FAR EASTERN UNIVERSITY

P.O. BOX 609 MANILA, PHILIPPINES

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1.	For the Quarter period ended	**December 31, 2010**
2.	SEC Identification Number	**538**
3.	PSE Code	
4.	BIR Tax Identification No.	**000-225-442**
5.	Exact Name of Registrant as specified in its charter	**Far Eastern University, Inc.**
6.	Province, Country or other jurisdiction of Incorporation or organization	**Philippines**
7.	(SEC use only)	
8.	Address of Principal Office	**Nicanor Reyes Street, Sampaloc, Manila**
	Postal Code	**1008**
9.	Registrant's Telephone Number including Area Code	**(632) 735-5621**

10. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.

11. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱100.00 par value	**9,808,448**
Bond with Non-Detachable Warrant, ₱1.00 per unit	**Not Applicable**

12. All of these common securities are listed with the Philippine Stock Exchange, Inc.

13. Has filed all reports required during the preceding 12 months (or for such shorter period required to file such reports):

    a) Sections 17 of the Code and SRC Rule 17

    Yes [**x**] No [ ]

    b) Sections 26 and 141 of the Corporation Code of the Philippines

    Yes [**x**] No [ ]

Financial Information

Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY

ANGELINA P. JOSE
Corporate Secretary

GLENN Z. NAGAL
Comptroller

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
February 8, 2011

Management’s Discussion and Analysis or Plan of Operation

Financial Position:

Total assets as of December 31, 2010 amounting to P4,501.1 million increased by P803.4 million over this year’s beginning balance of P3,697.7 million. As a result, current assets went up by P546.9 million and non-current assets by P256.5 million.

Total liabilities as of December 31, 2010 amounting to P1,357.4 million increased by P857.2 million over this year’s beginning balance of P500.2 million. The increase is mainly due to unearned tuition fees and additional fund allocations for the second semester.

Stockholder’s equity as of December 31, 2010 amounting to P3,143.7 million decreased by P53.8 million compared to this year’s beginning balance of P3,197.5 million. The decrease is due to cash dividends declared in excess of comprehensive income for the first three quarters of the current year.

Results of Operation

Net income after tax for the first three quarters is P178.8 million reflecting an increase of P18.4 million compared to last year's P160.4 million. Net operating (educational) income of P56.4 million is lower than last year’s P58.9 million by P2.5 million while other income went up by P24.3 million. After an income tax of P30.9 million which showed an increase of P3.5 million, net income after tax for the first three quarters of this year is P18.4 million more than the same period last year.

A Look of What Lies Ahead

During the past three years, the first semester enrollment decreased from 23,900 to 22,900. However, the actual drop in second semester enrollment was better at 5.82% compared to the usual 10% decrease.

After a period of no growth in enrollment, this year’s first semester enrollment improved by 7.63%. The second semester enrollment is, likewise, better than the previous year. The increase in enrollment is attributed to better economic conditions, improved facilities and new course offerings. With this year’s modest tuition fee hike and with the proper management of resources, we expect that operating income will again improve.

For the year’s ahead, management is committed to uplift academic standards even more. This will be done through continuously updating curricula, strengthening faculty, improving services to students and providing the best educational facilities. With an additional campus and with sustained improvement in all fronts, plus a reasonable tuition fee hike, the University is confident that it will increase its market share in the industry.

Changes in Real Accounts as of December 31, 2010 compared to March 31, 2010

		December 30, 2010	March 31, 2010	Increase (Decrease)	%
1	Cash & Cash Equivalents	681,657,446.61	427,163,214.85	254,494,231.76	60%
2	Receivables	772,695,572.70	699,920,334.46	72,775,238.24	10%
3	Available for sale Investments	1,479,426,595.21	1,202,638,311.56	276,788,283.65	23%
4	Held-to-maturity Investments	-	20,000,000.00	(20,000,000.00)	-100%
5	Other Current Assets	97,717,349.50	134,823,634.15	(37,106,284.65)	-28%
6	Due from a related party	404,080,875.00	218,774,500.00	185,306,375.00	85%
7	Investment Property	176,688,144.50	184,474,137.47	(7,785,992.97)	-4%
8	Property and Equipment, net	774,214,275.81	697,501,156.22	76,713,119.59	11%
9	Other Assets	4,997,094.32	2,765,206.34	2,231,887.98	81%
10	Accounts payable & other current liabilities	490,456,836.81	410,324,303.58	80,132,533.23	20%
11	Trust Funds	337,378,884.85	43,970,750.07	293,408,134.78	667%
12	Unearned Tuition Fees	519,183,261.60	-	519,183,261.60	-
13	Income Tax Payable	10,401,084.03	45,878,466.52	(35,477,382.49)	-77%
14	Stockholder's Equity	3,143,710,721.14	3,197,540,409.66	(53,829,688.52)	-2%

Changes in Income and Expense Items during the same period (three quarters) this year and last year

	INCOME	December 31, 2010	December 31, 2009	Increase (Decrease)	%
1	Tuition Fees, net	896,616,042.88	817,242,515.60	79,373,527.28	10%
2	Other School Fees	26,734,441.20	26,989,409.20	(254,968.00)	-1%
3	Other Income	153,262,939.09	128,920,806.74	24,342,132.35	19%

	EXPENSES	December 31, 2010	December 31, 2009	Increase (Decrease)	%
1	Salaries	487,654,155.62	449,734,561.02	37,919,594.60	8%
2	Employee Benefits	124,754,754.53	120,035,576.10	4,719,178.43	4%
3	RLE	12,819,323.00	15,568,672.50	(2,749,349.50)	-18%
4	Affiliation	8,528,678.00	10,882,237.60	(2,353,559.60)	-22%
5	Other Instructional & Academic Expenses	12,300,290.72	9,678,295.92	2,621,994.80	27%
6	Rentals	43,756,665.93	40,269,948.25	3,486,717.68	9%
7	Other Administrative Expenses	10,416,049.79	9,440,327.61	975,722.18	10%
8	Utilities	63,942,757.66	46,840,692.92	17,102,064.74	37%
9	Janitorial Services	9,756,582.53	8,385,445.21	1,371,137.32	16%
10	Property Insurance	998,739.83	1,391,288.70	(392,548.87)	-28%
11	Repairs & Maintenance, Buildings & Equipment	7,263,814.14	6,068,471.01	1,195,343.13	20%
12	Security Services	18,412,002.70	12,919,559.36	5,492,443.34	43%
13	Depreciation	46,384,043.79	37,153,026.36	9,231,017.43	25%
14	Publicity and Promotions	5,345,528.55	6,906,072.95	(1,560,544.40)	-23%
15	Other General Expenses	4,757,621.72	3,033,562.79	1,724,058.93	57%
16	Professional Fee	9,229,123.66	5,146,648.10	4,082,475.56	79%
17	Taxes & Licenses	472,776.92	270,166.90	202,610.02	75%
18	Charitable Contribution	116,500.00	1,606,193.42	(1,489,693.42)	-93%

Cause of Material Changes in Real Accounts as of December 31, 2010 compared to March 31, 2010

1. Cash and cash equivalent increased by P254.5 million due to additional money market placements with a term of 90 days or less.
2. Available for sale investments increased by P276.8 million due to additional placements with a term of more than 90 days up to one year.
3. Receivables increased by P72.8 million mainly due to receivables from students enrolled in the second semester.
4. Held to maturity investment decreased by P20.0 million due to matured placements.
5. Other current assets decreased by P37.1 million mainly due to decrease in advances to creditors as a result of finished projects.
6. Due from related party increased by P185.3 million due to additional loan granted to FERN Realty.
7. Investment Property decreased by P7.8 million due to depreciation.
8. Property and Equipment increased by P76.7 million due to major repairs and acquisitions of new equipment.
9. Other non-current assets increased by P2.2 million due to reclassifications of accounts from current to non-current. (Marketable Securities – Meralco for FEU-Makati).
10. Accounts payable and other current liabilities increased by P80.1 million mainly due to dividends payable.

	(in million)
Accounts Payable	P (35.297)
Accrued Expenses	(25.801)
Deposit Payable	(5.898)
Dividends Payable	147.126
Total	80.130

11. Unearned tuition fee increased by P519.2 million due to tuition fee not yet earned for the rest of the second semester (3 months).
12. Income tax payable decreased by P35.5 million due to payment of income tax payable for the previous year in July, 2010.
13. Trust funds, deposits and emoluments increased by P293.4 million due to allocations made during the year.
14. Stockholders' equity decreased by P53.8 million due to cash dividends declared in excess of the comprehensive income for the first three quarters of the current year.

Cause of Material Changes in Income and Expense Items during the same period (three quarters) this year and last year.

INCOME

1. Tuition fee income went up by P79.4 million due to the increase in enrollment and in tuition fee rates.
2. Other School Fees decreased by P.25 million due to lesser requests for diploma.
3. Other income increased by P24.3 million mainly due to higher interest/investment income.

EXPENSES

1. Salaries and allowances increased by P37.9 million due to CBA increase.
2. Employee and faculty benefits increased by P4.7 million due to CBA increase.
3. RLE decreased by P2.7 million due to timing difference.
4. Affiliation fee decreased by P2.3 million due to timing difference.
5. Other Instructional and academic expenses increased by P2.6 million due to:

	(in million)
Conference and Seminar	P 0.814
Supplies and Materials	(0.032)
Printing and Binding	0.015
Student Services	0.495
Other Academic Expenses	1.328
Total	P 2.620

6. Rental expense increased by P3.5 million mainly due to additional space for athlete's quarter.
7. Other administrative expenses increased by P.97 million due to:

	(in million)
Conference and Seminar	P 0.333
Supplies and Materials	0.056
Printing and Binding	0.030
Other Administrative Expenses	0.555
Total	P 0.97

8. Utilities expense increased by P17.1 million due to:

		(in million)
Supplies and Materials	P	0.107
Light and Power		16.615
Water		0.404
Telephone		0.118
Gasoline and Oil		0.018
Conference and Seminar		(0.047)
Others		(0.115)
Total	P	17.100

9. Janitorial Services increased by P1.37 million due to FEU-Makati and due to increase in minimum wage.

10. Repairs and Maintenance, buildings and grounds increased by P1.2 million due to more repairs and renovations.

11. Security Services increased by P5.49 million due to higher rates and more special engagements.

12. Depreciation increased by P9.23 million due to additional depreciable assets.

15. Publicity and Promotions decreased by P1.56 million due to less ads placed in the first three quarters. FEU hosted the 72nd UAAP Season last year.

16. Other General expenses increased by P1.72 million due to:

		(in million)
Interest and Bank Charges	P	0.009
Other General Expenses		1.714
Total	P	1.723

17. Taxes and Licenses increased by P.202 million due to timing difference.

18. Charitable Contribution decreased by P1.49 million due to less donations.

19. Professional Fees increased by P4.08 million due to hiring of management consultants and due to the IABF Culinary Arts Program.

20. Property Insurance decreased by P.392 million due to timing difference.

Top Five (5) Key Performance Indicators

I. Test of Liquidity

Liquidity refers to the company's ability to pay its short-term current liabilities as they fall due. This is measured by any of the following:

1. Current ratio measures the number of times that the current liabilities could be paid with the available current assets (Adequate: at least 1.5:1)

December 31, 2009	3.23:1
March 31, 2010	4.97:1
December 31, 2010	2.23:1

2. Quick ratio measures the number of times that the current liabilities could be paid with the available quick assets (Adequate: at least 1:1)

December 31, 2009	3.04:1
March 31, 2010	4.70:1
December 31, 2010	2.16:1

II. Test of Solvency

Solvency refers to the company's ability to pay all its debts whether such liabilities are current or non-current. It is somewhat similar to liquidity, except that solvency involves a longer time horizon. This is measured by any of the following:

1. Debt to equity ratio measures the amount of assets provided by the creditors relative to that provided by the owner (Adequate : 100% or less)

December 31, 2009	51%
March 31, 2010	16%
December 31, 2010	43%

2. Debt to asset ratio measures the amount of assets provided by the creditors relative to the total amount of assets of the company. (Adequate: 50% or less)

December 31, 2009	34%
March 31, 2010	14%
December 31, 2010	30%

3. Equity to asset ratio measures the amount of assets provided by the owner relative to the total assets of the company (Adequate: 50% or more)

December 31, 2009	66%
March 31, 2010	86%
December 31, 2010	70%

III. Test of Profitability

Profitability refers to the company's earning capacity. It also refers to the company's ability to earn a reasonable amount of income in relation to its total investment. It is measured by any of the following:

1. Return on total assets measures how well management has used its assets under its control to generate income (Adequate: at least equal to the prevailing industry rate).

December 31, 2009	4%	(three quarters)
March 31, 2010	16%	(one year)
December 31, 2010	4%	(three quarters)

2. Return on owner's equity measures how much was earned on the owners' or stockholders' investment. (Adequate: at least equal to the prevailing industry rate).

December 31, 2009	6%	(three quarters)
March 31, 2010	18%	(one year)
December 31, 2010	6%	(three quarters)

3. Earnings per share measures the net income per share.

December 31, 2009	P16.35	(three quarters)
March 31, 2010	59.66	(one year)
December 31, 2010	18.23	(three quarters)

IV. Product Standard

1. Teaching performance in the University is constantly being monitored to maintain a satisfactory level of excellence.

Year	Teaching Excellence Awardees	% toTotal Teaching force
2005-2006	581	53%
2006-2007	412	37%
2007-2008	430	38%
2008-2009	377	34%

2. The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) has granted Certificates of Level III Re-accredited Status to our BSBA and Liberal Arts Programs. It has also granted Level II Re-accredited Status to our Elementary and Secondary Education Programs.

   The Philippine Accreditating Association of Schools, Colleges and Universities (PAASCU), also issued a certificate of accreditation (Level II) to the University's Nursing Program.

3. Performance of FEU graduates in their respective Board Exams is generally better than the national passing rate.

	FEU Passing Rate	National Passing Rate
Architecture, June 2010	39%	50%
Architecture, November 2010	61%	52%
Bar Exam., 2009	37%	25%
CPA, May 2010	42%	40%
CPA, October 2010	76%	48%
LET (Elem.), 2010	24%	17%
LET (Secondary), 2010	41%	25%
Nursing, July 2010	66%	41%

V. Market Acceptability

It was estimated that the first semester enrollment for SY 2010-2011 would be 4.2% higher compared to the previous year. Final figure was better with an increase of 7.63%.

It was also noted that during the past three years, a big number of valedictorians, salutatorians and entrance merit scholars were among our freshmen.

These are indications that FEU is one of the better choices among various colleges and universities in the metropolis.

Formula

1 Liquidity

1 Current ratio $= \dfrac{\text{Current assets}}{\text{Current Liabilities}}$

2 Acid test ratio $= \dfrac{\text{Quick assets}}{\text{Current Liabilities}}$

2 Solvency

1 Debt to Equity ratio $= \dfrac{\text{Total liabilities}}{\text{Total Stockholder's Equity}}$

2 Debt to Asset ratio $= \dfrac{\text{Total liabilities}}{\text{Total assets}}$

3 Equity to Asset ratio $= \dfrac{\text{Total Stockholder's Equity}}{\text{Total assets}}$

3 Profitability

1 Return on Assets $= \dfrac{\text{Net Profit}}{\text{Total assets}}$

2 Return on Owner's Equity $= \dfrac{\text{Net Profit}}{\text{Total Stockholder's Equity}}$

3 Earning per share $= \dfrac{\text{Net Profit}}{\text{Total Outstanding shares (average)}}$

Facts

	(In Million Pesos)		
	3rd Quarter		3rd Quarter
	December 31, 2009	March 31, 2010	December 31, 2010
Quick Assets	3,033.5	2,349.7	2,933.8
Current Assets	3,221.5	2,484.5	3,031.5
Total Assets	4,227.1	3,697.7	4,501.1
Current Liabilities	996.5	500.2	1,357.4
Total Liabilities	1,423.1	500.2	1,357.4
Stockholder's Equity	2,804.0	3,197.5	3,143.7
Operating Profit	58.9	490.5	56.4
Other Income	128.9	171.4	153.3
Profit before Tax	187.8	661.9	209.7
Net Profit or Profit after Tax	160.4	585.2	178.8
Total Outstanding shares (average)	9,808,448	9,808,448	9,808,448
Book Value per share	285.87	326.00	320.51

Other Items

1. The current economic condition may still affect the sales/revenues/income from operations.

2. There are no known events that will trigger direct or contingent financial obligation that may be material to the company. There are also no known events that would result in any default or acceleration of an obligation.

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

4. There are no sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction.

5. A new school site (FEU Makati Campus) was constructed and opened in June 2010 at the Makati area to offer business courses. Its educational income for the 9 month period ended December 31, 2010 is P5.12 million while its operating expense for the same period amounted to P17.35 million.

6. The Board of Trustees in its meeting held on March 16, 2010, also authorized the Corporation to join and participate as a party/co-venturer with PHI Culinary Arts and Food Services Institute, Inc. to set up a Joint Venture Company (JVC) named ICF-CCE, Inc. for the purpose of owning and operating a culinary arts school to be named "ICF@FEU". The registration of the JVC was approved by SEC on May 7, 2010.

7. There are no significant elements of income or loss from continuing operations.

8. Seasonal aspects that has material effect on financial statements:

   There are three school terms within a fiscal year: the summer (April-May), the first semester (June to October) and the second semester (November to March). The first semester has the highest enrollment at an average of 24,000 students. The second semester is usually at 90% of the first semester's enrollment while summer is the lowest at around 33%. The full load of a student during the summer is 9 units compared to 21 to 24 during the first and second semesters. The tuition fee increase, if any, usually takes effect during the first semester of the current school year. Thus, old rates are followed during the summer term while new rates are used during the first and second semesters. Since the first quarter is from April to June, the resulting income for the first quarter is expected to be lowest among the four quarters of the fiscal year.

FAR EASTERN UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
December 31, 2010
(With comparative figures for March 31, 2010)

		December 2010		March 2010
A S S E T S				
Current Assets				
Cash and cash equivalents	P	681,657,446.61	P	427,163,214.85
Receivables -net		772,695,572.70		699,920,334.46
Available-for-Sale investments - net		1,479,426,595.21		1,202,638,311.56
Held-to-maturity Investment		0.00		20,000,000.00
Other current assets		97,717,349.50		134,823,634.15
Total Current Assets		3,031,496,964.02		2,484,545,495.02
Noncurrent Assets				
Due from a related party		404,080,875.00		218,774,500.00
Investments in subsidiaries and an associate		102,563,488.94		102,563,488.94
Investment Property , net		176,688,144.50		184,474,137.47
Property and Equipment, net		774,214,275.81		697,501,156.22
Deferred Tax Assets - net		7,089,945.84		7,089,945.84
Other Assets		4,997,094.32		2,765,206.34
Total Noncurrent Assets		1,469,633,824.41		1,213,168,434.81
TOTAL ASSETS	P	4,501,130,788.43	P	3,697,713,929.83
LIABILITIES & EQUITY				
Current Liabilities				
Accounts payable & other current liabilities	P	490,456,836.81	P	410,324,303.58
Trust funds		337,378,884.85		43,970,750.07
Unearned tuition fees		519,183,261.60		0.00
Income tax payable		10,401,084.03		45,878,466.52
Total Current Liabilities		1,357,420,067.29		500,173,520.17
Equity				
Capital Stock		984,577,900.00		984,577,900.00
Treasury stock		(3,733,100.00)		(3,733,100.00)
Accumulated fair value gains(losses)		69,499,313.55		7,857,561.92
Retained Earnings				
Appropriated retained earnings		1,675,099,016.73		1,675,099,016.73
Unappropriated retained earnings		418,267,590.86		533,739,031.01
Total Equity		3,143,710,721.14		3,197,540,409.66
TOTAL LIABILITIES AND EQUITY	P	4,501,130,788.43	P	3,697,713,929.83

FAR EASTERN UNIVERSITY

STATEMENTS OF COMPREHENSIVE INCOME
For the nine-month period ended December 31, 2010

	October to December 2010	October to December 2009	April to December 2010	April to December 2009
EDUCATIONAL INCOME				
Tuition Fees - net	P 293,770,021.44	P 255,783,748.55	P 896,616,042.88	P 817,242,515.60
Other school fees	8,050,421.00	8,570,229.80	26,734,441.20	26,989,409.20
	301,820,442.44	264,353,978.35	923,350,484.08	844,231,924.80
OPERATING EXPENSES (Schedule 1)	324,273,833.12	289,496,151.18	866,909,409.09	785,330,746.72
OPERATING PROFIT	(22,453,390.68)	(25,142,172.83)	56,441,074.99	58,901,178.08
OTHER INCOME				
Finance Income	44,621,016.94	29,732,433.89	105,693,171.00	81,767,477.30
Rental	13,528,114.90	8,819,721.84	30,660,319.17	30,031,708.65
Others	10,154,177.50	13,354,622.90	16,909,448.92	17,121,620.79
	68,303,309.34	51,906,778.63	153,262,939.09	128,920,806.74
PROFIT BEFORE TAX	45,849,918.66	26,764,605.80	209,704,014.08	187,821,984.82
TAX EXPENSE				
Provision for Income Tax	122,890.17	(296,782.81)	10,401,084.31	10,605,450.75
Tax Expense - Final Tax	9,192,145.02	6,433,547.25	20,520,929.92	16,840,555.93
	9,315,035.19	6,136,764.44	30,922,014.23	27,446,006.68
NET PROFIT	36,534,883.47	20,627,841.36	178,781,999.85	160,375,978.14
OTHER COMPREHENSIVE INCOME				
Fair value gains (losses)	0.00	0.00	0.00	0.00
Reclassification to profit or loss	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
TOTAL COMPREHENSIVE INCOME	P 36,534,883.47	P 20,627,841.36	P 178,781,999.85	P 160,375,978.14
EARNINGS PER SHARE				
Basic and Diluted	P 3.72	2.10	P 18.23	16.35

FAR EASTERN UNIVERSITY

STATEMENTS OF CHANGES IN EQUITY
For the nine-month period ended December 31, 2010 & 2009

	December 2010	December 2009
CAPITAL STOCK - P100 par value		
Balance at beginning of year	P 984,577,900.00	P 984,577,900.00
TREASURY STOCK - at cost (37,331 shares)	(3,733,100.00)	(3,733,100.00)
ACCUMULATED FAIR VALUE GAINS (LOSSES)		
Balance at beginning of year	7,857,561.92	(9,533,437.37)
Fair Value gains (losses) for the year	61,641,751.63	48,638,906.12
	69,499,313.55	39,105,468.75
RETAINED EARNINGS		
APPROPRIATED		
Balance at beginning of year	1,675,099,016.73	975,099,016.73
UNAPPROPRIATED		
Balance at beginning of year	533,739,031.01	942,811,185.34
Comprehensive Income	178,781,999.85	160,375,978.14
Cash dividends	(294,253,440.00)	(294,253,440.00)
Balance at end of year	418,267,590.86	808,933,723.48
Total Retained Earnings	2,093,366,607.59	1,784,032,740.21
TOTAL EQUITY	P **3,143,710,721.14**	P **2,803,983,008.96**

FAR EASTERN UNIVERSITY

STATEMENTS OF CASH FLOWS
For the nine-month period ended December 31, 2010

		December 2010		December 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	209,704,014.08	P	187,821,984.82
Adjustments for:				
Interest Income		(105,693,171.00)		(84,202,779.67)
Depreciation and amortization		46,384,043.79		37,153,026.36
Unrealized foreign exchange (gains) losses		1,541,032.90		(10,871.48)
Operating income before working capital changes		151,935,919.77		140,761,360.03
Decrease (increase) in Receivables		(498,672,959.45)		(459,660,071.43)
Decrease (increase) in Other assets		37,106,284.65		(92,205,469.30)
Increase (decrease) in Accounts payable & other current liabilities		80,132,533.23		91,878,933.55
Increase (decrease) in Unearned tuition fee		519,183,261.60		437,946,354.21
Increase (decrease) in trust funds		293,408,134.78		368,187,854.40
Cash generated from (used in) operations		583,093,174.58		486,908,961.46
Income taxes paid		(45,878,466.80)		(43,616,797.80)
Net cash from operating activities		537,214,707.78		443,292,163.66
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in loans receivable		425,897,721.21		0.00
Additional investment in subsidiaries		0.00		(6,250,000.00)
Acquisition of property and equipment and investment property		(115,311,170.41)		(33,069,996.59)
Increase in due from a related party		(185,306,375.00)		0.00
Decrease (Increase) in held-to-maturity investments		20,000,000.00		0.00
Decrease (Increase) in available-for-sale investments		(215,146,532.02)		(94,422,835.01)
Decrease (Increase) in other non-current assets		(2,231,887.98)		(430.50)
Interest Received		85,172,241.07		67,362,223.74
Net cash provided by (used in) investing activities		13,073,996.87		(66,381,038.36)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(294,253,440.00)		(294,253,440.00)
Effect of exchange rate changes in cash and cash equivalents		(1,541,032.90)		10,871.48
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		254,494,231.75		82,668,556.78
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		427,163,214.85		1,121,771,210.00
CASH AND CASH EQUIVALENTS AT END OF YEAR	P	681,657,446.60	P	1,204,439,766.78

FAR EASTERN UNIVERSITY

Schedule of Operating/Educational Expenses
For the nine-month period ended December 31, 2010 & 2009

Schedule 1

	October to December 2010	October to December 2009	April to December 2010	April to December 2009
Instructional and Academic				
Salaries and allowances	P 139,473,038.87	P 124,205,574.75	P 399,404,197.31	P 369,249,051.21
Employees benefits	49,941,041.31	46,653,404.87	95,393,299.00	90,153,222.58
RLE	6,427,238.00	8,143,212.50	12,819,323.00	15,568,672.50
Affiliation	2,661,729.00	3,765,446.00	8,528,678.00	10,882,237.60
O t h e r s	3,599,102.09	3,218,490.52	12,300,290.72	9,678,295.92
	202,102,149.27	185,986,128.64	528,445,788.03	495,531,479.81
Administrative				
Salaries and allowances	24,092,737.57	20,478,548.03	71,160,379.67	64,506,638.99
Employees benefits	13,442,075.86	13,576,797.51	23,743,465.80	23,843,028.96
Rentals	13,986,483.27	13,858,563.44	43,756,665.93	40,269,948.25
O t h e r s	1,294,791.74	4,105,891.13	10,416,049.79	9,440,327.61
	52,816,088.44	52,019,800.11	149,076,561.19	138,059,943.81
Maintenance and Plant Operation				
Utilities	21,048,562.48	13,990,310.74	63,942,757.66	46,840,692.92
Janitorial services	3,669,274.68	2,966,044.58	9,756,582.53	8,385,445.21
Salaries and allowances	5,795,672.82	5,342,007.70	17,089,578.64	15,978,870.82
Employees benefits	3,045,129.19	3,451,687.27	5,617,989.73	6,039,324.56
Property insurance	683,647.07	919,831.52	998,739.83	1,391,288.70
Repairs and maintenance				
Buildings and equipments	2,058,821.46	918,238.75	7,263,814.14	6,068,471.01
	36,301,107.70	27,588,120.56	104,669,462.53	84,704,093.22
General				
Security services	10,632,129.34	4,727,773.75	18,412,002.70	12,919,559.36
Depreciation	17,281,259.09	12,664,988.33	46,384,043.79	37,153,026.36
Publicity and promotions	1,432,864.24	1,255,075.34	5,345,528.55	6,906,072.95
O t h e r s	1,309,481.97	1,574,458.68	4,757,621.72	3,033,562.79
Professional Fee	2,304,053.42	2,161,033.51	9,229,123.66	5,146,648.10
Taxes and licenses	68,399.65	77,028.84	472,776.92	270,166.90
Charitable contribution	26,300.00	1,441,743.42	116,500.00	1,606,193.42
	33,054,487.71	23,902,101.87	84,717,597.34	67,035,229.88
TOTAL OPERATING/EDUCATIONAL EXPENSES	P 324,273,833.12	P 289,496,151.18	P 866,909,409.09	P 785,330,746.72

FAR EASTERN UNIVERSITY
Aging of Accounts Receivable
As of December 31, 2010

		Total	1 to 6 months	7 mos. To 1 year	One year or more	Past due accounts & items in litigation
Type of Accounts receivable						
	Non - Trade Receivables					
1 .	Suppliers	10,558,268.13	10,558,268.13			Not Applicable
2 .	Official and Personal	12,359,081.73	12,359,081.73			"
3 .	SSS Sickness Benefit	127,188.55	127,188.55			"
4 .	FERN College	1,427,885.58	699,663.93	442,644.53	285,577.12	"
5 .	NRMF	522,952.54	522,952.54			"
6 .	Engineering / East Asia	2,757,993.09		2,757,993.09		"
7	BPAP ADEPT	15,450.00	15,450.00			"
8	FEU Silang	24,159,070.46	11,837,944.53	7,489,311.84	4,831,814.09	"
9	FERN Realty	134,858,678.63	134,858,678.63			"
10	ICF-CCE, Inc.	23,750,000.00	23,750,000.00			
	Total	210,536,568.71	194,729,228.04	10,689,949.46	5,117,391.21	

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FAR EASTERN UNIVERSITY
Notes to Financial Statements
December 31, 2010

1. The interim Financial Statements are in compliance with the generally accepted accounting principles.

2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

3. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

4. No significant changes in estimates of amounts reported in prior interim periods or in prior financial years that have a material effect in the current interim period have been noted.

5. There are no issuances, repurchases, and repayments of debt and equity securities.

6. On July 6, 2010, a cash dividend of P15.00 per share has been declared to all stockholders on record as of July 20, 2010. There were 9,808,448 outstanding shares and a total of P147,126,720.00 was paid on July 30, 2010.

   On December 14, 2010, a cash dividend of P15.00 per share was, likewise, declared to all stockholders on record as of January 3, 2011. There were 9,808,448 outstanding shares and a total of P147,126,720.00 was paid on January 17, 2011.

7. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

8. There are no changes in composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

9. There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

10. Company’s financial instruments:

Non-derivative financial instruments comprise cash and cash equivalents, receivables, due from a related party, available-for-sale (AFS) investments, held-to-maturity (HTM) investments and accounts payable and accrued expenses.

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the Company’s contractual rights to the cash flows from the financial assets expire or when the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company’s obligations specified in the contract expire or are discharged or cancelled.

Cash and Cash Equivalents

Cash includes cash on hand and in banks and is stated at its face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of acquisition and are subject to an insignificant risk of change in value.

Receivables

Receivables, which include receivables from students and other receivables, are non-derivative financial assets with determinable payments that are not quoted in an active market and for which the Company has no intention of trading. They are stated at amortized cost and reduced by an allowance for impairment losses, if any. An allowance for impairment losses on receivables is maintained at a level considered adequate to provide for probable uncollectible receivables. The level of allowance for impairment losses on receivables is evaluated by management on the basis of factors affecting the collectibility of the receivables.

AFS Investments

AFS investments are non-derivative investments that are designated in this category or are not classified in any other category of financial assets. Financial assets are classified as AFS when purchased and held indefinitely, but which the Company anticipates to sell in response to liquidity requirements or in anticipation of changes in market rates or other factors. AFS investments are initially measured at fair value plus incremental direct transaction costs and subsequently carried at fair value. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

HTM Investments

HTM investments are debt securities which the Company has the positive intent and ability to hold to maturity. These investments are initially measured at fair value plus incremental direct transaction costs and subsequently carried at cost, adjusted for amortization of premiums and accretion of discounts using the effective interest method and reduced by impairment losses, if any.

Other Financial Instruments

Other non-derivative financial instruments such as due from a related party and accounts payable and accrued expenses are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any impairment losses.

11. <u>The Company does not have any investment in foreign securities.</u>

12. <u>Company's financial risk exposure and management:</u>

The Company has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk

The main purpose of the Company's dealings in financial instruments is to fund its operational and capital expenditures. The Board of Trustees (BOT) has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOT has delegated to the senior management the responsibility for developing and monitoring the Company's policies, which address risk management areas.

Management is responsible for monitoring compliance with the Company's risk management policies and procedures and for reviewing the adequacy of these policies in relation to the risks faced by the Company.

1. Credit Risk

Credit risk represents the loss the Company would incur if counterparty failed to perform under its contractual obligations. The Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors and students to pay and fully settle the unpaid balance of tuition fees and other charges, respectively, which are owed to the Company based on the installment payment schemes. The Company has established controls and procedures in its credit policy to determine and to monitor the credit worthiness of the students based on relevant factors. Also, students are not allowed to enroll in the following semester unless the unpaid balance in the previous semester has been paid. The Company also withholds the academic records and clearance of the students with unpaid balance, thus ensuring that collectibility is reasonably assured. The Company's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

The Company neither has any significant exposure to any individual customer or counterparty nor any other concentration of credit risk arising from counterparties is similar business activities, geographic region or economic parties.

With respect to credit risk arising from cash and cash equivalents, receivables, due from a related party, AFS investments and HTM investments, the Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The maximum exposure to credit risk at the balance sheet date is as follows:

	December 2010	March 2010
Cash and cash equivalents	681,657,446	427,163,214
AFS investments	1,479,426,595	1,202,638,311
Receivables	772,695,572	699,920,334
Due from a related party	404,080,875	218,774,500
HTM Investments	-	20,000,000
Total	3,337,860,488	2,568,496,359

Allowance for impairment losses was provided for receivables from students which have been outstanding for more than one semester and specifically identified to be impaired.

No impairment loss on the rest of the Company's financial assets have been provided since none of them were identified to be impaired as of December 31, 2010. Cash and cash equivalents, AFS investments and HTM investments are coursed through reputable financial institutions duly approved by the BOT. The balance due from a related party is from a profitable related party with good payment records; collections there from are reasonably assured.

2. Liquidity Risk

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and ensures that future cash collections are sufficient to meet them in accordance with internal policies. The Company invests in cash placements when excess cash is obtained from operations.

Financial liabilities of the Company at the balance sheet date comprise of accounts payable and accrued expenses which are all short term in nature and have contractual maturities of less than 12 months.

3. Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk. The Company is subject to various market risks, including risks from changes in interest rates and currency exchange rates.

Price Risk Sensitivity Analysis

The Company's exposure to price risk arises from its investments in equity and debt securities, which are classified as AFS investments in the balance sheets.

Management monitors its equity and debt securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis.

AFS investments consist of publicly listed equity securities and government securities which are carried at fair value and non-listed equity securities for which no fair value information is available and that are therefore carried at cost.

	Effect on Equity	
Increase (decrease) in market price	December 2010	March 2010
10%	147,942,659	120,263,831
-10%	(147,942,659)	(120,263,831)

A 10% increase in the market values of the Company's AFS investments at year-end would have increased equity by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% decrease in the market values of the AFS investments at year-end would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk Sensitivity Analysis

The Group's exposure to interest rate risk arises from the following interest-bearing financial instruments:

	December 2010	March 2010
Cash and cash equivalents	681,657,446.00	427,163,214.00
Available-for-sale investments	1,479,426,595.00	1,202,638,311.00
Due from a related party	404,080,875.00	218,774,500.00
Held to maturity investments	-	20,000,000.00
Total	2,565,164,916.00	1,868,576,025.00

The sensitivity of the Company's profit before tax to a reasonably possible change in interest rates, with all variables held constant, are demonstrated as follows:

	Increase/Decrease in Interest Rate	Effect on Profit Before Tax	
		December 2010	March 2010
Cash and cash equivalents	2%	13,633,148	8,543,264
	-2%	(13,633,148)	(8,543,264)
Available-for-sale investments	2%	29,588,531	24,052,766
	-2%	(29,588,531)	(24,052,766)
Due from a related party	2%	8,081,617	4,375,490
	-2%	(8,081,617)	(4,375,490)
Held-to-maturity investments	2%	-	400,000
	-2%	-	(400,000)

Fair Values

The fair values together with the carrying amounts of the financial assets and liabilities shown in the interim balance sheet are as follows:

	December 2010		March 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	681,657,446.00	681,657,446.00	427,163,214.00	427,163,214.00
Available-for-sale investments	1,479,426,595.00	1,479,426,595.00	1,202,638,311.00	1,202,638,311.00
Receivables	772,695,572.00	772,695,572.00	699,920,334.00	699,920,334.00
Due from a related party	404,080,875.00	404,080,875.00	218,774,500.00	218,774,500.00
Held-to-maturity investments	-	-	20,000,000.00	20,000,000.00
Accounts payable and other current liabilities	490,456,836.00	490,456,836.00	410,324,303.00	410,324,303.00

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the methods described below.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents

The carrying amount approximates the fair value primarily due to the relatively short-term maturity of these financial instruments.

Receivables/Due from a Related Party/Accounts Payable and Accrued Expenses

Current receivables are reported at their net realizable values, at total amounts less allowances for impairment losses. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle.

AFS Investments

The fair values of certain AFS investments, which are traded in active markets at the balance sheet date, are determined by reference to their quoted market price at the reporting date. Other equity instruments classified as AFS are carried at cost due to unavailability of fair market value.

HTM Investments

The fair value of HTM investments that are not quoted in an active market is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Capital Management

The Company aims to provide returns on equity to shareholders while managing operational and strategic objectives.

The BOT has overall responsibility for monitoring of capital in proportion to risks. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company defines capital as total equity, which is equivalent to the total of capital stock, retained earnings and recognized income and expenses.

The Company is not subject to any externally-imposed capital requirements.

There was no change in the Company's approach to capital management during the year.

13. Capital Management Objectives, Policies and Procedures

The University aims to provide returns on equity to shareholders while managing operational and strategic objectives. The University manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust capital structure, the University may adjust the dividend payment to shareholders, return to capital shareholders or issue new shares.

The University defines capital as paid-in capital stock and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and revaluation reserves are excluded from capital for purposes of capital management. The BOT has overall responsibility for monitoring of capital in proportion to risks. Profiles for capital ratios are set in the light of changes in the University's external environment and the risks underlying the University's business, operation and industry.

The University monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity.

The University is not subject to any externally-imposed capital requirements.

There was no change in the University's approach to capital management during the year.