terms	Conditions
	December 31, 2023 (Unaudited)	December 31, 2022 (Unaudited)	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)		
STI Lipa						
Educational services, sale of educational materials and supplies,	₱22,771,210	₱19,277,707	₱93,007,743	₱—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	1,086,036	4,116,281	—	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	23,135,490	23,135,490	48,335,740	130,879,753	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Sta. Maria						
Educational services, sale of educational materials and supplies,	10,964,650	11,225,530	4,666,282	—	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	4,296,887	883,206	29,338,751	35,470,078	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
STI Alabang*						
Educational services and sale of educational materials and supplies	5,652,765	—	38,288,513	32,660,929	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	121,072	—	3,293,639	3,244,656	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
STI Training Academy						
Reimbursement for various expenses	5,351,462	134,255	47,092,460	41,740,998	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	3,033,180	3,350,815	107,426	107,426	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NPIM						
Reimbursement for various expenses	5,495	1,029,254	446,502	546,586	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	—	—	28,593,144	28,541,216	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
NAMEI						
Educational services, sale of educational materials and supplies,	9,511,145	8,842,446	—	9,911,953	30 days from billing or cut-off date; noninterest-bearing	Unsecured; no impairment
Reimbursement for various expenses	2,108,194	6,226,418	29,286,325	44,487,892	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment
Rental income and other related charges	11,652,480	13,622,82	68,578,231	55,507,046	30 days upon receipt of billings; noninterest-bearing	Unsecured; no impairment

* Became a wholly-owned subsidiary as at March 31, 2023

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

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

	Six-months ended December 31	
	2023	2022
	(Unaudited)	(Unaudited)
Net income attributable to equity holders of the Parent Company (a)	₱380,698,665	₱119,386,385
Common shares outstanding at beginning and end of period (b) (see Note 19)	3,081,877,170	3,081,877,170
Basic and diluted earnings per share on net income attributable to equity holders of the Parent Company (a)/(b)	₱0.124	₱0.039

The basic and diluted earnings per share are the same for the six-month period ended December 31, 2023 and 2022 as there are no dilutive potential common shares.

26. Contingencies and Commitments

Contingencies

a. *Labor Cases*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at February 14, 2024, STI ESG is preparing the necessary motion for the recovery of the ₱0.5 million.

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

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

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

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

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

On November 22, 2023, STI ESG received a copy of the Resolution of the Court of Appeals dated October 17, 2023 submitting the motion for reconsideration filed by Complainant for resolution of the court.

On January 29, 2024, STI ESG received a copy of the Resolution of the Court of Appeals dated December 18, 2023 denying the motion for reconsideration filed by Complainant.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Commitments

a. Financial Commitments

The ₱250.0 million Term Loan/Rediscounting Line Facility approved for STI ESG is secured by a Comprehensive Surety issued by STI Holdings in favor of LandBank executed on September 16, 2020. The term of the borrowing is coterminous with the promissory notes executed by the parents/benefactors of the students. STI ESG has drawn from this Term Loan/Rediscounting Line Facility an aggregate amount of ₱22.1 million, of which ₱3.0 million is the balance outstanding as of June 30, 2023. Of the ₱3.0 million outstanding loan, ₱2.1 million was settled in August 2023 while the balance amounting to ₱0.9 million was fully paid on January 31, 2024.

The Parent Company has ₱65.0 million domestic bills purchase lines from various local banks as at June 30, 2023, specifically for the purchase of local and regional clearing checks. Interest on drawdown from such facility is waived except when drawn against returned checks to which the interest shall be the prevailing lending rate of such local bank. This facility is on a clean basis. As at December 31, 2023 and 2022, there is no outstanding availment from these lines.

b. Capital Commitments

As at December 31, 2023 and June 30, 2023, STI ESG has contractual commitments for its ongoing and recently completed projects namely, (1) canteen and basketball court roofing project for STI Legazpi, (2) solar energy project and construction of additional building at STI Ortigas-Cainta, and (3) various renovation projects in select STI schools owned and operated by STI ESG.

The canteen and basketball court roofing project for STI Legazpi has an aggregate project cost of ₱25.7 million, of which ₱20.4 million and ₱7.7 million have been paid as at December 31, 2023 and June 30, 2023, respectively.

STI ESG's solar energy project at STI Ortigas-Cainta has a total cost of ₱10.6 million, of which ₱9.1 million has been paid as at December 31, 2023. The project likewise has been completed as at report date.

STI ESG also entered into a contract to put up a new school building in STI Ortigas-Cainta campus. The related contract cost to construct the building amounted to ₱217.3 million, of which ₱65.2 million, representing 30% down payment, has been paid as at December 31, 2023 (see Note 14).

The Group reported various ongoing renovation projects with aggregate cost of ₱23.9 million as at December 31, 2023, of which ₱13.2 million and ₱5.5 million have been settled as at December 31, 2023 and June 30, 2023, respectively.

c. Others

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

The Joint Venture Parties also agreed to increase STI Tanauan's authorized capital stock to an amount that will be agreed by the Joint Venture Parties in a separate agreement. As agreed by

the Joint Venture Parties, the increase in the authorized capital stock will be funded through STI Tanauan's declaration of stock dividends to STI ESG based on STI Tanauan's unrestricted retained earnings as at March 31, 2017 and cash payments by the Joint Venture Parties.

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

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

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

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

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

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

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

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

27. Changes in Liabilities Arising from Financing Activities

	June 30, 2023	Cash Flows	Gain on early extinguishment of loan	Interest Expense*	Reclassified as Current	Effect of Lease Modification	New/Renewed Leases	Dividends Declared (Note 19)	December 31, 2023
Current portion of interest-bearing loans and borrowings	₱183,042,276	(₱212,095,670)	₱—	₱7,353	₱270,000,000	₱—	₱—	₱—	₱240,953,959
Bonds payable	2,988,422,984	—	—	4,141,637	—	—	—	—	2,992,564,621
Interest-bearing loans and borrowings – net of current portion	748,861,025	—	(3,076,457)	237,763	(270,000,000)	—	—	—	476,022,331
Lease liabilities	335,735,940	(48,363,922)	—	10,709,189	—	76,065	13,932,042	—	312,089,314
Dividends payable	15,161,749	(700,083)	—	—	—	—	—	616,375,434	630,837,100
Interest payable	21,499,453	(121,520,566)	—	120,588,679	—	—	—	—	20,567,566
	₱4,292,882,427	(₱382,680,241)	(₱3,076,457)	₱135,684,621	₱—	₱76,065	₱13,932,042	₱616,375,434	₱4,673,034,891

	June 30, 2022	Cash Flows	Gain on early extinguishment of loan	Interest Expense*	Reclassified as Current	Effect of Lease Termination/Modification	New/Renewed Leases	Dividends Declared (Note 19)	December 31, 2022
Current portion of interest-bearing loans and borrowings	₱159,544,753	(₱244,012,094)	₱—	₱—	₱152,095,669	₱—	₱—	₱—	₱67,628,328
Bonds payable	2,980,515,064	—	—	3,892,632	—	—	—	—	2,984,407,696
Interest-bearing loans and borrowings – net of current portion	1,052,687,728	—	—	(431,117)	(152,095,669)	—	—	—	900,160,942
Lease liabilities	317,614,362	(45,706,446)	—	10,397,273	—	(2,899,662)	42,498,600	—	321,904,127
Dividends payable	14,186,826	(276,853)	—	—	—	—	—	215,731,402	229,641,375
Interest payable	23,932,919	(130,255,937)	—	128,014,776	—	—	—	—	21,691,758
	₱4,548,481,652	(₱420,251,330)	₱—	₱141,873,564	₱—	(₱2,899,662)	₱42,498,600	₱215,731,402	₱4,525,434,226

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

28. Fair Value Information of Financial Instruments

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

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

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

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

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

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

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

Management believes that the fair values of deposits, lease liabilities, bonds payable and other noncurrent liabilities as at December 31, 2023 do not significantly differ from the fair values of these financial instruments as at June 30, 2023.

29. Notes to the Consolidated Statements of Cash Flows

- a. The Group's material noncash investing and financing activities pertain to the following:
- Additions to ROU assets presented under "Property and equipment" amounted to ₱14.6 million and ₱44.8 million for the six-month periods ended December 31, 2023 and 2022, respectively (see Note 10).
 - Unpaid progress billing for construction-in-progress presented under "Property and equipment" amounted to ₱8.2 million as at December 31, 2023 (see Note 10).

- Unpaid progress billing for construction-in-progress presented under “Investment property” amounted to nil and ₱17.6 million as at December 31, 2023 and 2022, respectively (see Note 11).
 - Reclassification from “Other noncurrent assets”, pertaining to advances to suppliers, to “Property and equipment” amounted to ₱23.2 million and ₱2.3 million for the six-month periods ended December 31, 2023 and 2022, respectively (see Note 10).
- b. In July 2022, STI ESG received the proceeds from the redemption of the Pasig property, recognized as noncurrent held for sale as at June 30, 2022, amounting to ₱19.0 million.

30. Other Matters

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

The schools within the Group have gradually started to implement limited face-to-face classes in 2022 while the Group implemented a flexible learning modality in the first semester of SY 2022-2023. The Group resumed with full face-to-face classes for tertiary enrollees during the second semester of SY 2022-2023 while classes for all SHS and JHS have been conducted face-to-face since the opening of SY 2022-2023. For SY 2023-2024, classes for all levels are conducted full face-to-face since the opening of the school year.

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

STI EDUCATION SERVICES GROUP, INC.
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2023

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	1-30 Days	31-60 days	61-90 days	over 90 days
Current Receivables	₱981,230,575	₱657,833,721	₱43,161,955	₱64,578,595	₱215,656,304

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

STI EDUCATION SERVICES GROUP, INC.
Financial Highlights and Key Performance Indicators
(in ₱ millions except margins, financial ratios and earnings per share)

	December 31, 2023 (Unaudited)	June 30, 2023 (Audited)	December 2023 vs June 2023 Increase (Decrease)	
			Amount	%
Consolidated financial position				
Total assets	12,061.3	11,282.3	779.0	7%
Current assets	2,951.2	2,162.8	788.4	36%
Cash and cash equivalents	1,751.6	1,571.7	179.9	11%
Total liabilities	5,993.8	4,987.1	1,006.7	20%
Current liabilities	4,321.7	3,016.7	1,305.0	43%
Total equity	6,067.5	6,295.2	(227.7)	(4%)
Equity attributable to equity holders of the parent	6,070.6	6,298.3	(227.7)	(4%)
Financial ratios				
Debt-to-equity ratio ⁽¹⁾	0.86	0.79	0.07	9%
Current ratio ⁽²⁾	0.68	0.72	(0.04)	(6%)
Asset to equity ratio ⁽³⁾	1.99	1.79	0.2	11%
Six months ended December 31				
	2023 (Unaudited)	2022 (Unaudited)	Increase (Decrease)	
			Amount	%
Condensed Statements of Income				
Revenues	1,516.6	1,071.6	445.0	42%
Direct costs ⁽⁴⁾	479.4	390.1	89.3	23%
Gross profit	1,037.2	681.5	355.7	52%
Operating expenses	579.9	510.1	69.8	14%
Operating income	457.3	171.4	285.9	167%
Other expenses - net	(45.2)	(53.7)	8.5	(16%)
Income before income tax	412.1	117.7	294.4	250%
Net income	380.7	118.3	262.4	222%
EBITDA ⁽⁵⁾	718.3	438.0	280.3	64%
Core income ⁽⁶⁾	362.8	99.5	263.3	265%
Net income attributable to equity holders of the Parent Company	380.7	119.4	261.3	219%
Income per share ⁽⁷⁾	0.124	0.039	0.085	2%
Consolidated Condensed Statements of Cash Flows				
Net cash from operating activities	754.3	628.1	126.2	20%
Net cash used in investing activities	(199.6)	(201.3)	1.7	1%
Net cash used in financing activities	(382.0)	(420.3)	38.3	9%
Effect of exchange rate changes on cash and cash equivalents	7.1	7.4	(0.3)	(4%)

	As at and for six months ended December 31			
	2023	2022	Increase (Decrease)	
	(Unaudited)	(Unaudited)	Amount	%
Financial Soundness Indicators				
Liquidity Ratios				
Current ratio ⁽²⁾	0.68	1.65	(0.97)	(59%)
Quick ratio ⁽⁸⁾	0.63	1.49	(0.86)	(58%)
Cash ratio ⁽⁹⁾	0.41	0.93	(0.52)	(56%)
Solvency ratios				
Debt to equity ratio ⁽¹⁾	0.86	0.87	(0.01)	(1%)
Asset to equity ratio ⁽³⁾	1.99	1.79	0.20	11%
Interest coverage ratio ⁽¹⁰⁾	4.04	1.83	2.21	121%
Debt service cover ratio (DSCR) ⁽¹¹⁾	0.59	2.52	(1.93)	(77%)
Profitability ratios				
EBITDA margin ⁽¹²⁾	47%	41%	0.06	15%
Gross profit margin ⁽¹³⁾	68%	64%	0.04	6%
Operating profit margin ⁽¹⁴⁾	30%	16%	0.14	88%
Net income margin ⁽¹⁵⁾	25%	11%	0.14	127%
Return on equity ⁽¹⁶⁾	6%	2%	0.04	200%
Return on assets ⁽¹⁷⁾	3%	1%	0.02	182%

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

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

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

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

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

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

(7) Income per share is measured as net income 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) Interest coverage ratio is measured as net income before income tax and interest expense divided by interest expense.

(11) DSCR for bank loans purposes is measured as earnings before interest, taxes, depreciation and amortization and nonrecurring gains/losses (EBITDA) for the last twelve months divided by the total interest-bearing debts and interest due in next twelve months and is pegged at 1.05:1. In August 2022, China Banking Corporation (China Bank) granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the past twelve months and is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at December 31, 2023 and December 31, 2122 at 4.92 and at 1.96, respectively.

(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 margin is measured as operating profit divided by total revenues.

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

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

ANNEX “B”

STI EDUCATION SERVICES GROUP, INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

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

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

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

Over the years, STI ESG began shifting its focus from short-term courses to college degree programs to adjust to the changing business environment. In 1995, STI ESG was granted a permit by the Commission on Higher Education (CHED) to operate colleges and roll out four-year college programs starting with the Bachelor’s degree in Computer Science. STI ESG then slowly diversified its programs beyond Information 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 offer Junior High School (JHS). In School Year (SY) 2022-2023, STI ESG began offering Bachelor of Arts in Psychology and Bachelor of Science in Criminology in certain schools in the network.

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

On March 16, 2023, STI ESG and the majority owners of STI-College Alabang, Inc. (STI Alabang) entered into a deed of absolute sale wherein STI ESG acquired 60% of the issued and outstanding capital stock of STI Alabang from the former franchisee. Prior to this, STI ESG owned 40% of STI Alabang’s issued and outstanding capital stock. With the acquisition of the 60% ownership, STI Alabang became a wholly-owned subsidiary of STI ESG as at March 31, 2023.

As at December 31, 2023, STI ESG has a network of 63 operating schools comprising of 60 colleges and 3 education centers. Of the total number of schools, STI ESG owns 37 schools while franchisees operate 26 schools.

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

STUDENT POPULATION

The enrollment figures of the Group for SY 2023-2024 indicate a robust increase of 27.0% as the Group's enrollment for SY 2023-2024 close to 104,000 compared to over 81,000 enrollees in SY 2022-2023. In SY 2023-2024, the total count of new students reached over 49,000, marking a 37.0% growth from close to 36,000 new students in SY 2022-2023. Furthermore, enrollment in programs regulated by CHED registered an impressive 25.3% increase to more than 71,000 students compared to enrollees in SY 2022-2023 of over 56,000 students.

The enrollment figures are as follows:

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

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

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

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

**For SY 2023-2024, DepEd count includes 30,674 SHS students and 467 JHS students while for SY 2022-2023, count includes 23,077 SHS students and 297 JHS students.*

In SY 2022-2023, the Group gradually transitioned from remote learning to full conduct of face-to-face classes, while classes for SY 2023-2024 are all conducted face-to-face. For SY 2023-2024, classes across all levels started on August 29, 2023. For SY 2022-2023, classes for SHS and JHS students started on August 30, 2022 and on September 5, 2022 for tertiary students. STI implemented a flexible learning delivery modality for tertiary programs in the first semester of SY 2022-2023. All CHED professional and identified general education courses were delivered onsite, while other general education courses

followed a blended modality, with a 50% onsite/face-to-face and 50% asynchronous ratio. With the passage of CHED Memorandum Order No. 16 dated November 11, 2022 providing clarity and support to Higher Education Institutions (HEIs) towards progressive transitioning to full onsite learning, STI ESG opted to conduct full face-to-face classes starting in the second semester of SY 2022-2023. As for JHS and SHS, classes have all been conducted face-to-face since the opening of SY 2022-2023.

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

FINANCIAL REVIEW

This discussion summarizes the significant factors affecting the operating results of the Group for the six-month periods ended December 31, 2023 and 2022 and financial condition as at December 31, 2023 and June 30, 2023 of STI Education Services Group, Inc. and its subsidiaries. The following discussions should be read in conjunction with the attached unaudited interim condensed consolidated financial statements of the Group as at and for the six-month period ended December 31, 2023. All necessary adjustments have been made to present fairly the financial position of the Group as at December 31, 2023 and June 30, 2023 and the results of operations and cash flows for the six-month periods ended December 31, 2023 and 2022.

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

I. RESULTS OF OPERATIONS

Three-month period ended December 31, 2023 vs. three-month period ended December 31, 2022

For the three-month period ended December 31, 2023, the Group generated gross revenues amounting to ₱1,036.5 million, higher by 46% or ₱325.0 million from the same period last year of ₱711.5 million. The improvement was primarily driven by the remarkable increase in the student population of the Group for SY 2023-2024. The Group likewise implemented a 5% tuition fee increase across all levels. Gross profit increased by ₱262.3 million or 53% year-on-year from ₱499.4 million to ₱761.7 million. The gross profit margin likewise improved from 70% for the three-month period ended December 31, 2022 to 73% for the three-month period ended December 31, 2023.

The Group recorded operating income for the three-month period ended December 31, 2023 amounting to ₱470.6 million, compared to ₱244.7 million for the same period last year. The Group recognized net income after income tax amounting to ₱402.5 million this quarter, more than double the ₱194.1 million for the three-month period ended December 31, 2022.

Earnings before interest, taxes, depreciation, and amortization or EBITDA, amounted to ₱601.7 million for the three-month period ended December 31, 2023 compared to ₱379.9 million for the same period last year. EBITDA is computed as net income excluding provision for income tax, depreciation and amortization, equity in net earnings of associates and joint

venture, interest expense and interest income, and nonrecurring gains (losses) such as gain on foreign exchange differences, fair value gain (loss) on equity instruments at fair value through profit or loss (FVPL), and gain on early extinguishment of a loan. Depreciation and interest expenses for purposes of this computation exclude those related to Right-of-Use (ROU) assets and lease liabilities, respectively. EBITDA margin for the three-month period ended December 31, 2023 also improved to 58%, compared to 53% for the same period last year due to the reasons cited above.

Six-month period ended December 31, 2023 vs. six-month period ended December 31, 2022

The consolidated gross revenues of the Group for the six-month period ended December 31, 2023 amounted to ₱1,516.6 million compared to ₱1,071.6 million for the same period last year primarily due to the increase in the number of enrollees for SY 2023-2024. Gross profit amounted to ₱1,037.2 million compared to ₱681.5 million for the same period last year. Gross profit margin likewise increased from 64% to 68% year-on-year.

The Group recorded an operating income of ₱457.2 million for the six-month period ended December 31, 2023 compared to ₱171.3 million for the six-month period ended December 31, 2022. The Group recognized net income after income tax amounting to ₱380.7 million for the six-month period ended December 31, 2023, marking a 222% increase compared to ₱118.3 million for the six-month period ended December 31, 2022.

EBITDA amounted to ₱718.3 million from ₱438.0 million for the same period last year. EBITDA margin for the six-month period ended December 31, 2023 likewise improved to 47% compared to 41% for the same period last year due to the reasons cited above.

II. FINANCIAL CONDITION

The Group posted consolidated total assets amounting to ₱12,061.3 million as at December 31, 2023, compared to the balance as at June 30, 2023 amounting to ₱11,282.3 million. The increase was mainly driven by the ₱179.9 million improvement in cash and cash equivalents and increase in receivables aggregating to ₱639.2 million largely from students and DepEd.

Cash and cash equivalents increased by ₱179.9 million or 11% from ₱1,571.7 million to ₱1,751.6 million as at June 30, 2023 and December 31, 2023, respectively, attributed largely to the tuition and other school fees collected during the six-month period ended December 31, 2023. This amount is net of the full payment of STI ESG's Corporate Notes Facility with China Banking Corporation (China Bank) totaling to ₱210.0 million.

Total receivables is up by ₱639.2 million from ₱342.0 million as at June 30, 2023 to ₱981.2 million as at December 31, 2023. The receivables balance is mainly composed of amounts expected to be collected from students as payment for tuition and other school fees and from DepEd for the SHS vouchers that are expected to be collected for the remaining months of the school year. Students who qualified for the DepEd Voucher Program are entitled to the government subsidy ranging from ₱8,750 to ₱22,500 per student per year. Under the Voucher Program, DepEd directly pays the schools where these students enrolled.

Inventories increased by ₱12.1 million or 10%, from ₱125.2 million as at June 30, 2023 to ₱137.3 million, substantially attributed to purchases of uniforms and proware during the six-month period ended December 31, 2023.

Prepaid expenses decreased by ₱41.4 million or 36%, from ₱114.9 million to ₱73.5 million as at December 31, 2023 representing amounts recognized as expense during the six-month period ended December 31, 2023. The decrease is also attributed to the application of STI ESG's tax due for the six-month period ended December 31, 2023 against its available tax credits. This decrease is net of the prepayments made related to the insurance policies renewed during the six-month period ended December 31, 2023.

The carrying value of the equity instruments designated at FVPL amounted to ₱4.89 per share or an aggregate of ₱7.6 million as at December 31, 2023 compared to ₱5.80 or an aggregate value of ₱9.0 million as at June 30, 2023. These equity instruments pertain to STI ESG's investment in quoted equity shares of RL Commercial REIT, Inc. (RCR), a real estate investment trust (REIT) company listed on the Philippine Stock Exchange.

Deferred tax assets (DTA) increased by ₱12.8 million from ₱42.0 million as at June 30, 2023 to ₱54.8 million as at December 31, 2023, representing DTA recognized on tuition and other school fees collected in advance and all deductible temporary differences.

Goodwill, intangible and other noncurrent assets increased by ₱72.6 million from ₱331.2 million as at June 30, 2023 to ₱403.8 million as at December 31, 2023, primarily attributed to advances to contractor for ongoing construction of a new school building in STI Ortigas-Cainta, a school owned and operated by STI ESG.

Total current liabilities increased from ₱3,016.7 million as at June 30, 2023 to ₱4,321.7 million as at December 31, 2023, or by ₱1,305.0 million, largely representing increase in unearned tuition and other school fees, dividends payable and current portion of long term debt as at December 31, 2023.

Total noncurrent liabilities decreased by ₱298.2 million to ₱1,672.1 million as at December 31, 2023 from ₱1,970.3 million as at June 30, 2023. This decrease is attributed to the reclassification of the principal amount under STI ESG's Term Loan Facility with China bank, which is due in the next twelve months, to the current portion of interest-bearing loans and borrowings. In addition, STI ESG fully paid the outstanding balance of STI ESG's Corporate Notes Facility with China Bank in September 2023.

Total equity decreased by ₱227.7 million from ₱6,295.2 million as at June 30, 2023 to ₱6,067.5 million as at December 31, 2023. The Group registered a net income after income tax amounting to ₱380.7 million for the six-month period ended December 31, 2023. The net decrease in total equity as at December 31, 2023 is attributed to the cash dividends declared by STI ESG on December 21, 2023 amounting to ₱616.4 million which were subsequently settled in January 2024.

III. TOP FIVE (5) KEY PERFORMANCE INDICATORS

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

As at/Six-month periods ended December 31

		2023	2022	Remarks
EBITDA margin	EBITDA divided by total revenues.	47%	41%	EBITDA margin improved in 2023 as compared to the same period in 2022 mainly due to the increase in revenues arising from higher number of enrollees.
Gross profit margin	Gross profit divided by total revenues	68%	64%	Gross profit margin improved as revenues increased due to the reasons cited above.
Return on equity (ROE)	Net income attributable to equity holders of the Parent Company divided by average equity attributable to equity holders of the Parent Company	6%	2%	ROE improved as revenues increased while costs and operating expenses increased at a slower rate.
Debt service cover ratio (DSCR)*	EBITDA for the last twelve months divided by total principal and interest due in the next twelve months.	0.59	2.52	The minimum DSCR set by management, the lender bank and STI ESG bondholders is 1.05 of cash income (EBITDA) for every peso of loans and interest due within 12 months (see note below).
Debt-to-equity ratio (D/E ratio)	Total liabilities, net of unearned tuition and other school fees, divided by total equity	0.86	0.87	D/E ratio improved due to the prepayment made by STI ESG on its Corporate Notes Facility.

**DSCR for bank loans purposes is measured as EBITDA for the last twelve months divided by the total interest-bearing debts and interest due in the next twelve months. In August 2022, China Bank granted STI ESG's request to waive the DSCR requirement for the year ended June 30, 2023 and the period ending December 31, 2023. DSCR under STI ESG's bond trust agreement is defined as EBITDA for the last twelve months divided by total interest-bearing debts and interest due in the past twelve months. DSCR under both the Term Loan and Bond Trust Agreements is pegged at 1.05:1.00. STI ESG is compliant with the DSCR requirement, as defined in the bond trust agreement, as at December 31, 2023 and December 31, 2022 at 4.92 and 1.96, respectively.*

IV. MATERIAL CHANGES IN BALANCE SHEET ACCOUNTS

Cash and cash equivalents increased by ₱179.9 million from ₱1,571.7 million to ₱1,751.6 million as at June 30, 2023 and December 31, 2023, respectively. The Group generated cash from operating activities aggregating to ₱754.3 million during the six-month period ended December 31, 2023. The collection of tuition and other school fees during the six-month period ended December 31, 2023 was the key contributor to the increase in net cash provided by operating activities. These funds were utilized to pay the contractors and suppliers of the recent construction and renovation projects of the Group with net cash used in investing activities aggregating to ₱199.6 million. These investing activities include the construction of a new school building in STI Ortigas-Cainta campus, roof deck waterproofing and solar panels installation also in STI ESG's Ortigas-Cainta campus, and various major refurbishment and renovation projects in certain wholly-owned schools of STI ESG, among others. On the other hand, the Group registered ₱382.0 million cash used in financing activities substantially representing scheduled principal payment and prepayment of the loan under the Corporate Notes Facility of STI ESG with China Bank amounting to ₱30.0 million and ₱180.0 million, respectively, as well as interest payments of bonds and loans aggregating to ₱121.5 million during the six-month period ended December 31, 2023.

Receivables increased to ₱981.2 million as at December 31, 2023 or by ₱639.2 million, compared to ₱342.0 million as at June 30, 2023 primarily attributed to increase in receivables related to tuition and other school fees. Receivables related to tuition and other school fees include receivables from students, DepEd, CHED and DBP.

Receivables from students increased by ₱277.0 million from ₱419.6 million to ₱696.6 million, reflecting tuition and other school fees that are expected to be collected from the students over the remaining months of the related school term(s).

Receivables from DepEd likewise increased to ₱371.6 million as at December 31, 2023 from ₱10.0 million as at June 30, 2023. The SHS Voucher Program is a financial assistance program wherein subsidies in the form of vouchers are provided to qualified SHS students in participating private institutions. A Qualified Voucher Recipient (QVR) is entitled to a subsidy ranging from ₱8,750 to ₱22,500 annually. DepEd, through the Private Education Assistance Committee, facilitates the transfer of funds to the participating schools.

Receivables related to DBP RISE amounted to ₱2.5 million and ₱1.6 million as at December 31, 2023 and June 30, 2023, respectively. STI ESG and DBP executed a Memorandum of Agreements to implement the DBP Resources for Inclusive and Sustainable Education Program (DBP RISE) in March 2021. This program grants financial assistance to deserving students from underprivileged Filipino families who aspire to pursue studies in DBP-accredited public and private tertiary schools. DBP RISE covers (1) the total cost of tuition fees for all year levels of the entire course or program based on the partner school's tuition fee structure, which is determined at the beginning of the first term of the course or program, and (2) student support fund which covers other school fees, miscellaneous fees, and living allowance that will be determined and set by DBP. A similar MOA with DBP was executed in November 2021 and May 2023 covering the implementation of DBP RISE for deserving students enrolled beginning SY 2021-2022 and SY 2022-2023, respectively.

Receivables from CHED for the Tertiary Education Subsidy (TES) amounted to ₱0.9 million as at December 31, 2023 from ₱1.0 million as at June 30, 2023. A memorandum of agreement by and among CHED, Unified Student Financial Assistance System for Tertiary Education Board (UniFAST) and STI ESG was executed in 2018 in order that the students within the STI ESG network may avail of the TES and Student Loan Program (SLP) under the Universal Access to Quality Tertiary Education Act (UAQTEA) and its Implementing Rules and Regulations (IRR). Students enrolled in select private Higher Education Institutions (HEIs) and are qualified to receive the TES, are entitled to ₱60.0 thousand. The TES sharing agreement states that ₱40.0 thousand goes to the TES student grantee and ₱20.0 thousand to the private HEI. The subsidy is for tuition and other related school fees and should cover the living allowance, books, supplies, transportation, and miscellaneous expenses. Additional benefits are likewise given to persons with disabilities (PWDs) and graduates of programs with licensure exams amounting to ₱30.0 thousand per annum and ₱10.0 thousand, respectively. Under the TES Program, CHED directly pays the schools where these students enrolled.

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

Receivables related to educational services and sale of educational materials and supplies amounted to ₱94.8 million as at December 31, 2023, higher by ₱31.0 million from ₱63.8 million as at June 30, 2023. This balance consists of receivables from franchised schools and an affiliate. The increase largely represents receivables for sale of uniforms and prowares during the six-month period ended December 31, 2023. These receivables from franchised schools and an affiliate are expected to be settled within 30 days from the invoice date.

STI ESG recognized dividends receivable from STI Education Systems Holdings, Inc. (STI Holdings), its ultimate parent company, amounting to ₱15.0 million as at December 31, 2023. STI ESG holds a 5.05243% stake in STI Holdings. The BOD of STI Holdings approved on December 21, 2023 and December 19, 2022 the declaration of cash dividends per share at ₱0.030 and ₱0.015, respectively. Such dividends were received by STI ESG on January 31, 2024 and 2023, respectively.

STI ESG's allowance for estimated credit losses (ECL) recognized in relation to the adoption of Philippine Financial Reporting Standards (PFRS) 9, *Financial Instruments*, increased from ₱290.3 million as at June 30, 2023 to ₱345.3 million as at December 31, 2023. This increase was due to the provision for ECL amounting to ₱55.0 million which was recognized during the six-month period ended December 31, 2023.

Inventories increased by ₱12.1 million or 10%, from ₱125.2 million as at June 30, 2023 to ₱137.3 million, substantially attributed to purchases of uniforms and proware during the six-month period ended December 31, 2023. STI ESG increased its inventory level of student uniforms in anticipation of the demands in the coming years, taking into account the production lead time and availability of materials.

Prepaid expenses and other current assets decreased by ₱41.4 million or 36% from ₱114.9 million as at June 30, 2023 to ₱73.5 million as at December 31, 2023 substantially attributed to the decrease in prepaid taxes, particularly related to prepaid taxes, and prepaid subscriptions and licenses. The decrease in prepaid taxes, particularly for local taxes, subscriptions and licenses represents the portion of these prepayments made as at June 30, 2023 which were charged to expense during the six-month period ended December 31, 2023. Prepaid taxes

likewise decreased from ₱55.0 million to ₱19.5 million because the income tax obligation of STI ESG during the six-month period ended December 31, 2023 was applied against its available tax credits. On the other hand, prepaid insurance increased by ₱9.8 million from ₱0.7 million to ₱10.5 million reflecting renewal and payment of premiums due for fire insurance coverage for buildings, including equipment and furniture, money security payroll and fidelity insurances, 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.

STI ESG subscription to quoted equity shares of RCR, recognized as equity instruments designated at FVPL, has carrying values of ₱4.89 and ₱5.80 per share or an aggregate value of ₱7.6 million and ₱9.0 million as at December 31, 2023 and June 30, 2023, respectively. Dividends collected from this investment amounted to ₱0.3 million both for the six-month periods ended December 31, 2023 and 2022.

Deferred tax assets (DTA) increased by ₱12.8 million from ₱42.0 million as at June 30, 2023 to ₱54.8 million as at December 31, 2023, which is largely attributed to the DTA recognized on all deductible temporary differences and tuition and other school fees collected in advance. The Group recognized DTA on all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Also, following statutory regulations, tuition and other school fees which are collected in advance are subject to income tax upon receipt.

In November 2023, STI ESG issued an advance payment of ₱65.2 million to the contractor of the new school building at its STI Ortigas-Cainta campus. This five-storey school building, which will have a total floor area of over 7,000 square meters, is expected to accommodate up to 4,500 additional students. The project is expected to be completed in time for SY 2024-2025. The advance payment was recognized as “Noncurrent advances to suppliers” and is reported as part of “Goodwill, intangible and other noncurrent assets” which amounted to ₱403.8 million as at December 31, 2023, up from ₱331.2 million as at June 30, 2023.

Accounts payable and other current liabilities increased by ₱486.1 million from ₱560.9 million as at June 30, 2023 to ₱1,047.0 million as at December 31, 2023 due to recognition of cash dividends declared by STI ESG which were paid to stockholders on January 12, 2024. STI ESG declared cash dividends on December 21, 2023 amounting to ₱616.4 million to stockholders of record as of January 10, 2024. This increase was partially offset by payments to various suppliers and contractors of recently completed renovation projects. Similarly, accrued expenses related to salaries and wages, particularly for the 13th month pay of employees, and school activities and programs, mainly for commencement expenses, decreased, reflecting payments made during the six-month period ended December 31, 2023.

Unearned tuition and other school fees increased by ₱755.5 million from ₱43.9 million as at June 30, 2023 to ₱799.4 million as at December 31, 2023. This unearned tuition and other school fees will be recognized as income over the remaining months of the related school term(s).

Current portion of lease obligations amounted to ₱53.7 million and ₱53.4 million as at December 31, 2023 and June 30, 2023, respectively. Noncurrent lease liabilities declined by ₱24.0 million, from ₱282.4 million to ₱258.4 million as at June 30, 2023 and December 31, 2023, respectively, representing lease obligations which are due within the next twelve months. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of the initial application. The

amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The measurement and presentation of lease liabilities were recognized in the unaudited condensed consolidated financial statements of the Group following the adoption of PFRS 16 *Leases*.

Current portion of interest-bearing loans and borrowings increased by ₱57.9 million from ₱183.0 million as at June 30, 2023 to ₱240.9 million as at December 31, 2023. The balance as at December 31, 2023 represents the current portion of the Term Loan Facility of STI ESG with China Bank amounting to ₱240.0 million and the Land Bank of the Philippines (LandBank) loan balance amounting to ₱0.9 million which was fully settled in January 2024. On September 23, 2022, China Bank approved STI ESG's request to allow a principal prepayment in the amount of ₱240.0 million to be applied to the Term Loan Facility, under the Term Loan Agreement dated May 7, 2019. On the same day, STI ESG made a payment aggregating to ₱244.5 million, inclusive of interest on the outstanding term loan facility covering September 19-23, 2022, and the 1.5% prepayment penalty. The payment was applied in the direct order of maturity and as such, applied on amortizations due on March 19, 2023 and September 19, 2023. Similarly, STI ESG paid in full the outstanding loan balance under its Corporate Notes Facility with China Bank aggregating to ₱210.0 million on September 19, 2023.

Income tax payable amounted to ₱2.2 million and ₱0.4 million as at December 31, 2023 and June 30, 2023, respectively, reflecting the income tax obligation of STI ESG's subsidiaries for their respective taxable income during the six-month period ended December 31, 2023 and year ended June 30, 2023, respectively. The income tax obligations of STI ESG and certain subsidiaries for the six-month ended December 31, 2023 were entirely offset by their respective tax credits.

Non-current portion of interest-bearing loans and borrowings, decreased by ₱272.9 million from ₱748.9 million to ₱476.0 million, net of deferred finance cost, as at June 30, 2023 and December 31, 2023, respectively, due to the reclassification from non-current portion to current portion of interest-bearing loans and borrowings amounting to ₱120.0 million representing principal amount under the Term Loan Facility of STI ESG with China bank that is due in September 2024 and the prepayment of the outstanding balance of STI ESG's Corporate Notes Facility with China Bank in September 2023 aggregating to ₱180.0 million, of which ₱30.0 million was already recognized as current portion of interest bearing loans and borrowings as at June 30, 2023.

Cumulative actuarial gain amounted to ₱6.6 million as at December 31, 2023 from ₱2.6 thousand as at June 30, 2023. The increase reflects changes in the market value of the equity investments held within the pension plan assets of the Group for the six-month period ended December 31, 2023.

The Group's fair value adjustment on equity instruments designated at FVOCI increased by ₱1.4 million from ₱15.0 million to ₱16.4 million as at December 31, 2023. This increase was driven by the fair value adjustments attributed to appreciation in the market value of quoted investment shares held by STI ESG.

STI ESG's share in associate's unrealized fair value loss on equity instruments designated at FVOCI amounted to ₱38.8 thousand and ₱39.2 thousand, as at June 30, 2023 and December 31, 2023, respectively, representing unrealized fair value adjustment resulting from the increase in the market value of the quoted equity shares held by STI ESG's associate.

Retained earnings decreased by ₱235.6 million from ₱2,865.3 million to ₱2,629.7 million. The Group registered a net income amounting to ₱380.7 million for the six-month period ended December 31, 2023. STI ESG declared cash dividends on December 21, 2023 amounting to ₱616.4 million which were settled in January 2024. The net decrease in retained earnings as at December 31, 2023 is attributed to the dividend declaration.

V. MATERIAL CHANGES IN INCOME STATEMENT ACCOUNTS

The Group generated gross revenues amounting to ₱1,516.6 million during the six-month period ended December 31, 2023, an increase by 42% or ₱445.0 million from ₱1,071.6 million for the same period last year.

Tuition and other school fees amounted to ₱1,305.3 million for the six-month period ended December 31, 2023, which is up by ₱419.6 million or 47% from ₱885.7 million of the same period last year, is substantially attributed to the increase in the student population for SY 2023-2024. The Group registered a robust growth in enrollment of 27% for SY 2023-2024 reaching close to 104,000 students compared to over 81,000 enrollees in SY 2022-2023. New students enrolled in CHED programs increased by 33% from close to 22,000 in SY 2022-2023 to over 29,000 students in SY 2023-2024. Furthermore, enrollment in programs regulated by CHED registered an impressive 25% increase to over 71,000 in SY 2023-2024 compared with enrollment in SY 2022-2023 of over 56,000 students. CHED programs generate higher revenues per student.

Revenues from educational services and royalty fees increased by 19%, primarily attributed to the increase in the student population of franchised schools for SY 2023-2024. Revenues from educational services are derived as a percentage of the tuition and other school fees collected by the franchised schools from their students, DepEd and CHED.

Other revenues increased by ₱6.2 million or 20% from ₱30.3 million for the six-month period ended December 31, 2022 to ₱36.5 million for the six-month period ended December 31, 2023, concomitant with the higher number of students this year.

The revenues generated from the sale of educational materials and supplies, substantially is attributed to sale of uniforms for both periods, amounted to ₱89.8 million for the six-month period ended December 31, 2023 from ₱84.3 million for the same period last year. The cost of educational materials and supplies sold for the six-month period ended December 31, 2023 increased likewise concomitant with the increase in the sale of educational materials and supplies.

The cost of educational services is higher by ₱84.9 million, from ₱327.6 million to ₱412.5 million for the six-month periods ended December 31, 2022 and 2023, respectively. Instructors' salaries and benefits rose by ₱54.4 million from ₱133.4 million to ₱187.8 million due to bigger faculty roster concomitant with the increase in student population. In addition, the salaries of SHS teachers who passed the Licensure Examination for Teachers (LET) and tertiary instructors who have earned master's degree as part of the faculty members' continuing education have been adjusted favorably. Also, as a token of acknowledgment for the collective effort that contributed to the positive enrollment outcome for SY 2023-2024, merit increases and bonuses were distributed to deserving and qualified faculty members, highlighting the Group's appreciation for everyone's dedication and hard work. School materials and supplies increased by ₱9.5 million from ₱3.9 million to ₱13.4 million for six-month periods ended December 31, 2022 and 2023, respectively, attributed to expenses associated with conducting

students' assessments and examinations and acquisition of other school learning materials. Rent expense recognized under the cost of educational services likewise increased by ₱3.6 million from ₱10.8 million to ₱14.4 million for six-month periods ended December 31, 2022 and 2023, respectively, representing rent expense recognized from July 1, 2023 for the building occupied by STI Alabang, which became a wholly-owned subsidiary of STI ESG only on March 31, 2023. On the other hand, the costs incurred related to student activities and programs, which substantially include costs incurred for local and national talent search, increased by ₱18.9 million from ₱32.7 million for six-month period ended December 31, 2022 to ₱51.6 million during the six-month period ended December 31, 2023, driven by the increase in the participants for SY2023-2024.

General and administrative expenses increased by 14% or ₱69.8 million from ₱510.1 million to ₱579.9 million for the six-month periods ended December 31, 2022 and 2023, respectively. Salaries and benefits are higher by ₱25.6 million amounting to ₱163.2 million for the six-month period ended December 31, 2023 compared with the same period last year of ₱137.6 million reflecting merit increases and bonuses given to deserving and qualified nonteaching and administrative personnel, highlighting the Group's appreciation for everyone's dedication and hard work resulting in the positive enrollment outcome for SY 2023-2024. Also, certain plantilla positions were filled up during the six months ended December 31, 2023. Tertiary classes during the first term of SY 2022-2023 were on a flexible learning modality while classes in all levels for SY 2023-2024 are delivered onsite. Due to the conduct of face-to-face classes and increase in student population, light and water expenses grew by ₱4.2 million from ₱63.9 million to ₱68.1 million for the six-month periods ended December 31, 2022 and 2023, respectively. Likewise, outside services such as security and janitorial services are higher by ₱9.3 million from ₱41.5 million to ₱50.8 million for the six-month periods ended December 31, 2022 and 2023, respectively. Also, the Group recognized a provision for ECL amounting to ₱55.0 million from the six-month period ended December 31, 2023 largely representing ECLs on outstanding receivables from students' tuition and other school fees as at December 31, 2023. This provision for ECL is higher by ₱13.7 million compared to ₱41.3 million for the six-month period ended December 31, 2022 reflecting increase in receivables from students from same period last year. The Group recognized ECL based on the Group's historical credit loss experience adjusted with forward-looking information. The most recent receivables are assigned with lower loss rates. Estimated loss rates vary over time and increase as receivables age and as credit risks increase, with the likelihood of the receivables becoming impaired. The Group considered the subsequent collections of receivables from students relating to prior years. Taxes and licenses expense is higher by ₱0.9 million from ₱14.8 million to ₱15.7 million for the six-month periods ended December 31, 2022 and 2023, respectively, reflecting the increase in local taxes concomitant with the increase in revenues. Repairs and maintenance expenses rose by ₱3.2 million from ₱8.8 million to ₱12.0 million for the six-month periods ended December 31, 2022 and 2023, respectively, due to refurbishment of school facilities and cleaning of air-conditioning units. Advertising and promotions expense is higher by ₱5.1 million from ₱4.1 million to ₱9.2 million for the six-month periods ended December 31, 2022 and 2023, respectively, as STI ESG's marketing campaign was intensified in time for the opening of classes for SY 2023-2024. Rent expense recognized under the operating expense likewise increased by 1.6 million from ₱4.6 million to 6.2 million for six-month periods ended December 31, 2022 and 2023, respectively, representing rent expense recognized by STI Alabang.

The Group posted operating income of ₱457.2 million for the six-month period ended December 31, 2023 more than twofold compared to ₱171.3 million of the same period last year.

The significant improvement is attributed to higher revenues driven by the larger student population. Operational efficiency was optimized due to efficient control of direct and administrative expenses and the advantage of economies of scale.

Interest expenses decreased by ₱6.2 million, from ₱141.9 million to ₱135.7 million for the six-month period ended December 31, 2023 attributed to the principal payments made by STI ESG for its Term Loan Facility amounting to ₱240.0 million in September 2022 and full payment for its Corporate Notes Facility aggregating to ₱210.0 million in September 2023. This was partially offset by the increase in the interest rate on STI ESG's outstanding interest-bearing loans under the Term Loan Facility which was adjusted from 6.5789% to 8.0472% per annum effective September 19, 2023.

The Group recorded consolidated interest income of ₱10.3 million for the six-month periods ended December 31, 2023 from ₱6.7 million for the same period in 2022 attributed to the investments of STI ESG in short-term instruments and money market placements.

Equity in net earnings of associates and joint venture amounted to ₱8.5 million for the six-month period ended December 31, 2023, compared to ₱7.0 million for the six-month period ended December 31, 2022.

The Group recognized unrealized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱7.1 million and ₱7.4 million for the six-month periods ended December 31, 2023 and 2022, respectively. The Group also recognized realized gain on foreign exchange differences in its dollar-denominated cash and cash equivalents amounting to ₱0.3 million and ₱0.1 million for the six-month periods ended December 31, 2023 and 2022, respectively.

In September 2023, STI ESG fully paid the outstanding balance of its Corporate Notes Facility with China Bank aggregating to ₱210.0 million. The loan had a carrying value of ₱213.1 million as at September 19, 2023, inclusive of the unamortized premium amounting to ₱3.1 million. In view of this loan being fully paid, the unamortized premium associated with the Corporate Notes Facility was derecognized in September 2023 and was taken up as "Gain on early extinguishment of loan" in the unaudited interim condensed consolidated statement of comprehensive income for the six-month period ended December 31, 2023.

Gain on disposal of property and equipment amounted to ₱415.4 thousand for the six-month period ended December 31, 2023 compared to ₱49.9 thousand for the six-month period ended December 31, 2022. This represents gain on the disposal of fully depreciated property and equipment of HO and certain schools that are no longer in use.

The Group recognized as income the recovery of previously written-off accounts amounting to ₱2.3 million for the six-month period ended December 31, 2023 compared to ₱3.4 million for the six-month period ended December 31, 2022.

Dividend income amounted to ₱2.0 million for the six-month period ended December 31, 2023 compared to ₱1.6 million for the six-month period ended December 31, 2022. This represents dividend income from DLS Medical Center (DLSMC) amounting to ₱0.5 million and ₱1.3 million for the six-month periods ended December 31, 2023 and 2022, respectively, and ₱0.3 million from RCR both for the six-month periods ended December 31, 2023 and 2022. This likewise include the dividend income from STI Marikina, an associate, amounting to ₱1.2 million for the six-month period ended December 31, 2023.

Fair value losses on equity instruments at FVPL amounting to ₱1.4 million and ₱0.5 million were recognized for the six-month periods ended December 31, 2023 and 2022, respectively, representing a decline in the market value of STI ESG's quoted equity shares.

The Group reported other income (expenses) amounting to negative ₱0.5 million for the six-month period ended December 31, 2023 and ₱4.3 million for the six-month period ended December 31, 2022. STI ESG recognized other income amounting to ₱4.7 million for the six-month period ended December 31, 2022, representing the donation from a third-party institution as part of the STI ESG and the third-party institution's partnership program in delivering certification courses, simulation tools, and training materials to eligible students. STI ESG, on the other hand, recognized other expenses amounting to ₱0.5 million and ₱0.4 million for the six-month periods ended December 31, 2023 and 2022, respectively, representing maintenance costs associated with STI ESG's bond issue.

The Group reported a provision for income tax amounting to ₱31.3 million for the six-month period ended December 31, 2023 compared to a benefit from income tax amounting to ₱0.7 million for the six-month period ended December 31, 2022. Pursuant to the provisions of the CREATE Act, the Group adopted the 1.0% income tax rate effective July 1, 2020 up to June 30, 2023. The special tax rate for proprietary educational institutions reverted to 10.0% starting July 1, 2023.

STI ESG reported a net income after income tax of ₱380.7 million for the six-month period ended December 31, 2023 compared to ₱118.3 million net income after income tax for the same period last year. The improvement is attributed to the upswing in the Group's enrollment this SY 2023-2024.

STI ESG recognized remeasurement gains, net of taxes, amounting to ₱6.6 million and ₱0.3 million, for the six-month periods ended December 31, 2023 and 2022, respectively, due to the adjustments in the market value of equity shares forming part of pension assets.

The unrealized fair value adjustments on equity instruments designated at FVOCI amounted to ₱1.4 million for the six-month period ended December 31, 2023, compared to ₱0.4 million for the six-month period ended December 31, 2022. The increase represents fair value adjustments in the market price of quoted equity shares held by STI ESG.

Total comprehensive income for the six-month period ended December 31, 2023 amounted to ₱388.7 million compared to ₱119.1 million for the six-month period ended December 31, 2022.

EBITDA is up from ₱438.0 million for the six-month period ended December 31, 2022 to ₱718.3 million for the six-month period ended December 31, 2023. EBITDA margin likewise improved, reaching 47% for the six-month period ended December 31, 2023 compared to 41% for the same period last year due to the reasons cited above.

Core income, computed as the consolidated income after income tax derived from the Group's main business of education and other recurring income, amounted to ₱362.8 million for the six-month period ended December 31, 2023 compared to core income for the same period last year of ₱99.5 million.

VI. FINANCIAL RISK DISCLOSURE

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

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

Any excess funds are primarily invested in short-dated and principal-protected bank products that provide flexibility 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 a 30 to 60-day payment terms, current portion of interest-bearing loans and borrowings that are expected to mature within one year after the reporting date and the 7-year bonds issued by STI ESG maturing in March 2024. On the other hand, the biggest components of the Group's current assets are cash and cash equivalents, receivables from students and franchisees and advances to subsidiaries, associates and joint venture with credit terms of thirty (30) to one hundred and eighty (180) days.

As at December 31, 2023 and June 30, 2023, the Group's current assets amounted to ₱2,951.2 million and ₱2,162.8 million, respectively, while current liabilities amounted to ₱4,321.7 million and ₱3,016.7 million, respectively. The current liabilities as at December 31, 2023 and June 30, 2023 include the 7-year bonds aggregating to ₱2,178.4 million and ₱2,175.1 million, respectively, net of unamortized issue costs, maturing in March 2024.

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

STI ESG has obtained approvals from two local banks for refinancing its bonds maturing in March 2024. Documentation of these credit facilities are ongoing as at February 14, 2024.

In relation to the Group's interest-bearing loans and borrowings from a local bank, the debt service coverage ratio, based on the consolidated financial statements of STI ESG and its subsidiaries, is also monitored on a regular basis. The debt service coverage ratio is equivalent to the EBITDA divided by total interest-bearing debts and interest due in the next twelve months. The Group monitors its debt service coverage ratio to keep it at a level acceptable to the Group, the lender bank, and the STI bondholders. The Group's policy is to keep the DSCR not lower than 1.05:1.00. DSCR, as defined in the loan agreement, is 0.59:1.00 and 2.52:1.00, as at December 31, 2023 and 2022, respectively. As at June 30, 2023 the Group's DSCR is 0.47:1.00. In anticipation of the reclassification to current liabilities of the STI bonds maturing in March 2024, STI ESG requested for a waiver of the DSCR from the local bank. The request for the waiver of the DSCR for the periods ending June 30, 2023 and December 31, 2023 was granted by the local bank on August 15, 2022. With the waiver, STI ESG is compliant with the above covenants as at June 30, 2023. Under the Term Loan agreement, the Debt-to-equity ratio and

DSCR testing is done semi-annually, that is, as at June 30 and December 31 of each year. STI ESG is compliant with the Debt-to-equity ratio as at December 31, 2023 and June 30, 2023. STI ESG is compliant with the DSCR imposed under the bond trust agreement governing its bond issue.

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

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

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

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

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

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

The Group monitors capital using the D/E ratio, which is computed as the total of current and noncurrent liabilities, net of unearned tuition, and other school fees, divided by total equity. The Group monitors its D/E ratio to keep it at a level acceptable to the Group, the lender bank, and the STI ESG bondholders. The Group's policy is to keep the D/E ratio at a level not exceeding 1.50:1.00. As at December 31, 2023 and 2022, the Group's D/E ratios, as defined in the loan and trust agreements, are 0.86:1.00 and 0.87:1.00, respectively. As at June 30, 2023 the Group's D/E ratio is 0.79:1.00.

VII. AGREEMENTS/COMMITMENTS AND CONTINGENCIES/OTHER MATTERS

- a. There are no changes in accounting estimates used in the preparation of the unaudited interim condensed consolidated financial statements for the current and prior financial periods.
- b. Except as provided in Note 26 of the Notes to the Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A," the Group has no other financial and capital commitments.

- c. There are no material events and uncertainties known to management that would address the past and would have an impact on the future operations of the Group.
- d. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- e. The various loan agreements entered into and the issuance of fixed rate bonds by STI ESG provide certain restrictions and conditions with respect to, among others, change in majority ownership and management and maintenance of financial ratios. STI ESG is fully compliant with all the covenants of the respective agreements. See Notes 16 and 17 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements of the Company attached as Annex "A" for a more detailed discussion. There are no other events that will trigger direct or contingent financial obligations that are material to the Group, including any default or acceleration of an obligation.
- f. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations except for the contingencies and commitments enumerated in Note 26 of the Notes to Unaudited Interim Condensed Consolidated Financial Statements attached as Annex "A".
- g. There are no significant elements of income or loss that did not arise from the Group's continuing operations.
- h. The Group's business is linked to the academic cycle. The academic cycle is one academic year that starts in late August and ends in June of the following year. The core business and revenues of the Group, which are mainly from tuition and other school fees, are recognized as income over the corresponding school term(s) to which they pertain. Accordingly, the revenues of the Group are expected to be lower during the first quarter of the fiscal year as compared to the other quarters if the number of enrollees remains constant. This information is provided to allow for a proper appreciation of the results of the operations of the Group. However, management has concluded that the Group's operation is not highly seasonal.
- i. On March 23, 2017, STI ESG listed its ₱3.0 billion Series 7-year Bonds due 2024 and Series 10-year Bonds due 2027 on the PDEX secondary market. The ₱3.0 billion bond issue is the first tranche of STI ESG's ₱5.0 billion fixed-rate bonds program under its 3-year shelf registration with the SEC. The 3-year shelf registration ended on March 9, 2020. The Bonds carry coupon rates of 5.8085% and 6.3756% for the 7-year and 10-year tenors, respectively. Interests are payable quarterly in arrears on June 23, September 23, December 23, and March 23 or the next business day if such dates fall on non-banking days, of each year commencing on June 23, 2017, until and including the relevant maturity dates (see Note 17 of the Notes to Unaudited Interim Condensed Financial Statements).
- j. Former President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which seeks to develop the national economy towards global competitiveness by implementing tax policies such as lowering the corporate income tax rate and widening the tax base, and by rationalizing the current fiscal incentives by making them time-bound, targeted and performance-based. This was done in an attempt to revitalize the slowing economy, as it is predicted that the

measures will attract more investments resulting in productivity enhancement, employment generation, countrywide development, and a more inclusive economic growth, while at the same time maintaining fiscal prudence and stability.

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

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

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

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