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, 2011**
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	**13,731,303**
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 13, 2012

Management’s Discussion and Analysis or Plan of Operation

Financial Position:

Total assets as of December 31, 2011 amounting to P5,012.4 million increased by P962.6 million over this year’s beginning balance of P4,049.8 million. Current assets went up by P929.9 million and non-current assets by P32.7 million thus the increase in total assets by P962.6 million.

Total liabilities as of December 31, 2011 amounting to P1,270.3 million increased by P779.0 million over this year’s beginning balance of P491.3 million. The increase is mainly due to unearned tuition fees for the second semester.

Stockholder’s equity as of December 31, 2011 amounting to P3,742.1 million increased by P183.6 million compared to this year’s beginning balance of P3,558.5 million. Comprehensive income for the three quarters exceeds the cash dividend paid during the same period of time.

Results of Operation

Net income after tax for the three quarters is P302.56 million reflecting an increase of P123.78 million compared to last year's P178.78 million. Net operating (educational) income increased by P93.82 million while other income went up by P43.28 million. After an income tax of P44.23 million which increased by P13.31 million, net income after tax for the three quarters of this year is P123.78 million more than the same period last year.

A Look of What Lies Ahead

Enrollment for the first and second semesters of school year 2011-2012 increased by 9.5% and 9.6% respectively compared to the previous year. The increase in enrollment is attributed to our improved facilities and new course offerings. Our newly-opened branch in Makati brought in additional students and we expect our branch enrollment to be higher in the succeeding years.

The 4.5% tuition fee increase for 2011-2012 is also higher than the previous year’s 3.5%. With the proper management of resources, we expect that operating profit will again improve this year.

With the company’s current assets amounting to P3,144.98 million and non-current assets amounting to P1,867.46 million as of December 31, 2011 and with the expected net income during the year, the company does not foresee any cash flow or liquidity problem in the next 12 months. The company can easily meet all its commitments including those for improvements in instructional and other facilities from its present reserves and from expected future earnings.

For the year's ahead, management is committed to the continuous improvement of academic standards. This will be done by continuously improving curricula, strengthening faculty, improving services to students and providing the best educational facilities. The University is confident of being a university of choice for its target market.

Changes in Real Accounts as of December 31, 2011 compared to March 31, 2011

		December 31, 2011	March 31, 2011	Increase (Decrease)	%
1	Cash & Cash Equivalents	687,060,309.57	381,502,287.61	305,558,021.96	80%
2	Receivables - net	939,478,671.41	591,894,556.16	347,584,115.25	59%
3	Available for sale Investments - net	1,444,260,013.04	1,199,037,564.82	245,222,448.22	20%
4	Other Current Assets	65,724,523.32	34,192,933.30	31,531,590.02	92%
5	Due from a related party	350,477,422.01	394,489,203.99	(44,011,781.98)	-11%
6	Available for sale Investments	311,158,398.64	311,515,573.49	(357,174.85)	0%
7	Investment in subsidiaries, associate & joint venture	147,313,488.94	121,313,488.94	26,000,000.00	21%
8	Investment Property	166,306,820.54	174,092,813.51	(7,785,992.97)	-4%
9	Property and Equipment, net	881,030,036.44	822,147,894.12	58,882,142.32	7%
10	Accounts payable & other current liabilities	362,052,440.02	394,259,497.22	(32,207,057.20)	-8%
11	Trust Funds	313,202,208.38	5,394,692.70	307,807,515.68	5706%
12	Unearned Tuition Fees	573,309,408.00	43,944,872.49	529,364,535.51	1205%
13	Income Tax Payable	21,738,200.97	47,712,326.97	(25,974,126.00)	-54%
15	Capital Stock	1,376,863,400.00	984,577,900.00	392,285,500.00	40%
14	Accumulated fair value gains (losses)	48,894,316.42	20,650,844.55	28,243,471.87	137%
16	Unappropriated Retained Earnings	466,385,929.00	703,282,400.89	(236,896,471.89)	-34%

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

	INCOME	December 31, 2011	December 31, 2010	Increase (Decrease)	%
1	Tuition Fees, net	995,364,943.80	896,616,042.88	98,748,900.92	11%
2	Other School Fees	28,914,899.21	26,734,441.20	2,180,458.01	8%
3	Other Income	196,545,800.83	153,262,939.09	43,282,861.74	28%

	EXPENSES	December 31, 2011	December 31, 2010	Increase (Decrease)	%
1	Salaries	514,799,229.24	487,654,155.62	27,145,073.62	6%
2	Employee Benefits	89,638,170.48	124,754,754.53	(35,116,584.05)	-28%
3	RLE	4,508,285.00	12,819,323.00	(8,311,038.00)	-65%
4	Affiliation	6,068,755.00	8,528,678.00	(2,459,923.00)	-29%
5	Other Instructional & Academic Expenses	20,517,491.57	12,300,290.72	8,217,200.85	67%
6	Rentals	54,294,942.71	43,756,665.93	10,538,276.78	24%
7	Other Administrative Expenses	3,807,797.49	10,416,049.79	(6,608,252.30)	-63%
8	Utilities and other maintenance expenses	67,234,070.34	63,942,757.66	3,291,312.68	5%
9	Janitorial Services	8,924,400.46	9,756,582.53	(832,182.07)	-9%
10	Property Insurance	699,863.78	998,739.83	(298,876.05)	-30%
11	Repairs & Maintenance, Buildings & Equipment	9,310,181.08	7,263,814.14	2,046,366.94	28%
12	Security Services	12,751,379.04	18,412,002.70	(5,660,623.66)	-31%
13	Depreciation	54,037,352.67	46,384,043.79	7,653,308.88	16%
14	Publicity and Promotions	5,587,946.55	5,345,528.55	242,418.00	5%
15	Other General Expenses	12,616,922.20	4,757,621.72	7,859,300.48	165%
16	Professional Fee	8,337,858.09	9,229,123.66	(891,265.57)	-10%
17	Taxes & Licenses	199,793.80	472,776.92	(272,983.12)	-58%
18	Charitable Contribution	684,534.36	116,500.00	568,034.36	488%

Cause of Material Changes in Real Accounts as of December 31, 2011 compared to March 31, 2011

1. Cash and cash equivalent increased by P305.5 million due to collection of tuition fees during the year.

2. Receivables increased by P347.5 million due to new receivables from students enrolled in the second semester.

3. Available for sale investments current, increased by P245.2 million due to valuation of account.

4. Other current assets increased by P31.5 million due to prepaid income tax and prepaid rental.

5. Due from related party decreased by P44.01 million due to collection from Fern Realty.

6. Investment Property decreased by P7.78 million due to depreciation.

7. Property and Equipment increased by P58.88 million due to major repairs/renovations and acquisitions of new equipment.

8. Accounts payable and other current liabilities decreased by P32.20 million mainly due to decrease in accrued expenses and accounts payable.

9. Trust funds increased by P307.8 million due to allocations made during the year.

10. Unearned tuition fee increased by P529.36 million due to tuition fee not yet earned for the rest of the second semester.

11. Income tax payable decreased by P25.97 million. March 31 figure represents the amount for the whole year while December 31 figure represents the amount for three quarters only.

12. Accumulated fair value gain increased by P28.24 million due to increase in market value of available for sale investments.

13. Unappropriated retained earnings decreased by P237.0 million because the total amount of dividends declared during the three quarters of the year is more than the net income after tax for the same period of time.

14. Investment in subsidiaries, associate and joint venture increased by P26.0 million due to additional investment in FEU-Silang shares.

15. Capital stock increased by P392.3 million due to the 40% stock dividend declared/issued.

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 P98.75 million due to the increase in enrollment and in tuition fee rates.
2. Other School Fees increased by P2.18 million due to the increase in enrollment and in rates.
3. Other income increased by P43.28 million due to higher interest/investment income and rental income.

EXPENSES

1. Salaries and allowances increased by P27.14 million due to higher rates and new hires.
2. Employee and faculty benefits decreased by P35.11 million due to application of retirement forfeitures to retirement contribution.
3. RLE decreased by P8.31 million due to decrease in Nursing enrollment.
4. Affiliation fee decreased by P2.46 million due to decrease in Nursing enrollment.
5. Other Instructional and academic expenses increased by P8.21 million mainly due to academic expenses.
6. Rental expense increased by P10.53 million mainly due to increase in rate.
7. Other administrative expenses decreased by P6.60 million mainly due to a reduction in administrative expense.
8. Utilities expense increased by P3.29 million due to an increase in utility rate.
9. Cost of janitorial services decreased due to efficient assignment of janitors.
10. Repairs and Maintenance increased by P2.04 million due to the repair of our genset and transportation equipment.
11. Cost of security services decreased by P5.66 million due to reduced number of guards.
12. Depreciation increased by P7.65 million due to additional depreciable assets.
13. Publicity and Promotions increased by P.24 million due to more advertisements.
14. Other General expenses increased by P7.85 million due to:

		(in million)
Interest and Bank Charges	P	0.431
Other General Expenses		7.427
Total	P	7.858

15. Taxes and Licenses decreased by P.27 million. Last year's figure includes one time zoning fee.

16. Charitable Contribution increased by P.57 due to more donations.

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, 2010	2.23:1
March 31, 2011	4.51:1
December 31, 2011	2.48:1

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, 2010	2.16:1
March 31, 2011	4.44:1
December 31, 2011	2.42:1

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, 2010	43%
March 31, 2011	14%
December 31, 2011	34%

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, 2010	30%
March 31, 2011	12%
December 31, 2011	25%

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, 2010	70%
March 31, 2011	88%
December 31, 2011	75%

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, 2010	4%	(three quarters)
March 31, 2011	16%	(one year)
December 31, 2011	6%	(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, 2010	6%	(three quarters)
March 31, 2011	18%	(one year)
December 31, 2011	8%	(three quarters)

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

December 31, 2010	P 18.23	(three quarters)
March 31, 2011	65.49	(one year)
December 31, 2011	22.04	(three quarters)

IV. Product Standard

1. Teaching performance in the University is constantly being monitored to maintain a satisfactory level of excellence. Various incentives are given to our faculty for teaching excellence.

2. The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) has granted Certificates of Level III Re-accredited Status from April 2011 to April 2016 to:

   Bachelor of Arts in Mass Communications

   Bachelor of Science in Business Administration major in:
   - Business Economics
   - Financial Management
   - Marketing Management
   - Human Resource Development Management
   - Operations Management
   - Business Management
   - Internal Auditing
   - Legal Management

   Similarly, effective April 2011, PACUCOA granted a Level III Reaccredited Status to:

   Bachelor of Science in Accountancy
   Bachelor of Science in Biology
   Bachelor of Science in Applied Mathematics with Information Technology
   Bachelor of Science in Psychology
   Bachelor of Science in Secondary Education
   Bachelor of Science in Elementary Education

   Meanwhile, the Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) visited on September 16-17, 2010 and granted a level II Reaccredited Status to its Nursing program for another 5 years.

3. Performance of FEU graduates in their respective Board Exams is generally better than the national passing rate with the following board placers:

CPA, May 2011	10^{th} Place
CPA, 2010	6^{th} Place
Architecture, 2010	7^{th} and 10^{th} Places
Nursing, 2010	5^{th}, 9^{th} and 10^{th} Places

V. Market Acceptability

The growth in enrollment despite difficult times and the increase in the number of valedictorians, salutatorians and entrance merit scholars are indications that FEU is one of the better choices among the 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)		
	(3 Quarters) December 31, 2010	(Whole Year) March 31, 2011	(3 Quarters) December 31, 2011
Quick Assets	2,933.8	2,180.9	3,079.2
Current Assets	3,031.5	2,215.1	3,145.0
Non-Current Asset	1,469.6	1,834.7	1,867.4
Total Assets	4,501.1	4,049.8	5,012.4
Current Liabilities	1,357.4	491.3	1,270.3
Total Liabilities	1,357.4	491.3	1,270.3
Stockholder's Equity	3,143.7	3,558.5	3,742.1
Operating Profit	56.40	492.0	150.26
Other Income	153.30	237.1	196.54
Profit before Tax	209.70	729.1	346.80
Tax	30.90	86.7	44.23
Net Profit or Profit after Tax	178.80	642.4	302.57
Other Comprehensive Income	61.60	12.8	28.24
Total Comprehensive Income	240.40	655.20	330.81
Total Outstanding shares (average)	9,808,448	9,808,448	13,731,303
Book Value per share	320.51	362.80	272.53
Earnings per share	18.23	65.49	22.04

Other Items

1. The current economic condition may 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 three quarters ended December 31, 2011 is P30.55 million while its operating expense for the same period amounted to P19.43 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. 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 the lowest among the four quarters of the fiscal year.

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THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF FINANCIAL POSITION
December 31, 2011
(With comparative figures for March 31, 2011)

		December 2011		March 2011
A S S E T S				
Current Assets				
Cash and cash equivalents	P	687,060,309.57	P	381,502,287.61
Receivables - net		939,478,671.41		591,894,556.16
Financial assets at fair value through profit or loss		8,456,380.53		8,456,380.53
Available-for-sale investments - net		1,444,260,013.04		1,199,037,564.82
Other current assets		65,724,523.32		34,192,933.30
Total Current Assets		3,144,979,897.87		2,215,083,722.42
Noncurrent Assets				
Due from a related party		350,477,422.01		394,489,203.99
Available-for-sale investments		311,158,398.64		311,515,573.49
Investments in subsidiaries and an associate		147,313,488.94		121,313,488.94
Investment property , net		166,306,820.54		174,092,813.51
Property and equipment, net		881,030,036.44		822,147,894.12
Deferred tax assets - net		7,250,042.01		7,250,042.01
Other non-current assets		3,929,796.34		3,929,796.34
Total Noncurrent Assets		1,867,466,004.92		1,834,738,812.40
TOTAL ASSETS	P	5,012,445,902.79	P	4,049,822,534.82
LIABILITIES & EQUITY				
Current Liabilities				
Accounts payable & other current liabilities	P	362,052,440.02	P	394,259,497.22
Trust funds		313,202,208.38		5,394,692.70
Unearned tuition fees		573,309,408.00		43,944,872.49
Income tax payable		21,738,200.97		47,712,326.97
Total Current Liabilities		1,270,302,257.37		491,311,389.38
Equity				
Capital Stock		1,376,863,400.00		984,577,900.00
Treasury stock		(3,733,100.00)		(3,733,100.00)
Accumulated fair value gains (losses)		48,894,316.42		20,650,844.55
Retained Earnings				
Appropriated retained earnings		1,853,733,100.00		1,853,733,100.00
Unappropriated retained earnings		466,385,929.00		703,282,400.89
Total Equity		3,742,143,645.42		3,558,511,145.44
TOTAL LIABILITIES AND EQUITY	P	5,012,445,902.79	P	4,049,822,534.82

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF COMPREHENSIVE INCOME
For the nine-month period ended December 31, 2011 & 2010

	October to December 2011	October to December 2010	April to December 2011	April to December 2010
EDUCATIONAL REVENUES				
Tuition Fees - net	P 340,223,570.30	P 293,770,021.44	P 995,364,943.80	P 896,616,042.88
Other school fees	8,223,265.30	8,050,421.00	28,914,899.21	26,734,441.20
	348,446,835.60	301,820,442.44	1,024,279,843.01	923,350,484.08
OPERATING EXPENSES (Schedule 1)	337,820,163.19	324,273,833.12	874,018,973.87	866,909,409.09
OPERATING INCOME	10,626,672.41	(22,453,390.68)	150,260,869.14	56,441,074.99
OTHER INCOME				
Finance Income	35,042,172.71	46,523,333.66	129,424,656.96	111,462,627.51
Rental	15,687,741.69	13,528,114.90	47,996,949.86	30,660,319.17
Management fees	9,121,983.77	9,121,983.77	9,121,983.77	9,121,983.77
Finance Costs	467,480.05	(1,902,316.72)	54,721.51	(1,541,032.90)
Others	4,861,524.96	1,032,193.73	9,947,488.73	3,559,041.54
	65,180,903.18	68,303,309.34	196,545,800.83	153,262,939.09
INCOME BEFORE TAX	75,807,575.59	45,849,918.66	346,806,669.97	209,704,014.08
TAX EXPENSE				
Provision for Income Tax	4,076,540.29	122,890.17	21,738,201.30	10,401,084.31
Tax Expense - Final Tax	6,187,178.24	9,192,145.02	22,500,300.56	20,520,929.92
	10,263,718.53	9,315,035.19	44,238,501.86	30,922,014.23
NET INCOME	65,543,857.06	36,534,883.47	302,568,168.11	178,781,999.85
OTHER COMPREHENSIVE INCOME				
Fair value gains (losses)	16,339,181.52	10,725,960.04	28,243,471.50	61,641,751.63
Reclassification to profit or loss	0.00	0.00	0.00	0.00
	16,339,181.52	10,725,960.04	28,243,471.50	61,641,751.63
TOTAL COMPREHENSIVE INCOME	P 81,883,038.58	P 47,260,843.51	P 330,811,639.61	P 240,423,751.48
EARNINGS PER SHARE				
Basic and Diluted	P 1.54	P 3.73	P 25.71	18.23

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CHANGES IN EQUITY
For the nine-month period ended December 31, 2011 & 2010

		December 2011		December 2010
CAPITAL STOCK - P100 par value	P	984,577,900.00	P	984,577,900.00
Issuance during the year		392,285,500.00		0.00
Balance at end of period		1,376,863,400.00		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		20,650,844.92		7,857,561.92
Fair Value gains (losses) for the year		28,243,471.50		61,641,751.63
		48,894,316.42		69,499,313.55
RETAINED EARNINGS				
APPROPRIATED				
Balance at beginning of year		1,853,733,100.00		1,675,099,016.73
Appropriations		0.00		0.00
Reversal for Appropriations		0.00		0.00
Balance at end of period		1,853,733,100.00		1,675,099,016.73
UNAPPROPRIATED				
Balance at beginning of year		703,282,400.89		533,739,031.01
Net Income		302,568,168.11		178,781,999.85
Cash dividends		(147,179,140.00)		(294,253,440.00)
Stock dividends		(392,285,500.00)		0.00
Balance at end of period		466,385,929.00		418,267,590.86
Total Retained Earnings		2,320,119,029.00		2,093,366,607.59
TOTAL EQUITY	P	**3,742,143,645.42**	P	**3,143,710,721.14**

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CASH FLOWS

For the nine-month period ended December 31, 2011

		December 2011		December 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	P	346,806,669.97	P	209,704,014.08
Adjustments for:				
Interest Income		(129,424,656.96)		(105,693,171.00)
Depreciation and amortization		54,037,352.67		46,384,043.79
Unrealized foreign exchange losses (gains)		(54,721.51)		1,541,032.90
Operating income before working capital changes		271,364,644.17		151,935,919.77
Decrease (increase) in receivables		(442,084,115.15)		(498,672,959.45)
Decrease (increase) in Other assets		(31,531,590.02)		37,106,284.65
Increase (decrease) in accounts payable & other current liabilities		(32,207,057.20)		80,132,533.23
Increase (decrease) in unearned tuition fee		529,364,535.51		519,183,261.60
Increase (decrease) in trust funds		307,807,515.68		293,408,134.78
Cash generated from (used in) operations		602,713,932.99		583,093,174.58
Income taxes paid		(47,712,327.30)		(45,878,466.80)
Net cash from operating activities		555,001,605.69		537,214,707.78
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in loans receivable		94,499,999.90		425,897,721.21
Decrease (Increase) in available-for-sale investments		(216,621,801.32)		(215,146,532.02)
Acquisitions of property and equipment and investment property		(105,133,502.02)		(115,311,170.41)
Decrease in held-to-maturity investments		(0.18)		20,000,000.00
Decrease (Increase) in due from related party		44,011,781.98		(185,306,375.00)
Decrease (Increase) in other non-current assets		0.00		(2,231,887.98)
Interest Received		106,924,356.40		85,172,241.07
Additional investment in subsidiaries, associates and joint venture		(26,000,000.00)		0.00
Net cash provided by (used in) investing activities		(102,319,165.24)		13,073,996.87
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(147,179,140.00)		(294,253,440.00)
Effect of exchange rate changes in cash and cash equivalents		54,721.51		(1,541,032.90)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		305,558,021.96		254,494,231.75
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		381,502,287.61		427,163,214.85
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	687,060,309.57	P	681,657,446.60

THE FAR EASTERN UNIVERSITY, INCORPORATED

Schedule of Operating/Educational Expenses
For the nine-month period ended December 31, 2011 & 2010

Schedule 1

	October to December 2011		October to December 2010	April to December 2011		April to December 2010
Instructional and Academic						
Salaries and allowances	154,059,470.22	P	139,473,038.87	422,591,015.02	P	399,404,197.31
Employees benefits	45,757,074.20		49,941,041.31	69,408,005.45		95,393,299.00
RLE	1,641,290.00		6,427,238.00	4,508,285.00		12,819,323.00
Affiliation	963,469.00		2,661,729.00	6,068,755.00		8,528,678.00
O t h e r s	5,069,445.12		3,599,102.09	20,517,491.57		12,300,290.72
	207,490,748.54		202,102,149.27	523,093,552.04		528,445,788.03
Administrative						
Salaries and allowances	24,370,652.51		24,092,737.57	72,858,790.51		71,160,379.67
Rentals	19,057,751.93		13,986,483.27	54,294,942.71		43,756,665.93
Employees benefits	9,765,019.85		13,442,075.86	15,187,438.29		23,743,465.80
O t h e r s	1,161,428.42		1,294,791.74	3,807,797.49		10,416,049.79
	54,354,852.71		52,816,088.44	146,148,969.00		149,076,561.19
Maintenance and Plant Operation						
Utilities	23,548,046.27		21,048,562.48	67,234,070.34		63,942,757.66
Salaries and allowances	6,943,394.87		5,795,672.82	19,349,423.71		17,089,578.64
Janitorial services	2,808,578.85		3,669,274.68	8,924,400.46		9,756,582.53
Employees benefits	3,328,773.80		3,045,129.19	5,042,726.74		5,617,989.73
Repairs and maintenance						
Buildings and equipments	3,357,531.27		2,058,821.46	9,310,181.09		7,263,814.14
Property insurance	0.00		683,647.07	699,863.78		998,739.83
	39,986,325.06		36,301,107.70	110,560,666.12		104,669,462.53
General						
Depreciation	20,075,576.72		17,281,259.09	54,037,352.67		46,384,043.79
Security services	5,010,019.31		10,632,129.34	12,751,379.04		18,412,002.70
Publicity and promotions	917,460.95		1,432,864.24	5,587,946.55		5,345,528.55
Professional Fee	5,057,685.69		2,304,053.42	8,337,858.09		9,229,123.66
Charitable contribution	304,639.00		26,300.00	684,534.36		116,500.00
Taxes and licenses	0.00		68,399.65	199,793.80		472,776.92
O t h e r s	4,622,855.21		1,309,481.97	12,616,922.20		4,757,621.72
	35,988,236.88		33,054,487.71	94,215,786.71		84,717,597.34
	337,820,163.19	P	324,273,833.12	874,018,973.87	P	866,909,409.09

THE FAR EASTERN UNIVERSITY, INCORPORATED
Aging of Accounts Receivable
As of December 31, 2011

	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 . Official and Personal	15,876,895.54	15,876,895.54			Not Applicable
2 . SSS Sickness Benefit	127,188.55	127,188.55			"
3 . FERN College	1,448,043.98	709,541.55	448,893.63	289,608.80	"
4 . NRMF	570,452.54	570,452.54			"
5 . Engineering / East Asia	2,551,479.38		2,551,479.38		"
6 . BPAP ADEPT	15,450.00	15,450.00			"
7 . FEU Silang	138,090.65	67,664.42	42,808.10	27,618.13	"
8 . FERN Realty	134,701,340.50	66,003,656.84	41,757,415.56	26,940,268.10	"
9 . ICF-CCE, Inc.	23,750,000.00	23,750,000.00			"
10 . Alphaland, Corp.	250,000.00	122,500.00	77,500.00	50,000.00	"
Total	179,428,941.14	107,243,349.44	44,878,096.67	27,307,495.03	

FAR EASTERN UNIVERSITY
Notes to Financial Statements
December 31, 2011

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 June 21, 2011, a cash dividend of P15.00 per share has been declared to all stockholders on record as of July 06, 2011. There were 9,808,448 outstanding shares and a total of P147,126,720.00 was paid on July 20, 2011.

7. The Board of Trustees at its meeting held on July 19, 2011 approved and resolved that the authorized capital stock of the Corporation, be increased from P1,000,000,000.00 (10,000,000 shares) to P2,000,000,000.00 (20,000,000 shares). This was ratified by stockholders representing at least ⅔ of FEU's total outstanding shares during FEU's annual stockholders' meeting on August 27, 2011 and was subsequently approved by the Securities and Exchange Commission on November 2, 2011.

   A 40% stock dividend was also declared and approved by the FEU Board of Trustees on July 19, 2011 and was, likewise, ratified by stockholders representing at least ⅔ of FEU's total outstanding shares during FEU's annual stockholders' meeting on August 27, 2011, subject to final approval of the increase in FEU's authorized capital stock from P1,000,000,000.00 to P2,000,000,000.00 by the Securities and Exchange Commission which was granted by the Commission on November 2, 2011, record date is November 22, 2011 while issuance date is December 19, 2011.

8. The Board of Trustees at its meeting held on October 18, 2011 approved and resolved that Far Eastern University Inc. (FEU) shall increase its subscription in Far Eastern College Silang Inc. (FEC) from P25,000,000.00 to P51,000,000.00

9. 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.

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

11. <u>Currently, the University's financial instruments are categorized as follows:</u>

    a) *Financial Assets at FVTPL*

    This category includes financial assets that are either classified as held for trading or that meet certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

    Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

    The University has derivative assets (including embedded derivatives), included under this category, that are presented as Financial Assets at Fair Value through Profit or Loss account in 2011 statement of financial position.

    The University uses derivative financial instruments to manage its risks associated with fluctuations in foreign currency. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

    The University's derivative instruments provide economic hedges under the University's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

    The University's embedded derivative instruments consist of cross currency swaps embedded in its AFS investments.

    b) *Loans and Receivables*

    Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the University provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets when their maturity is within 12 months after the reporting period.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the University will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets carrying amount and the present value of estimated cash flows.

The University's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables, Due from a Related Party and Other Current Assets to the extent of the restricted cash and cash equivalents included therein, in the statement of financial positions.

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

c) *HTM Investments*

The category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the University has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. HTM investments are included in non-current assets in the statement of financial position, except those maturing within 12 months from the end of the reporting period, which are presented as part of current assets. Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment lost, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit or loss.

d) *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Available-for-sale Investments account in the statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period.

All AFS financial assets are measured in fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

12. The Company does not have any investment in foreign securities.

13. Risk Management Objectives and Policies

The University is exposed to certain financial risks in relation to financial instruments. Its main purpose for its dealings in financial instruments is to fund operational and capital expenditures. The BOT has overall responsibility for the establishment and oversight of the University's risk management framework. It has a risk management committee headed by an independent trustee that is responsible for developing and monitoring the University's policies, which address risk management areas.

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

The University does not engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the University is exposed to are described below.

a) Interest Rate Sensitivity

The University's exposure to interest rate risk arises from interest-bearing financial instruments which are subject to variable interest rates. All other financial assets and liabilities have fixed rates.

b) Credit Risk

Credit risk represents the loss the University would incur if the counterparty failed to perform under its contractual obligations. The University's exposure to credit risk on its receivables related primarily to the inability of the debtors to pay and students to fully settle the unpaid balance of tuition fees and other charges which are owed to the University based on installment payment schemes. The University has established controls and procedures in its credit policy to determine and to monitor the credit worthiness of the students based on relevant factors.

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

It has, however, a significant amount of loans to FRC which are not considered high risk considering that FRC is a subsidiary of the University. With respect to credit risk arising from cash and cash equivalents, receivables, due from a related party, AFS investments and HTM investments, the University's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

c) *Liquidity Risk*

The University 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 University's future and contingent obligations and ensures that future cash collections are sufficient to meet them in accordance with internal policies. The University invests in cash placements when excess cash is obtained from operations.

Financial liabilities of the University at the end of the reporting period comprise of Accounts Payable and Other Liabilities which are all short-term in nature and have contractual maturities of less than 12 months.

d) *Other Price Risk Sensitivity*

The University's exposure to price risk arises from its investments in equity and debt securities, which are classified as AFS Investments in the statements of financial position.

Management monitors its equity and debt securities in its investments 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.

14. 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.