FAR EASTERN UNIVERSITY

Office of the Chairman, Board of Trustees

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO FEU STOCKHOLDERS:

Pursuant to the provisions of Sections VII and VIII of the By-Laws of Far Eastern University, Inc. as amended, the annual meeting of stockholders shall be held on Saturday, August 27, 2011, at 3:00 p.m. at the Archives Room, Third Floor, Administration Building, FEU, Nicanor Reyes Street, Sampaloc, Manila, to consider the following:

A G E N D A

1. Call of meeting to order
2. Proof of notice and determination of quorum
3. Approval of minutes of previous meeting — August 28, 2010
4. Academic report of the President
5. Approval of the annual report of the Chairman
6. Ratification and confirmation of the actions of the Board of Trustees
7. Approval of the increase in capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00 divided into 20,000,000 shares with a par value of ₱100.00 per share
8. Approval of 40% stock dividend declared in connection with the said increase in capital stock
9. Approval of the amendment of article seven of the Articles of Incorporation to reflect the above increase in capital stock
10. Election of trustees, including the independent trustees
11. Appointment of external auditor
12. Other matters

For the purpose of this meeting, the transfer book of the Corporation will be closed from August 08 to August 26, 2011, both dates inclusive, in accordance with Section XXXI of the By-Laws. All proxies must be in the hands of the Secretary for inspection and record at least twenty-four (24) hours before the time set for the meeting (not later than 3:00 p.m. August 26, 2011) as required by the By-Laws.

In the event you are unable to attend and in order to assure the presence of a quorum at the annual meeting, please accomplish the attached Proxy Form and return the same to the undersigned at the Office of the Corporate Secretary, Far Eastern University, Nicanor Reyes Street, Sampaloc, Manila. The appointment of the Proxy shall not affect your right to vote in the event you choose to attend the meeting.

Should you return this proxy without indicating a choice in any or all of the above items, you hereby authorize the appointed proxy to vote in your behalf, at his or her discretion, to approve or disapprove the matters to be acted upon in the meeting.

ANGELINA P. JOSE
Corporate Secretary

Manila
August 01, 2011

SEC FORM 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code

1. Check the Appropriate Box:

   [ ] Preliminary Information Statement

   [x] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Far Eastern University, Inc.**

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

4. SEC Identification Number : **538**

5. BIR Tax Identification Code : **000-225-442**

6. Address of Principal Office : **Nicanor Reyes Street, Sampaloc, Manila**

   Postal Code : **1008**

7. Registrant's Telephone Number including area code : **(632) 735-5621**

8. Date, time and place of meeting of security holders :
   August 27, 2011
   3:00 p.m.
   Archives Room
   3rd Floor, Administration Building
   Far Eastern University
   Nicanor Reyes Street
   Sampaloc, Manila

9. Approximate date on which the Information Statement is first sent to the security holders: **August 06, 2011**

10. Securities registered pursuant to Sections 8 and 12 of the Code:

    Title of Each Class : **Common**

    Authorized Capital Stock : **₱1,000,000,000.00**

    Shares outstanding : **9,808,448**

11. Are any or all of registrant's securities listed on a Stock Exchange?

    All common shares of stocks are listed with the Philippine Stock Exchange, Inc.

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1: Date, Time and Place of Meeting of Security Holders and Mailing Address:

a. Date: August 27, 2011
Time: 3:00 P.M.
Place: Archives Room
3rd Floor, Administration Building
Far Eastern University
Nicanor Reyes Street
Sampaloc, Manila

Registrant's Mailing Address: Far Eastern University
Nicanor Reyes Street
Sampaloc, Manila 1008

b. The approximate date when the Information Statement and the form of Proxy shall first be sent or given to security holders is on August 06, 2011.

Item 2: Dissenter's Right of Appraisal

There are no matters or proposed corporate actions included in the Agenda of the Meeting which may give rise to a possible exercise by security holders of their appraisal rights. Generally, however, in the instances mentioned by the Corporate Code of the Philippines, the stockholders of the corporation have the right of appraisal provided that the procedures and the requirements of Title X governing the exercise of the right is complied with and/or followed.

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

a. None of the members of the Board of Trustees or senior management have substantial interest in the matters to be acted upon other than election to office.

b. None of the members of the Board of Trustees have informed the Company in writing that he/she intends to oppose any action intended to be taken up at the Annual Stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

a. Class of Voting Securities:

Number of Shares Outstanding
as of June 30, 2011 9,808,448 common shares
(Net of 37,331 Treasury Shares)

Number of Votes Entitled: one (1) vote per share

b. Record Date: All stockholders of record as of August 08, 2011 are entitled to notice and to vote at the Annual Stockholders' Meeting.

c. Manner of Voting

A stockholder entitled to vote at the meeting shall have the right to vote in person or by proxy the number of shares of stock held in his name on the stock books of the Corporation, and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

d. Security Ownership of Certain Record and Beneficial Owners of more than 5% (as of June 30, 2011)

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	Number of Shares	Percent of Holdings
Common	Desrey, Incorporated[1] 10th Fl., Pacific Star Bldg. Cor. Makati & Gil Puyat Ave. Makati City Stockholder	Desrey, Inc.	Domestic corporation	784,800	8.0013
Common	Seyrel Investment and Realty Corporation[2] 10th Fl., Pacific Star Bldg. Cor. Makati & Gil Puyat Ave. Makati City Stockholder	Seyrel Investment and Realty Corporation	Domestic corporation	2,807,835	28.6267
Common	Sysmart Corporation[3] 10th Fl., L.V. Locsin Bldg. 6752 Ayala Cor. Makati Ave. Makati City Stockholder	Sysmart Corporation	Domestic corporation	2,076,839	21.1740

[1] Dr. Lourdes R. Montinola as President is authorized to vote for the shares of the Corporation.

[2] Ibid.

[3] Mr. Henry Sy, Sr. as Chair of the Board will vote for the shares of the Corporation.

e. Security Ownership of Trustees and Management (as of June 30, 2011)

Title of Class	Name of Beneficial Owner/Position	Citizenship	Shares Owned	Nature of Beneficial Ownership	Percent of Class
Common	Lourdes R. Montinola Chair, Board of Trustees	Filipino	33,310	D	0.3396
Common	Lydia B. Echauz Trustee/President	Filipino	5,919	D	0.0603
Common	Aurelio R. Montinola III Vice Chair, Board of Trustees	Filipino	179,650	D	1.8316
Common	Angelina Palanca Jose Trustee/Corporate Secretary	Filipino	315,438	D	3.2160
Common	Sherisa P. Nuesa Independent Trustee	Filipino	1	I	0.00001
Common	Paulino Y. Tan Trustee	Filipino	1	I	0.00001
Common	Gianna R. Montinola Trustee	Filipino	35,960	D	0.3666
Common	Renato L. Paras Trustee	Filipino	1	I	0.00001
Common	Robert F. Kuan Independent Trustee	Filipino	1	I	0.00001
Common	Juan Miguel R. Montinola Chief Finance Officer	Filipino	37,515	D	0.3825
Common	Herminia I. Maliwat Treasurer	Filipino	66	D	0.00067
Common	Glenn Z. Nagal Comptroller	Filipino	404	D	0.0041

Security Ownership of Trustees and Management as a Group

Total Shares - 608,266
Percentage - 6.2014%

f. Voting Trust Holders

The Registrant is not a party to any voting trust agreement. No security holder of the Registrant holds a voting trust or other similar agreements.

g. Changes in Control

There has been no recent change in the control of the Corporation.

Item 5: Trustees and Executive Officers

a. The following are the current trustees of the corporation:

Dr. Lourdes R. Montinola
Mr. Aurelio R. Montinola III
Dr. Lydia B. Echauz
Ms. Angelina P. Jose
Dr. Paulino Y. Tan
Atty. Gianna R. Montinola
Dr. Renato L. Paras
Ms. Sherisa P. Nuesa (Independent Trustee)
Mr. Robert F. Kuan (Independent Trustee)

The Nomination Committee is chaired by Atty. Gianna R. Montinola. The members are: Dr. Paulino Y. Tan and Ms. Sherisa P. Nuesa (Independent Trustee)

The nominees for the trustees and independent trustees have been pre-screened by the nominations committee composed of three (3) voting trustees, one of whom is independent, and one non-voting member.

The following have been nominated members to the Board of Trustees for fiscal year 2010 – 2011:

Name	Ages	Citizenship	Position
Lourdes R. Montinola	83	Filipino	Chair, Board of Trustees
Aurelio R. Montinola III	59	Filipino	Vice Chair, Board of Trustees
Lydia B. Echauz	63	Filipino	President/Trustee
Angelina P. Jose	58	Filipino	Corporate Secretary/Trustee
Paulino Y. Tan	65	Filipino	Trustee
Gianna R. Montinola	53	Filipino	Trustee
Renato L. Paras	85	Filipino	Trustee
Sherisa P. Nuesa	56	Filipino	Independent Trustee
Robert F. Kuan	62	Filipino	Independent Trustee

The aforementioned nominees were submitted to the Nominations Committee of the Far Eastern University by a shareholder, Dr. Elizabeth P. Melchor. Ms. Sherisa P. Nuesa and Mr. Robert F. Kuan are being nominated as Independent Trustees in compliance with the SRC Rule 38 (Requirements on Nomination and Election of Independent Directors). Dr. Elizabeth P. Melchor is not related to the nominees for Independent Trustees.

The latest certifications of the Independent Trustees follow:

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1008
www.feu.edu.ph

CERTIFICATION OF INDEPENDENT DIRECTORS

I, SHERISA P. NUESA, Filipino, of legal age and a resident of Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Far Eastern University.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Ayala Corporation	Managing Director	36 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Far Eastern University, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the corporate secretary of Far Eastern University of any changes in the abovementioned information within five days from it occurrence.

Done, this 29 day of July 2011, at Manila.

SHERISA P. NUESA
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of July 2011 at Manila, affiant personally appeared before me and exhibited to me her Community Tax Certificate No. 24359837 issued at Manila on February 21, 2011.

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Page No. 40
Book No. III
Series of 2011.

ATTY. ENRICO G. GILERA
NOTARY PUBLIC
UNTIL DECEMBER 2011
PTR No. 9315923; 01-18-11; MANILA
IBP No. 847327; 01-07-11; PPLM
ROLL No. 35145; MAY 27, 1988
COMPLIANCE No. III-0018920

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1008
www.feu.edu.ph

CERTIFICATION OF INDEPENDENT DIRECTORS

I, ROBERT F. KUAN, Filipino, of legal age and a resident of Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Far Eastern University.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
China Banking Corporation	Independent Director	2005-present
China Bank Savings, Inc.	Independent Director	2009-present
St. Luke's Medical Center, Inc.	Chairman	1996-present
	Trustee	Since 1989
St. Luke's Medical Center Global City, Inc.	Chairman	2008-present
	Trustee	2008-present
St. Luke's College of Medicine, Inc.	Trustee	1996-present
BRENT Int'l School Manila, Inc.	Trustee	1989-present
BRENT Int'l School Subic, Inc.	Trustee	2009-present
BRENT Int'l School Baguio, Inc.	Chairman (BOT)	2009-present
St. Theodore of Tarsus Hospital Sagada, Inc.	Chairman (BOT)	2005-present
SEAOIL Phils, Inc.	Independent Director	2008-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Far Eastern University, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Far Eastern University of any changes in the abovementioned information within five days from it occurrence.

Done, this 29 day of July 2011, at Manila.

ROBERT F. KUAN
Affiant

SUBSCRIBED AND SWORN to before me this ___ day of July 2011 at Manila, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 23322025 issued at Makati City on February 16, 2011.

Doc. No. 203
Page No. 40
Book No. III
Series of 2011.

ATTY. ENRICO G. GILERA
NOTARY PUBLIC
UNTIL DECEMBER 2011
PTR No. 6315923; 01-18-11; MANILA
IBP No. 847327; 01-07-11; PPLM
ROLL No. 35145; MAY 27, 1988
COMPLIANCE No. III-0018920

Brief Background of Trustees and Executive Officers:

1. **Lourdes R. Montinola, 83, Filipino: Chair of the Board of Trustees of Far Eastern University, Inc. (June 1989 to present)**

   Other Corporate Affiliations: Chair, Board of Directors, FERN Realty Corporation; Chair and President, FEU Educational Foundation, Inc.; Chair, Nicanor Reyes Educational Foundation; Chair, Executive Committee, Far Eastern University, Inc.; Chair, Far Eastern College Silang; Governor, Nicanor Reyes Memorial Foundation; Trustee, FEU-Dr. Nicanor Reyes Medical Foundation; Trustee, AY Foundation, Inc.

   Dr. Montinola holds a Bachelor of Arts degree (*cum laude*) from Marymount College, New York, U.S.A., and an M.A. in Cultural History from the Asean Graduate Institute of Arts. She completed the Management Development Program for College and University Administrators in the Institute for Educational Management, Graduate School of Education, Harvard University, U.S.A. She obtained her Ph.D. in English: Creative Writing from the University of the Philippines.

2. **Aurelio Montinola III, 59, Filipino: Vice Chairman of the Board of Trustees, Far Eastern University, Inc. (June 1989 to present)**

   President and Chief Executive Officer of Bank of the Philippine Islands and President, Bankers Association of the Philippines. His other affiliations, among others, include: Chairman of the Board of Directors of Amon Trading Corporation; Vice Chairman of the Board of Directors of Republic Cement Corporation; Chairman of East Asia Educational Foundation, Inc.; Regional Board of Advisers, MasterCard International; Director, Ayala Land, Inc.; President, BPI Foundation, Inc.; Member, Makati Business Club; and Member, Management Association of the Philippines.

   He graduated with a BS Management Engineering degree at the Ateneo de Manila University in 1973, and received his MBA at Harvard Business School in 1977.

3. **Lydia B. Echauz, 64, Filipino: President (June 2003 to present); Acting President (September 2002 to May 2003) and Member of the Board of Trustees, Far Eastern University, Inc. (1999 to present)**

   Appointed Acting President of Far Eastern University in September 2002, and since June 2003, President; FEU-East Asia College; President, FEU-FERN College; President, FEU East Asia Educational Foundation, Inc.; in 2010 President, Far Eastern College Silang. Since 2002, Member, Board of Directors of FERN Realty Corporation and Governor, Nicanor Reyes Memorial Foundation. She is past President and current Director of the Association of Southeast Asian Institutes of Higher Learning – Philippine Council; Director of the Philippine Association of Colleges and Universities; Director, Coordinating Council of Philippine Educational Associations; and former Governor and current Member of the Management Association of the Philippines. She was Dean of the Graduate School of Business, De La Salle University Professional Schools, Inc. (1986 - 2002) and Program Coordinator (1985 - 1986); former Associate Director (last position) of the MBA Program, Ateneo de Manila University Graduate School of Business (1980-1985); also Associate Professor (last rank) of the College of Business Administration, University of the East (1968 - 1980).

   Dr. Echauz is a Bachelor of Arts, major in Economics and Mathematics from St. Theresa's College, MBA from Ateneo de Manila University, and DBA from De La Salle University, and awarded by various organization Outstanding Alumna of all three educational institutions, Outstanding Bulakeña, Manilan, Filipino, and Mother.

4. Angelina Palanca Jose, 58, Filipino: Trustee (1990 to present) and Corporate Secretary, Far Eastern University, Inc. (1998 to present)

Other Corporate Affiliations: Member, Board of Directors, FERN Realty Corporation; Secretary, Treasurer and Trustee, Nicanor Reyes Educational Foundation; Corporate Secretary and Trustee, FEU Educational Foundation Inc.; Corporate Secretary and Governor, Nicanor Reyes Memorial Foundation; Member, Executive Committee, Far Eastern University, Inc.; and Corporate Secretary, Far Eastern College Silang.

Ms. Jose obtained her Bachelor of Science degree, major in Economics, from the University of the Philippines (Dean's Medal).

5. Paulino Y. Tan, 65, Filipino: Trustee, Far Eastern University, Inc. (1991 to present)

Other Business Experience: President of Asia Pacific College; IT Services Consultant, SM (Shoemart) Inc. At present, member of the Board of Directors/Trustees of the following companies: Nicanor Reyes Educational Foundation, Inc., FEU Educational Foundation, Inc., East Asia Educational Foundation, Inc., Lyceum of Batangas, Lyceum of Laguna, Foundation for Upgrading the Standard of Education (FUSE), SM (Shoemart) Foundation, Inc., Asia Pacific Technology Educational Foundation, FERN Realty Corporation and Far Eastern College Silang.

Dr. Tan obtained the Degree of Bachelor in Science in Chemical Engineering (*summa cum laude*) from De La Salle University. He obtained both his M.S. and Ph.D. in Chemical Engineering from the University of Notre Dame, Indiana, U.S.A.

6. Gianna R. Montinola, 53, Filipino: Trustee of Far Eastern University, Inc. (1989-1993 and 1996 to present)

Concurrently Director and Corporate Secretary of FERN Realty Corporation and Consultant for Marketing and Communications of Far Eastern University. A lawyer by profession, she was connected with the Quisumbing, Torres and Evangelista Law Office (an affiliate of the Baker & McKenzie Law Office, U.S.A.) from 1986 to 1992. She served as Philippine Honorary Consul to the Republic of Peru from 1992 to 1996, and joined the Marketing and Business Development departments of Rockwell Land Corporation from 1996 to 1998. She is a member of the Board of Directors and Corporate Secretary of Amon Trading Corporation and a Director of True Value Hardware Corporation. She is also a co-founder of non-profit organizations Hands On Manila Foundation, Inc. and Chairperson of PeaceTech, Inc.

She obtained her Bachelor of Arts degree in International Relations from Mount Holyoke College, USA and a Bachelor of Laws (Ll.B.) degree, with honors, from the Ateneo de Manila College of Law.

7. Renato L. Paras, 85, Filipino: Trustee of Far Eastern University, Inc. (1989-1991 and 2002 to present)

Other Corporate Affiliations: Chair of CHEMREZ Technologies and of Philippine Ratings; Vice Chair of CIBI Foundation and East Asia Educational Foundation, Inc. He is also a member of the Board of Directors/Trustees of the following: FERN Realty Corporation, CIBI Information, Inc., Insular Life Health Care, IBM Philippines Retirement Fund Committee and is Asia Pacific Regional Treasurer of the World Organization of Scout Movement. Dr. Paras was a member of the Central Bank Monetary Board, was also Board Director and CFO of Procter & Gamble Philippines, and Consultant on Internal Auditing to CFO of San Miguel Corporation.

Dr. Paras is a Certified Public Accountant. He topped the CPA Board Exam in 1948. He finished his Bachelor of Science in Accountancy in FEU in 1949 (*summa cum laude*), and earned his Master of Science in Accountancy at Columbia University in New York as an FEU scholar. He took up an Advanced Management Program conducted by the Harvard Graduate School of Business Faculty. In the year 2000, he was conferred an honorary degree of Doctor of Humanities by FEU. He is listed in the Accountancy Hall of Fame.

8. Robert F. Kuan, 62, Filipino: Independent Trustee of Far Eastern University, Inc. (2004 to present)

Other Business Affiliations: Chairman, St. Luke's Medical Center; Trustee, St. Luke's College of Medicine–William H. Quasha Memorial; Trustee, Brent International School of Manila; Chairman, Brent International School Baguio, Inc.; Trustee, Brent International School Subic, Inc.; Chairman, Brent International School, Inc.; Chairman, St. Theodore of Tarsus Hospital in Sagada, Inc.; Director, China Banking Corporation; Founder/President, Chowking Food Corporation (1985 - 2000); and Independent Director, Far Eastern College Silang.

Mr. Kuan graduated from the University of the Philippines (1970) with a degree of Bachelor of Science in Business Administration. In 1975, he earned his Masters in Business Management from the Asian Institute of Management (AIM). In 1993, he took up the Top Management Program at AIM, a program exclusively for company Presidents and Chief Executive Officers. He was a TOFIL (Ten Outstanding Filipino) Awardee in 2003 in the field of Business & Entrepreneurship; Agora Awardee for Entrepreneurship; Triple-A Awardee of AIM; and Outstanding Alumnus of the University of the Philippines (UP) in the field of Business.

9. Sherisa P. Nuesa, 56, Filipino: Independent Trustee of Far Eastern University, Inc. (2010 to present)

Managing Director, Ayala Corporation (current position): Chief Administrative Officer and Chief Finance Officer; Integrated Microelectronics Inc. (IMI) (seconded from Ayala Corp. until 31 July 2010); previously Chief Finance Officer & Treasurer of Manila Water Company (2000 - 2008) and Philwater Holdings Company, Inc. (January 2000 - December 2008).

She also served in various capacities in Ayala Land, Inc. (as Vice President and Group Controller, then Group Head of Commercial Centers Group and member of the Senior Management Committee) from 1989 to 1999. She has over twenty years experience as a member of the Senior Management Committee of ALI, MWC and IMI.

She completed academic requirements for the Masters in Business Administration (MBA) program of the Ateneo Graduate School of Business. In 1991, she attended the Financial Management Program for Executives at Stanford University in California.

In 1999, she completed the three-month Advanced Management Program of the Harvard Business School for senior executives in Boston, Massachusetts. In 2008, she was honored in a country-wide search as the Outstanding CFO of the Year by the joint partnership of the FINEX and ING Bank N.V.

10. Maria Teresa Trinidad P. Tinio, 45, Filipino: Senior Vice President for Academic Affairs, Far Eastern University, Inc. (June 2011 to present)

Maria Teresa Tinio holds a Ph.D. degree in Southeast Asian Studies from the National University of Singapore and a Master's degree in English (Literature and Cultural Studies) from the Ateneo de Manila University. She has over fifteen years of teaching and administrative experience with the Ateneo de Manila and the University of the Philippines.

A number of her studies on Philippine literature and culture have appeared in journals such as *Philippines Studies*, *The Loyola Schools Review*, *Pantas*, *The ACELT Journal*, and the *CCP Encyclopaedia of the Arts.* A study she did on Philippine English and the feminization of labour is included in a forthcoming (2012) book on the politics of English in Asia, published by John Benjamins (Amsterdam). She is a founding (1994) and active member of the Congress of Teachers for Nationalism and Democracy (UP-DIliman), an affiliate of the Alliance of Concerned Teachers (ACT).

10. Miguel M. Carpio, 56, Filipino: Vice-President for Special Projects, Far Eastern University, Inc. (2010 to present)

Other Professional Experience: Founding member/incorporator and currently Vice President for Administration, UST College of Architecture Alumni Association; Scribe, College of Fellows - United Architects of the Philippines (UAP); Council of Advisers, UAP Sta. Mesa Chapter; Member, Philippine Institute of Environmental Planners; Member, National Real Estate Association, Inc.; Member, Council of Architectural Researchers and Educators; Chairman, CHED Technical Committee on Architecture Education and Member, Regional Assessment

Team for Architecture Education (2008 - 2010); Executive Director, Commission on Education of the UAP (2002 - 2004); President of the Council of Deans and Heads of Architecture Schools in the Philippines or CODHASP (2003 - 2005); Secretary, National Committee on Architecture and Allied Arts of the National Commission on Culture and the Arts (NCCA) (2003 - 2007); Dean, FEU Institute of Architecture and Fine Arts (November 2000 - March 2008); Executive Director, FEU Center for Studies on the Urban Environment or FEU-SURE (2000 - 2002).

Arch./Environmental Planner Miguel Carpio is a Ph.D. in Development Studies, University of Santo Tomas, Master of Environmental Management and Development, Australian National University in Canberra, Australia, and Bachelor of Science in Architecture, University of Santo Tomas. He also earned academic units in the Masters in Urban and Regional Planning from the University of the Philippines.

11. Rudy M. Gaspillo, PME, M. Eng., 56 Filipino: Vice President for Facilities and Technical Services, Far Eastern University, Inc. (2010 to present)

Other Business Affiliations: International Member, National Fire Protection Association (NFPA), American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE); Member, Philippine Society of Ventilating, Air Conditioning and Refrigerating Engineers (PSVARE) and Director, Philippine Society of Mechanical Engineers (PSME) Makati Chapter.

He graduated with a degree of Bachelor of Science in Mechanical Engineering from the University of Negros Occidental – Recoletos and earned his Master of Engineering from the University of the Philippines. Ranked 8th place in the Board Examination for Mechanical Engineers in August 1977. Licensed Professional Mechanical Engineers.

12. Juan Miguel R. Montinola, 50, Filipino: Chief Finance Officer, Far Eastern University, Inc. (2010 to present)

Other Corporate Affiliations: Assistant Corporate Secretary, FERN Realty Corporation; Treasurer, East Asia Computer Center, Inc. and East Asia Education Foundation, Inc.; Treasurer and Member, Nicanor Reyes Memorial Foundation, Inc.; Treasurer and Trustee, FEU Educational Foundation, Inc.; Member, Executive Committee and Board of Directors of Far Eastern College Silang.

Mr. Montinola was Chief Executive Officer and Country Manager of Lafarge Cementi SA, Italy, from 2006 to 2008 and President and CEO of Republic Cement Corporation from 1996 to 2006. During this period he served concurrently as Senior Vice President for Commercial Business from 2002 to 2006, and SVP for Procurement from 2001 to 2002, of Lafarge Cement Services, Inc.

Prior to 1996, Mr. Montinola held various positions in Republic Cement Corporation and serves as a member of the Board of Directors in different organizations.

Mr. Montinola has an MBA from IMEDE, Switzerland, and an AB Economics degree from College of William & Mary, Virginia, USA.

13. Herminia I. Maliwat, 62, Filipino: Treasurer, Far Eastern University, Inc. (1998 to present)

Ms. Maliwat is a Certified Public Accountant. She obtained her BS in Accounting, *cum laude,* from the University of the East.

Before joining FEU, she worked as Chief Accountant for 10 years and Instructor for 8 years at the College of the Holy Spirit, as Administrative and Finance Officer for 16 years at the Asia Foundation, and as External Auditor for 10 years at the Mother Edelwina Educational Foundation.

She also served as Executive Director of the FEU Educational Foundation for three years and as 2007-2008 Committee Chairperson on special projects of the Philippine Institute of Certified Public Accountants (PICPA).

14. Glenn Z. Nagal, 54, Filipino: Comptroller, Far Eastern University, Inc. (1996 to present)

Work experience: External Auditor, Carlos J. Valdes and Company; Examiner, Central Bank of the Philippines; Internal Audit Manager, Far Eastern University; Chief Accountant and Budget Director, Far Eastern University; and Accounting Professor, Far Eastern University.

A Certified Public Accountant by profession, Mr. Nagal graduated with the degree of Bachelor of Science in Commerce, major in Accounting from Far Eastern University.

15. Severino M. Garcia, 62, Filipino: Compliance Officer, Far Eastern University, Inc. (January 2003 to present)

Former Assistant Vice President – Audit.

Mr. Garcia earned the degree of Bachelor of Science in Commerce, major in Accounting from FEU. A Certified Public Accountant, he worked in different companies as Auditor, Chief Accountant, Finance and Accounting Manager and Senior Financial Analyst.

b. Significant Employees

The corporation considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the corporation's goals and objectives.

c. Family Relationship

The Chairperson, Dr. Lourdes R. Montinola, is the mother of Mr. Aurelio R. Montinola III and Atty. Gianna R. Montinola, all of whom are members of the Board of Trustees. Likewise, she is the mother of Mr. Juan Miguel R. Montinola, Chief Finance Officer.

d. Certain Relationships and Related Transactions

The University's related parties include its subsidiaries, the University's key management and others as described below. The following are the University's significant transactions with such related parties:

Interest-bearing Advances

The University has outstanding initial cash advances to FRC with an aggregate principal amount of ₱100.00 million as of March 31, 2011, 2010 and 2009 (see Note 21.1). These advances bear interest due quarterly based on 91-day Treasury bill rates ranging from 2.5% to 4.3% in 2011, 3.9% to 4.6% in 2010 and 4.6% to 6.8% in 2009. In 2010, additional advances amounting to ₱118.8 million were granted by the University to FRC for the construction of school building and campus for FECSI. Interest rate charged on these advances is fixed at 2.5% per annum based on usual interest rate on the University's placements. In fiscal year 2011, additional advances of ₱310.6 million were made by the University to FRC, of which, ₱250.0 million bears interest at 4.3% per annum. As of March 31, 2011, the current portion of these advances to FRC amounting to ₱134.9 million is presented as Receivable from FRC under the Receivables account in the statements of financial position. There are no current portion of the University's interest-bearing advances as of March 31, 2010 and 2009.

Total interest income earned from the advances amounted to ₱9.6 million in 2011, ₱5.7 million in 2010 and ₱4.9 million in 2009 which were presented as part of Finance Income in the statements of comprehensive income (see Note 14). The related outstanding interest receivables are shown as Accrued interest under the Receivables account in the statements of financial position (see Note 5).

The movement in the outstanding balance of the advances to FRC which is presented as Due from a Related Party in the statements of financial position is shown below (see Note 21.2).

	Note	2011	2010	2009
Balance at beginning of year		₱218,774,500	₱100,000,000	₱100,000,000
Advances during the year		310,617,894	118,774,500	-
Balance at end of year		₱529,392,394	₱218,774,500	₱100,000,000
Current portion	5	134,903,190	-	-
Non-current portion		₱394,489,204	₱218,774,500	₱100,000,000

Noninterest-bearing Advances

The University grants unsecured and noninterest-bearing advances to certain related parties for working capital purposes which are currently due and demandable. Summarized below are the outstanding receivables shown as part of receivable from related parties under the Receivables account in the statements of financial position, arising from these transactions (see Note 5).

	2009	Net Additions (Collections)	2010	Net Additions (Collections)	2011
FRC	₱3,117,297	(₱2,828,391)	₱ 288,906	(₱ 288,906)	₱ -
FECSI	1,866,708	5,319,500	7,186,208	(1,649,596)	5,536,612
	₱4,984,005	₱2,491,109	₱7,475,114	(₱1,938,502)	₱5,536,612

Lease of Manila Campus Premises from FRC

The University leases certain buildings located within the Manila campus premises from FRC for a period of 10 years from July 1, 2005 to June 30, 2015. The lease period is renewable subject to conditions mutually agreed upon by both parties. Total rental expense arising from these leases charged to operations amounted to ₱55.6 million in 2011, ₱55.0 million in 2010 and ₱56.2 million in 2009 presented as part of Administrative expenses (see Note 13) while outstanding payables as of March 31, 2011, 2010 and 2009 amounted to ₱51.6 million, ₱45.8 million and ₱42.6 million, respectively, presented as part of Accrued Expenses under Accounts Payable and Other Liabilities in the statements of financial position. (see Note 10).

Lease of Makati Campus Premises from FRC

As discussed in Notes 5 and 20.1 (b), upon FRC's acquisition of the Crans Montana Property, the University's lease of the land where the building occupied by FEU Makati Campus is located did not materialize. It was, however, acquired by FRC which eventually leased to FEU the land for a period of 30 years from December 1, 2010 to May 31, 2041. The lease period is renewable subject to conditions mutually agreed upon by both parties. Total rental expense charged to operations amounted to ₱2.6 million in 2011 and nil in 2010 and 2009 presented as part of Rental under the Administrative expenses (see Note 13). There is no outstanding rental payable as of March 31, 2011 arising from this lease transaction.

Lease of Certain Floor to FRC

The University leases to FRC the mezzanine floor of one of the University's building for a period of 10 years from September 1, 2007 to August 31, 2017, renewable upon mutual consent of both parties. Based on the lease contract, the University provides discounts on the monthly rental during the lean season of the school year. Rent income from FRC amounted to ₱1.2 million in 2011, and ₱0.8 million in 2010 and 2009 which are shown as part of Rental under Other Income (Charges) in the statements of comprehensive income (see Note 8). There are no outstanding receivables as of the end of each year related to this lease agreement.

e. Involvement of Directors and Officers in Certain Legal Proceedings

None of the directors and officers were involved during the past ten (10) years and to date in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities, nor found in action by any court or administrative body to have violated a securities or commodities law.

The registrant or any of its subsidiaries or affiliates is not a party to any pending legal proceedings in which any or their property is the subject.

Item 6: Compensation of Trustees and Executive Officers

The members of the Board of Trustees of the corporation are receiving gas allowances for board/special meetings attended. They are also entitled to bonuses at the end of the fiscal year in accordance with an approved resolution of the stockholders dated May 08, 1976, while the officers of the corporation are entitled to basic salaries, fringe benefits, and also bonuses at the discretion of the Board.

There are no other material terms or conditions of employment for contractual executive officers except those specified in this report.

No action is to be taken with respect to any stock options, warrants or right plan or to any other type of compensation plans.

Summary Compensation Table

Summary and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Lourdes R. Montinola Chair, Board of Trustees	- x -	- x -	- x -	- x -
Lydia B. Echauz Trustee/President	- x -	- x -	- x -	- x -
Ms. Fe V. Canilao Chief Financial Officer[1]	- x -	- x -	- x -	- x -
Juan Miguel R. Montinola Chief Finance Officer[2]	- x -	- x -	- x -	- x -
Severino M. Garcia Compliance Officer	- x -	- x -	- x -	- x -
	2009-2010	₱39,803,717.60	₱ 16,749,420.15	- x -
	2010-2011	39,965,991.02	12,966,210.33	- x -
[1]Retired September 16, 2010 [2]Effective September 16, 2010	2011-2012 (est.)	43,163,270.30	13,763,507.16	- x -

Summary and Principal Position	Year	Salary	Bonus	Other Annual Compensation
All Officers and Trustees as a Group	- x -	- x -	- x -	- x -
	2009-2010	₱54,020,653.14	₱31,426,037.83	- x -
	2010-2011	53,321,318.98	27,284,812.21	- x -
	2011-2012 (est.)	57,587,024.50	28,387,597.19	- x -

Item 7: Independent Public Accountant

The principal accountant and external auditor is Punongbayan & Araullo, who prepared the Financial Statements of the corporation for fiscal year ending March 31, 2011. The same accounting firm is recommended for re-appointment at the annual stockholders' meeting for almost the same remunerations in the previous year.

Representatives of Punongbayan & Araullo are expected to be present at the stockholders' meeting; they will have the opportunity to make a statement if they desire to do so; and they are expected to be available to respond to appropriate questions.

Fees for services rendered:

External Auditor's Fee	2010 – 2011
Audit of annual financial Statements	₱660,000.00 plus 12% VAT
Out of pocket expenses	₱72,600.00 Plus 12% VAT

Except for the above mentioned external auditor's fees, there are no other fees (tax fees, all other fees) for services rendered by the external auditors.

The Audit Committee is chaired by Ms. Sherisa P. Nuesa, an Independent Trustee. The members are: Dr. Renato L. Paras, Mr. Robert F. Kuan (Independent Trustee), and Dr. Paulino Y. Tan (Alternate Member).

The Audit Committee's approval of the policies and procedures covering the examination of FEU's financial statements for fiscal year ending March 31, 2011, including other services, is covered by the minutes of the meeting of the Audit Committee dated March 4, 2011.

The external auditor shall be rotated every after five (5) years of engagement. In case of a firm, the signing partner shall be rotated every after said period. The reckoning date for such rotation shall commence in year 2002. (SRC Rule 68 (3) (b) (iv).

There has been no recent change in and disagreements with accountants on accounting and financial disclosures.

AUDIT COMMITTEE REPORT

The Board of Trustees
Far Eastern University, Inc.

The Audit Committee's roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Trustees. It assists the Board of Trustees in fulfilling its oversight responsibility to the shareholders relating to the financial statements and financial reporting process, system of internal controls, risk management, performance of internal and external auditors and compliance with legal and regulatory matters. The Audit Committee is composed of three members – an independent Trustee as Chair, and two Trustees, and an alternate member who is also a Trustee.

In compliance with the Audit Committee Charter, we performed the following:

- We discussed and approved the overall scope and timing of the audit plans and focus areas related to the review of the financial statements for the year ending March 31, 2011 by our independent auditors, Punongbayan and Araullo.
- We had seven (7) committee meetings which included executive sessions with the finance group, internal auditors and the independent auditors. All our meetings are covered by minutes of meetings approved by the members of the committee.
- We reviewed and discussed the quarterly unaudited financial statements before they were approved by the Board and subsequently submitted to the SEC.
- We reviewed the internal audit reports ensuring that Management is taking appropriate actions, where required, in a timely manner.
- We reviewed and discussed the different budgets for fiscal year 2010-2011 before they were presented to the Board for approval.
- We reviewed and discussed the audited financial statements for fiscal year ending March 31, 2011 with management, which has the primary responsibility for the financial statements, and with Punongbayan and Araullo, our independent auditor, who is responsible for expressing an opinion on the conformity of our financial statements with generally accepted accounting principles.
- We recommended to the Board of Trustees the re-appointment of Punongbayan and Araullo as the corporation's independent auditors for fiscal year ending March 31, 2012.
- We recommended to the Board of Trustees that the audited financial statements be included in the Annual Report (SEC Form 17-A) for fiscal year ending March 31, 2011.

MS. SHERISA P. NUESA	DR. RENATO L. PARAS	MR. ROBERT F. KUAN
Chairperson	Member	Member
Independent Trustee		Independent Trustee

C. **OTHER MATTERS**

Action with Respect to Reports

Approval of the Annual Report for the fiscal year ending March 31, 2011

Other Proposed Actions

a. Approval of the minutes of the Annual Stockholders' Meeting held on August 28, 2010 that includes the following:

1. Minutes of Annual Meeting held on August 22, 2009

2. Academic Report of the President, 2009 – 2010 and Annual Report of the Chair, 2009 – 2010

3. Ratification and Confirmation of the Actions of the Board of Trustees in the furtherance of the matters covered by the Annual Report

4. Election of Trustees and Independent Trustees for the fiscal year 2010 – 2011:

   Dr. Lourdes R. Montinola
   Mr. Aurelio R. Montinola III
   Dr. Lydia B. Echauz
   Ms. Angelina P. Jose
   Dr. Paulino Y. Tan
   Atty. Gianna R. Montinola
   Dr. Renato L. Paras
   Ms. Sherisa P. Nuesa (Independent Trustee)
   Mr. Robert F. Kuan (Independent Trustee)

5. Appointment of Punongbayan and Araullo as External Auditor for the fiscal year 2010-2011;

6. Vote of Appreciation

b. Summary of resolutions approved by the Board of Trustees for the fiscal year 2010 – 2011:

1. On June 8, 2010:

   Cancellation of Board of Trustees' Meeting scheduled on June 15, 2010 due to lack of quorum.

2. Board of Trustees' meeting held on July 6, 2010:

   Declaration of ₱15.00/share cash dividend on record as of July 20, 2010, payable on July 30, 2010.

3. Board of Trustees' meeting held on August 17, 2010:

   Far Eastern University authorizes the following acts:

   The issuance of shares in electronic or scripless form in accordance with Section 43 of the Securities Regulation Code provided that the use of un-certificated or scripless securities shall be without prejudice to the rights of the shareholder, investor or to require the Corporation to issue a certificate with respect to the shares electronically recorded in his/its name;

   Its transfer agent, Arsel Development Corporation, to take the necessary steps and adjustments to comply with the requirements of establishing a scripless system in accordance with Section 43 of the Securities Regulation Code.

4. Annual Stockholders' meeting held on August 28, 2010:

   Ms. Sherisa P. Nuesa was elected Independent Trustee of the corporation. Ms. Nuesa owns one share of stock of the corporation effective August 5, 2010.

5. Organizational Meeting of the Board of Trustees held on September 21, 2010:

   Elected Corporate and University Officials for the fiscal year 2010-2011:

Dr.	Lourdes R. Montinola	-	Chair
Mr.	Aurelio R. Montinola III	-	Vice Chair
Dr.	Lydia B. Echauz	-	President
Ms.	Angelina P. Jose	-	Corporate Secretary
Mr.	Juan Miguel R. Montinola	-	Chief Finance Officer
Dr.	Elizabeth P. Melchor	-	Vice President, Planning and Development
Dr.	Cecilia I. Anido	-	Vice President, Academic Affairs until October 31, 2010
Arch.	Miguel M. Carpio	-	Vice President, Special Projects Until October 31, 2010
Dr.	Elizabeth P. Melchor	-	Vice President, Planning and Development
Engr.	Rudy M. Gaspillo	-	Vice President, Facilities and Technical Services
Ms.	Herminia I. Maliwat	-	Treasurer
Mr.	Glenn Z. Nagal	-	Comptroller
Mr.	Severino M. Garcia	-	Compliance Officer

   Executive Committee

Dr.	Lourdes R. Montinola	-	Chair
Mr.	Aurelio R. Montinola III	-	Vice Chair
Dr.	Lydia B. Echauz	-	Member
Ms.	Angelina P. Jose	-	Member
Dr.	Paulino Y. Tan	-	Member
Mr.	Juan Miguel R. Montinola	-	Alternate member

   Audit Committee

Ms.	Sherisa P. Nuesa	-	Chair
Dr.	Renato L. Paras	-	Member
Mr.	Robert F. Kuan	-	Member
Dr.	Paulino Y. Tan	-	Member

   Corporate Governance Committee

Mr.	Robert F. Kuan	-	Chair
Dr.	Renato L. Paras	-	Member
Atty.	Gianna R. Montinola	-	Member

   Nomination Committee

Atty.	Gianna R. Montinola	-	Chair
Dr.	Paulino Y. Tan	-	Member
Ms.	Sherisa P. Nuesa	-	Member
Ms.	Juan Miguel R. Montinola	-	Non-voting Member

   Risk Management Committee

Mr.	Robert F. Kuan	-	Chair
Mr.	Aurelio R. Montinola III	-	Member
Dr.	Lydia B. Echauz	-	Member
Dr.	Paulino Y. Tan	-	Member
Mr.	Juan Miguel R. Montinola	-	Member

Risk Management Committee

Mr.	Robert F. Kuan	-	Chair
Mr.	Aurelio R. Montinola III	-	Member
Dr.	Lydia B. Echauz	-	Member
Dr.	Paulino Y. Tan	-	Member
Mr.	Juan Miguel R. Montinola	-	Member

Compensation Committee

Dr.	Lourdes R. Montinola	-	Chair
Dr.	Lydia B. Echauz	-	Member
Mr.	Robert F. Kuan	-	Member
Mr.	Juan Miguel R. Montinola	-	Member

6. Board of Trustees' Meeting held on December 14, 2010:

   Declaration of ₱15.00/share cash dividend on record as of January 3, 2011, payable on January 17, 2011.

7. Board of Trustees' Meeting held on January 18, 2011:

   Appointment of Mr. Juan Miguel R. Montinola, Chief Finance Officer, as Investor Relations Officer replacing Ms. Fe V. Canilao who retired.

8. Board of Trustees' Meeting held on February 15, 2011:

   That Far Eastern University, Inc. (FEU) shall increase its subscription in Far Eastern College–Silang, Inc. (FEC) to ₱51,000,000.00.

   That FEU's cash advance to FEC amounting to ₱22,199,500.00 shall be capitalized. Thus, FEU's paid up capital in FEC shall be increased from ₱6,249,100.00 to ₱28,448,600.00.

9. Board of Trustees' Meeting held on March 15, 2011:

   That the University's Board of Trustees is authorized to declare cash dividends annually. No stockholder approval is required. Stock dividend declarations require the further approval of stockholders representing not less than two-thirds (2/3) of all stock then outstanding and entitled to vote. Such stockholders' approval may be given at a general or special meeting called for the purpose.

   That the current policy is to declare and pay dividends, taking into consideration the interests of the shareholders, as well as the earnings, cash flow, capital expenditure requirements and financial condition of the University.

c. Amendment of Article Seventh of the Articles of Incorporation

The purpose of the amendment is to increase the authorized capital stock of the Corporation from ₱1,000,000,000.00 divided into 10,000,000 shares with a par value of ₱100.00 per share to ₱2,000,000,000.00 divided into 20,000,000 shares with a par value of ₱100.00 per share in order to accommodate the 40% stock dividend equivalent to 3,923,379.20 shares thereby increasing the issued shares to more than 10,000,000 shares.

Item 8: Voting Procedures:

Voting upon all questions at all meetings of the stockholders shall be made by shares of stock and not per capita or otherwise, each share of stock being counted as one vote.

Registrant's shares of stock entitle the holders thereof to one vote at any stockholders' meeting. Stockholders are given cumulative voting rights for the election of trustees.

All the following matters to be decided shall require an affirmative vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock.

1. Increase in Capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00 divided into 20,000,000 shares with a par value of ₱100.00 per share;

2. 40% Stock Dividend declared in connection with the said increase in capital stock;

3. Amendment of Article Seventh of the Articles of Incorporation to reflect the above increase in capital stock;

All other matters to be decided shall require the affirmative vote of the majority of the corporation’s shares present, or represented and entitled to vote at the Annual Meeting. Likewise, Trustees shall be elected with a majority vote of the shares present or represented.

Election is through ballots or other means to be approved by the stockholders.

With respect to the election of nine (9) trustees, each shareholder may vote such number of shares for as many as nine persons he may choose to be elected from the list of nominees, or he may cumulate said shares and give one candidate as many votes as the number of his shares multiplied by nine shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit, provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by nine.

Using cumulative voting, the formula for finding the total number of votes needed for one seat in the Board is:

$$x = \frac{A \times B}{C + 1}$$

where	A	=	total number of shares voting
	B	=	number of Directors desired to be elected
	C	=	number of Directors to be elected

Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by his proxy if there be such proxy, and shall state the number of shares voted by him.

Method by Which Votes Will be Counted

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

The Corporate Secretary is the officer authorized to count the votes to be cast in the forthcoming annual stockholders’ meeting.

PART II
INFORMATION REQUIRED IN A PROXY FORM

Items 1 and 2:

KNOW ALL MEN BY THESE PRESENTS:

The undersigned stockholder of FAR EASTERN UNIVERSITY, INC. (the "Corporation") does hereby name, constitute and appoint:

Mr./Ms. Chairperson, Lourdes R. Montinola, or in his/her absence,
Mr./Ms. The Vice Chairman, Aurelio R. Montinola III, or in his/her absence,

the Chairman of the Meeting

to be my true and lawful attorney and for me and in my name, place and stead to vote at the Annual Stockholders' Meeting on August 27, 2011 at Manila and at any adjournment thereof, wherein the following matters will be considered and I hereby authorize the above named proxy to vote as follows:

Matters	Approve	Disapprove	Abstain
Previous Meeting: Regular – August 27, 2011			
Academic Report of the President			
Annual Report of the Chairman			
Ratification and Confirmation of the Actions of the Board of Trustees			
Approval of the Increase in Capital stock from ₽1,000,000,000.00 to ₽2,000,000,000.00 divided into 20,000,000 shares with a par value of ₽100.00 per share			
Approval of 40% Stock Dividend declared in connection with the said increase in capital stock			
Approval of the Amendment of Article Seventh of the Articles of Incorporation to reflect the above increase in capital stock			
Election of Trustees/Independent Trustees			
Nominees for Trustees:			
Dr. Lourdes R. Montinola	______	______	______
Dr. Lydia B. Echauz	______	______	______
Mr. Aurelio R. Montinola III	______	______	______
Mrs. Angelina P. Jose	______	______	______
Dr. Paulino Y. Tan	______	______	______
Atty. Gianna R. Montinola	______	______	______
Dr. Renato L. Paras	______	______	______
______ For all nominees			
______ Withhold Authority to Vote			
Nominees for Independent Trustees:			
Ms. Sherisa P. Nuesa	______	______	______
Mr. Robert F. Kuan	______	______	______
______ Withhold Authority to Vote			
Appointment of External Auditor			
Other Matters			

Please check column on approved, disapproved, or abstain to vote for the nominees. You can check all, or check only one or two, depending on your choice.

In the event that this Proxy is returned without a choice having been made in any or all of the above items, the undersigned hereby authorizes the appointed proxy to vote in his or her behalf, at this proxy's discretion, to approve or disapprove the matters to be acted upon in the meeting.

In addition, I hereby grant discretionary powers to the above named proxy as to matters incidental to the conduct of the meeting.

IN WITNESS WHEREOF, I have set my hand this _____day of ________2011 at ______________.

Signature of Stockholder/ Authorized Representative	:	______________________________
Printed Name of Signatory/Stockholder/ Authorized Representative	:	______________________________
Title of Signatory	:	______________________________ (For Corporate Stockholders)
Number of Shares	:	______________________________

W I T N E S S E S

_________________________ _________________________

A proxy executed by a corporate stockholder shall be in the form of a board resolution duly certified by the Corporate Secretary or in this proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's Certificate quoting the board resolution authorizing the said corporate officer to execute the proxy.

THIS PROXY IS BEING SOLICITED IN BEHALF OF FAR EASTERN UNIVERSITY, INC.

Item 3: Revocability of Proxy

The person giving the proxy has the right to revoke the proxy by personal appearance or execution of a proxy at a later date, subject to the pertinent requirements of the law and SEC Circular Number 5, Series of 1996.

Item 4: Persons Making the Solicitation

The solicitation is being made by the Registrant for the purpose of having the matters subject of the annual meeting approved by the stockholders, namely:

a. approval of the minutes of the annual meeting of stockholders held on August 28, 2010;

b. approval of the Annual Report of the Chairman and the Academic Report of the President to the stockholders for fiscal year ending March 31, 2011;

c. ratification and confirmation of the actions of the Board of Trustees;

d. approval of the Increase in Capital stock from ₱1,000,000,000.00 to ₱2,000,000,000.00 divided into 20,000,000 shares with a par value of ₱100.00 per share;

e. approval of 40% Stock Dividend declared in connection with the said increase in capital stock;

f. approval of the Amendment of Article Seventh of the Articles of Incorporation to reflect the above increase in capital stock;

g. election of Trustees/Independent Trustees;

h. appointment of External Auditor;

i. such other matters as may properly come before the meeting and other actions of the Board of Trustees done and taken during the preceding year.

None of the members of the Board of Trustees has informed the Registrant in writing that he/she intends to oppose any action intended to be taken up at the meeting as aforementioned.

All costs of solicitation for the proxies are approximately in the amount of ₱250,000.00 which shall be borne by the Registrant.

Solicitation shall be conducted by the Registrant through mail and personal delivery, and not by especially engaged employees. 2GO, an Aboitiz company, the designated courier which will deliver the proxy statement has approximately 700 employees. It will charge a rate of ₱60.00 inclusive of 12% VAT for special delivery. There are no material features of the contract with the courier that need to be disclosed. The Registrant has no knowledge if solicitation for purposes of opposing a solicitation will be conducted.

Item 5: Interest of Certain Persons in Matters to be Acted Upon

None of the members of the Board of Trustees or senior management has substantial interest in the matters to be acted upon by the stockholders in the annual stockholders' meeting.

PART III

MANAGEMENT REPORT

1. Brief Description of the General Nature and Scope of the Business of the Registrant and its Subsidiaries

2. Market Price and Dividends

3. Top 20 Stockholders as of June 30, 2011

4. Management Discussion and Analysis or Plan of Operation

5. Statement of Management's Responsibility for Financial Statements

6. Compliance Report

7. Audited Financial Statements March 31, 2011, 2010 and 2009 with accompanying notes to Financial Statements

8. Consolidated Financial Statements March 31, 2011, 2010 and 2009 with accompanying notes to Financial Statements

1. Brief Discussion of Business

Far Eastern University, Inc., founded in 1928, is a private non-sectarian institution of learning. Guided by the core values of Fortitude, Excellence and Uprightness, FEU aims to be a university of choice in Asia. Committed to the highest intellectual, moral and cultural standards, FEU strives to produce principled and competent graduates. It nurtures a service-oriented and environment-conscious community which seeks to contribute to the advancement of the global society. Tuition and other fees which are the main sources of its financial stability are moderate, subject to government regulation. The University also provides full and partial scholarships to deserving students. An FEU Foundation supplements the University scholarship program by providing special grants. The University maintains excellent facilities such as an electronic library, various types of laboratories, auditorium, audio-visual and multimedia rooms, clinic, technology-based gate security and enrollment system, gymnasiums, and spacious air-conditioned classrooms to best serve the students. The University was granted deregulated status for five years beginning October 22, 2001 until October 21, 2006 per CHED Memorandum Order (CMO) No. 38, Series 2001. Then, per CMO No. 52, Series 2006, the deregulated status was extended until the end of Second Semester, SY 2006-2007. Moreover, per CMO No. 59, Series 2007, the University was granted the same status from November 15, 2007 to November 14, 2008. On January 22, 2009, through a Memorandum from the CHED Chairman, FEU's status was extended until April 30, 2009. Recently, a CHED letter addressed to President Lydia B. Echauz dated March 17, 2009 has extended the University's deregulated status for another five years, that is, from March 11, 2009 until March 30, 2014.

FEU EAST ASIA COLLEGE

Initiated by the leaders of the industry and the academe, FEU East Asia College started its operation in 1992 offering courses in Computer Studies. To consolidate the technology courses, the Institute of Engineering of the Far Eastern University was transferred to FEU – EAC in 2002 making it the Technology College of the FEU Group.

Currently, the College offers the following courses:

Engineering Programs:

- B.S. Civil Engineering
- B.S. Computer Engineering
- B.S. Electrical Engineering
- B.S. Electronics Engineering

Computer Studies Programs:

- B.S. Computer Science, with specialization in
  - Software Engineering
- B.S. Information Technology, with specialization in
  - Digital Arts
  - Web Applications Development
  - Animation and Game Development

Associate in Computer Technology (Diploma course)

Masters in Information Technology

Proving to be a venue "Where Industry meets Academe", FEU East Asia College has strong partnership with the larger community and has excellent Computer and Engineering curricula which are relevant to the current industry trends and needs.

The commitment of FEU – East Asia College to be an institution of quality education and has been acknowledged as the Commission of Higher Education recognized the College as a Center of Development (COD) for Information Technology Education.

FEU FERN COLLEGE

FEU FERN College (Nicanor Reyes Educational Foundation) is a non-stock, non-profit institution of higher learning. FEU FERN College, being a part of the FEU group, was founded in 1994 to commemorate the birth centennial of Dr. Nicanor Reyes Sr., the founder and the first president of the Far Eastern University. Dr. Reyes was an epitome of nationalism as he pioneered the first institute of accountancy to enable Filipinos including working students, to become accountants.

The foundation provides a caring and enjoyable environment that enables students to acquire professional competencies in the fields of business and information technology, with strong industry linkages with BPOs and Business Enterprises, giving them the best chance at a career right after graduation.

The Basic Education Department offering classes from Pre-school to High School is committed to providing education in a safe and supportive environment that promotes self-discipline, motivation and excellence in learning. It continues to educate its students to do critical thinking, to be articulate and to take initiative in their endeavors.

FEU FERN College, continues to recruit and retain excellent faculty, genuinely serve the students, improve on operational efficiency, enhance curricula, improve alumni relations, and strive for the highest academic standards, through a holistic education, anchored on Fortitude, Excellence and Uprightness.

FAR EASTERN COLLEGE SILANG, INC.

Far Eastern College Silang, Inc., a wholly owned subsidiary of Far Eastern University, was registered with the Securities and Exchange Commission in January 2009. Groundbreaking took place also in January 2009. Construction of two new buildings started simultaneously in August 2009 in two separate areas totaling five and a half hectares. The buildings were topped off in November 2009 and were structurally completed in March 2010.

Asked about the timing of the establishment of the school, Dr. Lourdes R. Montinola, Chair of the Board of Trustees, had this to say: "It is with great audacity that we venture into an expansion, given the global economic and financial crisis. But that was how our Founder boldly started FEU in 1928 and built the fabled art deco buildings through the early 1930s when the great Depression raged."

The school, located at the MetroGate Silang Estates in Silang, Cavite opened its doors to students in June 2010 with Pre-school, Grade School and High School programs in basic education, and five tertiary programs, namely Hotel and Restaurant Management, Tourism Management, Business Administration, Secondary Education, and Elementary Education.

FEU Silang, as locals fondly calls it, is headed by Dr. Lydia B. Echauz as president. During the opening of the school, Dr. Echauz said, "With FEU-Silang, we give birth to a new educational institution in Cavite's Silang, which literally means birth. We declare our faith in the tremendous value and power of education to generate a wealth of common good, our hope that our country will be better for this, and our love for the people of Silang and other municipalities of Cavite."

2. Market Prices of Common Stocks: (Phil.Stock Exchange,Inc.) and Dividends Declared

The Philippine Stock Exchange, Inc. is the principal market where the shares of stock of the corporation are being traded.

Market Prices of Common Stocks: (Phil. Stock Exchange, Inc.)

Herewith are the high, low, and closing prices of shares of stock traded from April 2010 to June 2011:

2010	HIGH	LOW	CLOSE
Apr	800.00	770.00	775.00
May	800.00	770.00	775.00
Jun	795.00	770.00	780.00
Jul	800.00	755.00	755.00
Aug	780.00	755.00	780.00
Sep	790.00	775.00	790.00
Oct	800.00	775.00	778.00
Nov	777.00	776.00	777.00
Dec	800.00	776.00	778.00
2011			
Jan	778.00	775.00	777.00
Feb	780.00	760.00	780.00
Mar	780.00	760.00	770.00
Apr	820.00	770.00	780.00
May	790.00	770.00	770.00
June	900.00	765.00	900.00
July	1,000.00	850.00	955.50

High and low sale prices for each quarter are as follows:

A) April 01, 2011 – June 30, 2011

Period		High		Low		Close
First Quarter	₱	836.67	₱	768.33	₱	816.67

B) April 01, 2010 - March 31, 2011

Period		High		Low		Close
First Quarter	₱	798.33	₱	770.00	₱	776.67
Second "		790.00		761.67		775.00
Third "		792.33		775.67		777.67
Fourth "		779.33		765.00		775.67

C) April 01, 2009 - March 31, 2010

Period		High		Low		Close
First Quarter	₱	775.00	₱	745.00	₱	758.33
Second "		786.67		748.33		760.00
Third "		783.33		726.67		756.67
Fourth "		788.33		746.67		768.33

Dividends:

Cash Dividend:

April 1, 2010 – March 31, 2011

Payment/Issued Date	Particulars	Amount	Outstanding Shares
July 30, 2010	₱ 15.00/share	₱ 147,126,720.00	9,808,448
Jan. 17, 2011	15.00/share	147,126,720.00	9,808,448
		₱ 294,253,440.00	

April 1, 2009 – March 31, 2010

Payment/Issued Date	Particulars	Amount	Outstanding Shares
July 20, 2009	₱ 15.00/share	₱ 147,126,720.00	9,808,448
Jan. 25, 2010	15.00/share	147,126,720.00	9,808,448
		₱ 294,253,440.00	

Stock Dividend:

No stock dividend for the period April 1, 2010 to March 31, 2011 was declared.

Restrictions on Dividends

Cash dividend on common shares shall be paid based on the approval of the Board of Trustees up to the amount of the unrestricted retained earnings, while stock dividend on common shares shall be paid based on the approval of the Board of Trustees, ratified by the stockholders, based on the unrestricted retained earnings up to the approved authorized capital stock.

Recent Sales of Unregistered or Exempt Securities

There are no sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

3. Number of Shareholders

There are 1,434 common stockholders holding a total of 9,808,448 outstanding shares as of June 30, 2011.

The following are the top 20 stockholders:

Title of Class	Name of Beneficial Owner	No. of Shares and Nature of Beneficial Ownership	Citizenship	Percent Of Class
1. Common	Seyrel Investment and Realty Corporation	2,807,835 – D	Filipino	28.6267
2. Common	Sysmart Corporation	2,076,839 – D	Filipino	21.1740
3. Common	Desrey, Incorporated	784,800 – D	Filipino	8.0013
4. Common	Angelina D. Palanca	315,438 – D	Filipino	3.2160
5. Common	PCD Nominee Corporation (Filipino)	221,820 – D	Filipino	2.2615
6. Common	Sr. Victorina D. Palanca	220,000 – D	Filipino	2.2430
7. Common	ICM Sisters Phil. Mission Board, Inc.	215,000 – D	Filipino	2.1920
8. Common	Aurelio Montinola III	179,650 – D	Filipino	1.8316
9. Common	Marco P. Gutang	125,081 – D	Filipino	1.2752
10. Common	Gonzaga-Lopez Enterprises, Inc	120,136 – D	Filipino	1.2248
11. Common	Jomibel Agricultural Development Corporation	106,479 – D	Filipino	1.0856
12. Common	Amon Trading Corporation	67,043 – D	Filipino	0.6835
13. Common	ZARE, Inc.	49,620 – D	Filipino	0.5059
14. Common	Rosario P. Melchor	48,228 – D	Filipino	0.4917
15. Common	Rosario Panganiban Melchor	43,782 – D	Filipino	0.4464
16. Common	Mitos Sison	40,366 – D	Filipino	0.4115
17. Common	Consorcia P. Reyes	39,337 – D	Filipino	0.4011
18. Common	Juan Miguel R. Montinola	37,515 – D	Filipino	0.3825
19. Common	Antonio R. Montinola	35,960 – D	Filipino	0.3666
	Gianna R. Montinola	35,960 – D	Filipino	0.3666
20. Common	Lourdes R. Montinola	33,310 – D	Filipino	0.3396
	Total	**7,604,199**		**77.5270**

4. Management's Discussion and Analysis or Plan of Operation

Financial Position :

As of March 31, 2008, total assets reached P3,157.3 million which was 16.89% higher than the previous year's P2,701.2 million. Total liabilities amounted to P572.1 million which was 46.96% higher than the previous year's P389.3 million. Equity amounted to P2,585.2 million which was 11.82% higher than the previous year's P2,311.9 million. Current ratio was 3.9:1 and debt was 22% of equity.

As of March 31, 2009, total assets amounted to P3,466.1 million which was 9.78% higher than the previous year's P3,157.3 million. Total liabilities amounted to P576.9 million which was 0.84% higher than the previous year's P572.1 million. Equity amounted to P2,889.2 million which was 11.76% higher than the previous year's P2,585.2 million. Current ratio was 4.2:1 and debt was 20% of equity.

As of March 31, 2010 total assets amounted to P3,716.5 million. Total liabilities amounted to P518.9 million while total stockholders' equity reached P3,197.6 million. Compared to the previous year, assets and stockholders' equity increased by 7.22% and 10.67 % respectively while liabilities decreased by 10.05%. Current ratio was 4.79:1 and debt was 16% of equity.

As of March 31, 2011, total assets amounted to P4,049.8 million which was 8.97% higher than the previous year's P3,716.5 million. Total liabilities amounted to P491.3 million which was 5.32% lower than the previous year's P518.9 million. Equity amounted to P3,558.5 million which was 11.29% higher than the previous year's P3,197.6 million. Current ratio was 4.51:1 and debt was 14% of equity.

For the past four (4) years, total assets increased at an average annual rate of 10.72% or P337.15 million a year. Total liabilities increased during the first two years but gradually decreased on the last two years. On the average, liabilities increased at around P25.5 million a year.

(I n M i l l i o n P e s o s)

Year	Total Assets	Increase (Decrease) Amount	%	Total Liabilities	Increase (Decrease) Amount	%
March 31, 2007	2,701.2			389.3		
March 31, 2008	3,157.3	456.1	16.89%	572.1	182.8	46.96%
March 31, 2009	3,466.1	308.8	9.78%	576.9	4.8	.84%
March 31, 2010	3,716.5	250.4	7.22%	518.9	(58.0)	(10.05%)
March 31, 2011	4,049.8	333.3	8.97%	491.3	(27.6)	(5.32%)
Four year average		337.15			25.50	

During the past four years, the company's solvency steadily improved as shown by the following figures in million Pesos:

Year	Total Assets	Total Liabilities	Excess of Assets over Liabilities
March 31, 2008	P3,157.3	P572.1	P2,585.2
March 31, 2009	3,466.1	576.9	2,889.2
March 31, 2010	3,716.5	518.9	3,197.6
March 31, 2011	4,049.8	491.3	3,558.5

As of March 31, 2011, the company has P8.24 worth of assets to pay for every P1.00 worth of liability.

During the same period of time, the company remained liquid as shown by the following statistics in million Pesos:

Year	Current Assets	Current Liabilities	Excess of Current Assets over Current Liabilities
March 31, 2008	P2,228.7	P572.1	P1,656.6
March 31, 2009	2,443.9	576.9	1,867.0
March 31, 2010	2,484.5	518.9	1,965.6
March 31, 2011	2,215.1	491.3	1,723.8

As of March 31, 2011, the company has P4.51 worth of current assets to pay for every P1.00 worth of current liability.

The constant and steady improvement in the company's financial condition both in solvency and liquidity is largely attributed to the company's net income each year over the past four years, net of cash dividends paid over the same period of time.

(In Million Pesos)

Year	Net Income	Cash Dividends Paid	%	Excess of Net Income over Cash Dividends Paid	%
2007 – 2008	592.9	315.2	53.2%	277.7	46.8%
2008 – 2009	567.0	252.2	44.5%	314.8	55.5%
2009 – 2010	585.2	294.2	50.3%	291.0	49.7%
2010 – 2011	642.4	294.2	45.8%	348.2	54.2%

As a result and based on the above figures, around 51.55% of each year's net income has been retained by the company, thus, the steady increase in owners' equity as follows:

(In Million Pesos)

Year	Owner's Equity	Increase (Decrease)	%
	2,311.9		
March 31, 2008	2,585.3	273.4	11.8%
March 31, 2009	2,889.2	303.9	11.8%
March 31, 2010	3,197.5	308.3	10.7%
March 31, 2011	3,558.5	361.0	11.29%

As of March 31, 2011, owner's equity accounts for 87.87% of total assets. Since 54.7% of the company's total assets is current, the company can pay all its liabilities and still have 42.56% current assets and 45.3% non-current assets. In pesos, this would mean P1,723.8 million current assets and P1,834.7 million non-current assets after paying all liabilities amounting to P491.3 million as of March 31, 2011.

	In Million	%
Owners' Equity	P3,558.5	87.87%
Total Assets	4,049.8	100%
Non-Current Assets	1,834.7	45.3%
Current Assets	2,215.1	54.7%
Total Liabilities	491.3	12.13%
Current Assets after Total Liabilities	1,723.8	42.56%

Results of Operations

For the year 2007-2008, net income for the period amounted to P592.9 million which was 1.8% lower than the previous year's P603.5 million. This year's figure consisted of 78% operating profit and 22% other income. Operating profit decreased by P21.0 million while other income increased by P15.5 million. The combined effect resulted in a decrease in net income after tax by P10.6 million.

For the year 2008-2009, net income for the period amounted to P567.0 million which was 4.4% lower than the previous year's P592.9 million. This year's figure consisted of 74.7% operating profit and 25.3% other income. Operating profit decreased by P39.8 million while other income increased by P13.3 million. As a result, net income after tax decreased by P25.9 million.

For the year 2009-2010, net income for the period amounted to P585.2 million which was 3.2% higher than the previous year's P567.0 million. This year's figure consisted of 74.1% operating profit and 25.9% other income. Operating profit increased by P10.7 million while other income increased by P9.02 million. As a result, net income after tax increased by P18.2 million.

For the year 2010-2011, net income for the period was P642.4 million which was 9.77% higher than the previous year's P585.2 million. This year's figure consisted of 67.48% operating profit and 32.52% other income. Operating profit increased by P1.5 million and other income by P65.7 million. As a result, net income after tax for the year increased by P57.2 million.

The company's operating profit which is largely dependent on enrollment, was up in 2006-2007 when enrollment was still at the 26,000 level but went down in 2007-2008, 2008-2009 and 2009-2010 when enrollment dropped to 23,000. In 2010-2011, the first semester enrollment increased to 24,600 but the first year operating cost of the newly opened Makati Campus offset the increase in educational income thus, the minimal increase in operating profit for 2010-2011.

Other income consists largely of investment income. During the past four years, investment income accounted for 69.03% of the total other income. Rental income accounted for 18.86% while the remaining 12.11% is from management fees and other miscellaneous income.

A Look of What Lies Ahead

For the school year 2011-2012, the first semester enrollment increased by 9.28% compared to the previous year's 24,672. The increase in enrollment is attributed to our improved facilities and new course offerings. Our newly-opened branch in Makati brought in 913 students and we expect our branch enrollment to be much bigger in the succeeding years.

The 4.5% tuition fee 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 P2,215 million and non-current assets amounting to P1,834 million as of March 31, 2011 and with the expected net income, 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 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.

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)

March 31, 2008	3.90:1
March 31, 2009	4.24:1
March 31, 2010	4.79:1
March 31, 2011	4.51:1

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)

March 31, 2008	3.67:1
March 31, 2009	4.07:1
March 31, 2010	4.53:1
March 31, 2011	4.44:1

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)

March 31, 2008	22%
March 31, 2009	20%
March 31, 2010	16%
March 31, 2011	14%

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)

March 31, 2008	18%
March 31, 2009	17%
March 31, 2010	14%
March 31, 2011	12%

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)

March 31, 2008	82%
March 31, 2009	83%
March 31, 2010	86%
March 31, 2011	88%

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).

March 31, 2008	19%
March 31, 2009	16%
March 31, 2010	16%
March 31, 2011	16%

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).

March 31, 2008	23%
March 31, 2009	20%
March 31, 2010	18%
March 31, 2011	18%

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

March 31, 2008	84.62
March 31, 2009	67.44
March 31, 2010	59.66
March 31, 2011	65.49

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

1. Below is a schedule of the first semester enrollment for the past 5 years:

SY	Enrollment	Increase (Decrease)
2007-2008	23,928	
2008-2009	23,291	(637)
2009-2010	22,885	(406)
2010-2011	24,672	1,787
2011-2012	26,962	2,290

2. Below is a schedule of Entrance and Entrance Merit Scholars for the past 5 years:

SY	Entrance	Entrance Merit	Total
2006-2007	418	654	1,072
2007-2008	440	623	1,063
2008-2009	949	315	1,264
2009-2010	958	198	1,156
2010-2011	1,126	223	1,349

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.

Facts

	(In Million Pesos)			
	March 31, 2008	March 31, 2009	March 31, 2010	March 31, 2011
Quick Assets	2,101.0	2,348.2	2,349.7	2,180.9
Current Assets	2,228.7	2,443.9	2,484.5	2,215.1
Non-Current Assets	928.6	1,002.2	1,232.0	1,834.7
Total Assets	3,157.3	3,466.1	3,716.5	4,049.8
Current Liabilities	572.1	576.9	518.9	491.3
Total Liabilities	572.1	576.9	518.9	491.3
Stockholder's Equity	2,585.2	2,889.2	3,197.6	3,558.5
Operating Profit	519.6	479.8	490.5	492.0
Other Income	149.1	162.4	171.4	237.1
Profit Before Tax	668.7	642.2	661.9	729.1
Net Profit or Profit After Tax	592.9	567.0	585.2	642.4
Total Outstanding shares (average)	7,006,368 shares	8,407,408 shares	9,808,448 shares	9,808,448 shares

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 year ended March 31, 2011 is P18.74 million while its operating expense for the same period amounted to P32.97 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.

   .

Formula

A. Liquidity

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

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

B. 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 $= \dfrac{\text{Total Stockholder's Equity}}{\text{Total assets}}$

C. 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 $= \dfrac{\text{Net Profit}}{\text{Total Outstanding shares (average)}}$

FAR EASTERN UNIVERSITY
SCHEDULE OF PROPERTY, PLANT & EQUIPMENT/INVESTMENT PROPERTY
SCHOOL YEAR 2010 - 2011

	Gross Book Value	Accumulated Depreciation	Net Book Value	Location	Condition
I. PROPERTY, PLANT & EQUIPMENT:					
			-		
L A N D	98,457,565.00	-	98,457,565.00	Manila	Very Good
BUILDINGS & LAND IMPROVEMENTS					
New Technology Building II	283,478,051.00	69,973,848.00	213,504,203.00	"	"
Alfredo Reyes Hall	118,592,725.00	34,829,720.00	83,763,005.00	"	"
Leasehold Improvement	80,720,540.00	22,298,186.00	58,422,354.00	"	"
New Technology Building-Idle Hosp. Bldg.	10,358,525.00	995,200.00	9,363,325.00	"	"
Science Building	103,086,710.00	21,172,022.00	81,914,688.00	"	"
Arts Building	30,958,003.00	7,112,889.00	23,845,114.00	"	"
Nicanor Reyes Hall	45,952,771.00	6,628,382.00	39,324,389.00	"	"
GEC & Educational Hall	-	-	-	"	"
Grade school	-	-	-	"	"
S B Covered Walk	617,737.00	555,963.00	61,774.00	"	"
Covered Passage	3,202,126.00	752,807.00	2,449,319.00	"	"
Fence	715,360.00	582,425.00	132,935.00	"	"
Campus Pavilion	1,661,650.00	393,071.00	1,268,579.00	"	"
GSB Covered Walk	310,000.00	278,999.00	31,001.00	"	"
Powerhouse	296,196.00	296,196.00	-	"	"
Chapel	5,068,611.00	-	5,068,611.00	"	"
Others	9,802,644.00	1,341,245.00	8,461,399.00	"	"
Grandstand	1,562,113.00	118,438.00	1,443,675.00	"	"
FEU Makati Campus	132,861,322.00	5,962,319.00	126,899,003.00	Makati	"
	829,245,084.00	173,291,710.00	655,953,374.00		
CONSTRUCTION IN PROGRESS	3,954,692.00	-	3,954,692.00		
EQUIPMENTS					
Furnitures & Fixtures	29,677,217.00	13,780,590.00	15,896,627.00	Manila	"
Electrical & Mechanical	69,151,286.00	58,604,619.00	10,546,667.00	"	"
Information Technology	41,129,359.00	28,579,410.00	12,549,949.00	"	"
Transportation Equipment	20,407,241.00	10,566,585.00	9,840,656.00	"	"
Miscellaneous Fixed Assets	10,645,124.00	10,645,124.00	-	"	"
Miscellaneous Fixed Assets - FEU Makati	7,295,178.00	-	7,295,178.00		
Instruments & Utensils	572,275.00	423,546.00	148,729.00	"	"
T o o l s	1,237,211.00	962,432.00	274,779.00	"	"
Linen	299,914.00	299,914.00	-	"	"
Museum Collection	7,229,673.00	-	7,229,673.00	"	"
	187,644,478.00	123,862,220.00	63,782,258.00		
TOTAL	1,119,301,819.00	297,153,930.00	822,147,889.00		
II. INVESTMENT PROPERTY:					
LAND	53,394,726.00	-	53,394,726.00	"	"
COLLEGE OF ENGINEERING BUILDING	207,626,479.00	86,928,391.00	120,698,088.00	"	"
TOTAL	261,021,205.00	86,928,391.00	174,092,814.00		
GRAND TOTAL	**1,380,323,024.00**	**384,082,321.00**	**996,240,703.00**		

Item 2. Properties

FEU owns Seventeen Thousand Nine Hundred Sixty-Seven (17,967) square meters of real properties with improvements in Nicanor Reyes Street, Sampaloc, Manila, wherein its main campus is situated.

The principal properties which include buildings, land improvements and equipments are as follows:

	Gross Book Value	Accumulated Depreciation	Net Book Value	Location	Condition
I. PROPERTY, PLANT & EQUIPMENT:					
			-		
L A N D	98,457,565.00	-	98,457,565.00	Manila	Very Good
BUILDINGS & LAND IMPROVEMENTS					
New Technology Building II	283,478,051.00	69,973,848.00	213,504,203.00	"	"
Alfredo Reyes Hall	118,592,725.00	34,829,720.00	83,763,005.00	"	"
Leasehold Improvement	80,720,540.00	22,298,186.00	58,422,354.00	"	"
New Technology Building-Idle Hosp. Bldg.	10,358,525.00	995,200.00	9,363,325.00	"	"
Science Building	103,086,710.00	21,172,022.00	81,914,688.00	"	"
Arts Building	30,958,003.00	7,112,889.00	23,845,114.00	"	"
Nicanor Reyes Hall	45,952,771.00	6,628,382.00	39,324,389.00	"	"
GEC & Educational Hall	-	-	-	"	"
Grade School	-	-	-	"	"
S B Covered Walk	617,737.00	555,963.00	61,774.00	"	"
Covered Passage	3,202,126.00	752,807.00	2,449,319.00	"	"
Fence	715,360.00	582,425.00	132,935.00	"	"
Campus Pavilion	1,661,650.00	393,071.00	1,268,579.00	"	"
GSB Covered Walk	310,000.00	278,999.00	31,001.00	"	"
Powerhouse	296,196.00	296,196.00	-	"	"
Chapel	5,068,611.00	-	5,068,611.00	"	"
Others	9,802,644.00	1,341,245.00	8,461,399.00	"	"
Grandstand	1,562,113.00	118,438.00	1,443,675.00	"	"
FEU Makati Campus	132,861,322.00	5,962,319.00	126,899,003.00	Makati	"
	829,245,084.00	173,291,710.00	655,953,374.00		
CONSTRUCTION IN PROGRESS	3,954,692.00		3,954,692.00		
EQUIPMENTS					
Furnitures & Fixtures	29,677,217.00	13,780,590.00	15,896,627.00	Manila	"
Electrical & Mechanical	69,151,286.00	58,604,619.00	10,546,667.00	"	"
Information Technology	41,129,359.00	28,579,410.00	12,549,949.00	"	"
Transportation Equipment	20,407,241.00	10,566,585.00	9,840,656.00	"	"
Miscellaneous Fixed Assets	10,645,124.00	10,645,124.00	-	"	"
Miscellaneous Fixed Assets - FEU Makati	7,295,178.00		7,295,178.00		
Instruments & Utensils	572,275.00	423,546.00	148,729.00	"	"
T o o l s	1,237,211.00	962,432.00	274,779.00	"	"
Linen	299,914.00	299,914.00	-	"	"
Museum Collection	7,229,673.00	-	7,229,673.00	"	"
	187,644,478.00	123,862,220.00	63,782,258.00		
TOTAL	1,119,301,819.00	297,153,930.00	822,147,889.00		
II. INVESTMENT PROPERTY:					
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TOTAL	261,021,205.00	86,928,391.00	174,092,814.00		
GRAND TOTAL	**1,380,323,024.00**	**384,082,321.00**	**996,240,703.00**		

The above-mentioned properties are not mortgaged, encumbered, or under any lien.

PROPERTIES LEASED BY THE CORPORATION FROM FERN REALTY, INC.

		MONTHLY RENTAL	CONTRACT DATE
Education Building - an eight (8) storey building made of concrete materials located on Nicanor Reyes St., Manila	**P**	**39,571,503.38 plus applicable VAT**	**July 1, 2010 to June 30, 2011**
Nursing Building - an eight (8) storey building made of concrete materials located on Nicanor Reyes St., Manila			
Law Building - a four (4) storey building made of concrete materials located on Nicanor Reyes St., Manila			
Administration Building - a four (4) storey building made of concrete materials located on Nicanor Reyes St., Manila			
Gymnasium - a two (2) storey building made of concrete materials located on R. Papa St., Manila			

The lease contract shall not be deemed extended by implication beyond the contract period for any cause or reason whatsoever, but only by negotiation and written agreement of the **LESSOR** and the **LESSEE**.

6. Corporate Governance

- The University's compliance with SEC Memorandum Circular No. 2 dated April 5, 2002, as well as all relevant circulars on Corporate Governance has been monitored.

- FAR EASTERN UNIVERSITY, its trustees, officers and employees complied with the leading practices and principles on good corporate governance as embodied in the company's Manual;

- FAR EASTERN UNIVERSITY also complied with the appropriate performance self-rating assessment and performance evaluation system to determine and measure compliance with the Manual. The corporation's evaluation system was approved by the Board of Trustees at its meeting on March 16, 2004;

- FAR EASTERN UNIVERSITY did not commit any major deviations from the provisions of its Manual. Our Corporate Governance Compliance Officer submitted his 2010 certification to the Securities and Exchange Commission on the extent of the company's compliance with its manual on January 20, 2011.

- All members of the Board of Trustees as well as Senior Management officers completed and were duly certified to have attended a special seminar on Corporate Governance conducted by an entity accredited by the Securities and Exchange Commission.

- In November 2010, the university participated in the Corporate Governance Survey using the Corporate Governance Scorecard prepared by the Institute of Corporate Directors.

- Far Eastern University submitted its Revised Manual on Corporate Governance to the Securities and Exchange Commission on February 16, 2011.

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1008
www.feu.edu.ph

NOTICE OF UNDERTAKING

The management of Far Eastern University agrees to distribute copies of FEU's Financial Statement for the quarter ending June 30, 2011 to all attendees during the forthcoming annual stockholders meeting to be held on August 27, 2011.

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Far Eastern University, Inc. is responsible for all information and representations contained in the financial statements for the years ended March 31, 2011, 2010 and 2009. The financial statements have been prepared in conformity with financial reporting standards in the Philippines/Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The management likewise discloses to the University's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Trustees reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the University in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Trustees and stockholders.

LOURDES R. MONTINOLA
Chair, Board of Trustees and
Chief Executive Officer

LYDIA B. ECHAUZ
President and Chief
Operating Officer

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

SUBSRIBED AND SWORN to before me this 13th day of July 2011, affiants exhibiting their Community Tax Certificates as follows:

Name	CTC	Date/Place Issued
Lourdes R. Montinola	06003261	2-17-11/Makati City
Lydia B. Echauz	01190789	2-15-11/Manila
Juan Miguel R. Montinola	05932515	1-07-11/Makati

NOTARY PUBLIC

ATTY. ENRICO G. GILERA
NOTARY PUBLIC
UNTIL DECEMBER 2011
PTR No. 9315823; 01-18-11; MANILA
IBP No. 847327; 01-07-11; PPLM
ROLL No. 35145; MAY 27, 1988
COMPLIANCE No. III-0018920

Doc. No. 149
Page No. 31
Book No. III
Series of 2011.

Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Financial Statements and Independent Auditors' Report

The Far Eastern University, Incorporated

March 31, 2011, 2010 and 2009

13 JUL 2011

Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Trustees
The Far Eastern University, Incorporated
Nicanor Reyes Sr. Street
Sampaloc, Manila

Report on the Financial Statements

We have audited the accompanying financial statements of The Far Eastern University, Incorporated, which comprise the statements of financial position as at March 31, 2011, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Far Eastern University, Incorporated as at March 31, 2011, 2010 and 2009, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended March 31, 2011 required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Jessie C. Carpio
Partner

CPA Reg. No. 0057831
TIN 109-227-789
PTR No. 2641856, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0011-AR-2 (until Feb. 9, 2012)
BIR AN 08-002511-6-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

June 21, 2011

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
Date 13 JUL 2011 SDS
RECEIVED
MA. GRACE AURORA L. C. BELLO

THE FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	P 381,502,288	P 427,163,215	P 1,121,771,210
Receivables - net	5	591,894,556	699,920,334	133,310,657
Financial assets at fair value through profit or loss	6	8,456,381	-	-
Available-for-sale investments	6	1,199,037,565	1,202,638,312	1,073,109,957
Held-to-maturity investments		-	20,000,000	20,000,000
Other current assets	4, 5	34,192,932	134,823,635	95,692,468
Total Current Assets		2,215,083,722	2,484,545,496	2,443,884,292
NON-CURRENT ASSETS				
Due from a related party	17	394,489,204	218,774,500	100,000,000
Available-for-sale investments	6	311,515,573	-	-
Investments in subsidiaries, associate and joint venture - net	7	121,313,489	121,313,489	115,063,489
Investment properties - net	8	174,092,814	184,474,137	194,855,462
Property and equipment - net	9	822,147,894	697,501,156	601,011,101
Deferred tax assets - net	16	7,250,042	7,089,946	5,701,855
Other non-current assets		3,929,795	2,765,206	5,598,807
Total Non-current Assets		1,834,738,811	1,231,918,434	1,022,230,714
TOTAL ASSETS		P 4,049,822,533	P 3,716,463,930	P 3,466,115,006
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and other liabilities	10	P 394,259,497	P 429,074,304	P 399,286,852
Trust funds	11	5,394,693	43,970,750	58,490,642
Unearned tuition fees	12	43,944,872	-	75,499,149
Income tax payable		47,712,327	45,878,467	43,616,798
Total Current Liabilities		491,311,389	518,923,521	576,893,441
EQUITY				
Capital stock	18	984,577,900	984,577,900	984,577,900
Treasury stock	18	(3,733,100)	(3,733,100)	(3,733,100)
Accumulated fair value gains (losses)	6	20,650,845	7,857,562	(9,533,437)
Retained earnings	18			
Appropriated		1,853,733,100	1,675,099,017	975,099,017
Unappropriated		703,282,399	533,739,030	942,811,185
Total Equity		3,558,511,144	3,197,540,409	2,889,221,565
TOTAL LIABILITIES AND EQUITY		P 4,049,822,533	P 3,716,463,930	P 3,466,115,006

See Notes to Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
EDUCATIONAL REVENUES	12			
Tuition fees - net		**P 1,750,646,657**	P 1,665,790,366	P 1,611,808,467
Other school fees		**34,242,601**	35,257,665	50,280,810
		1,784,889,258	1,701,048,031	1,662,089,277
OPERATING EXPENSES	13	**1,292,932,375**	1,210,578,122	1,182,310,970
OPERATING INCOME		**491,956,883**	490,469,909	479,778,307
OTHER INCOME (CHARGES)				
Finance income	14	**170,798,293**	113,408,092	120,713,165
Rental	8	**48,184,478**	39,179,482	22,927,970
Management fees	5	**18,303,571**	14,080,414	11,527,024
Finance costs	6	**(6,211,593)**	(3,482,984)	-
Others		**6,030,925**	8,232,332	7,227,083
		237,105,674	171,417,336	162,395,242
INCOME BEFORE TAX		**729,062,557**	661,887,245	642,173,549
TAX EXPENSE	16	**86,631,665**	76,705,960	75,175,688
NET INCOME	19	**642,430,892**	585,181,285	566,997,861
OTHER COMPREHENSIVE INCOME	6			
Fair value gains (losses)		**12,793,283**	17,390,999	(8,016,081)
Reclassification to profit or loss		**-**	-	(2,750,599)
		12,793,283	17,390,999	(10,766,680)
TOTAL COMPREHENSIVE INCOME		**P 655,224,175**	P 602,572,284	P 556,231,181
Earnings Per Share				
Basic and Diluted	19	**P 65.50**	P 59.66	P 67.44

See Notes to Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Treasury Stock	Accumulated Fair Value Gains (Losses)	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total Equity
Balance at April 1, 2010		P 984,577,900	(P 3,733,100)	P 7,857,562	P 1,675,099,017	P 533,739,030	P 3,197,540,409
Comprehensive income							
Net income for the year		-	-	-	-	642,430,892	642,430,892
Fair value gains for the year	6	-	-	12,793,283	-	-	12,793,283
Total comprehensive income		-	-	12,793,283	-	642,430,892	655,224,175
Transactions with owners							
Appropriations for the year	18	-		-	557,967,418	(557,967,418)	-
Reversal of appropriations during the year	18	-	-	-	(379,333,335)	379,333,335	-
Cash dividends	18	-	-	-	-	(294,253,440)	(294,253,440)
		-	-	-	178,634,083	(472,887,523)	(294,253,440)
Balance at March 31, 2011		**P 984,577,900**	**(P 3,733,100)**	**P 20,650,845**	**P 1,853,733,100**	**P 703,282,399**	**P 3,558,511,144**
Balance at April 1, 2009		P 984,577,900	(P 3,733,100)	(P 9,533,437)	P 975,099,017	P 942,811,185	P 2,889,221,565
Comprehensive income							
Net income for the year		-	-	-	-	585,181,285	585,181,285
Fair value gains for the year	6	-	-	17,390,999	-	-	17,390,999
Total comprehensive income		-	-	17,390,999	-	585,181,285	602,572,284
Transactions with owners							
Appropriations for the year	18	-	-	-	1,000,000,000	(1,000,000,000)	-
Reversal of appropriations during the year	18	-	-	-	(300,000,000)	300,000,000	-
Cash dividends	18	-	-	-	-	(294,253,440)	(294,253,440)
		-	-	-	700,000,000	(994,253,440)	(294,253,440)
Balance at March 31, 2010		P 984,577,900	(P 3,733,100)	P 7,857,562	P 1,675,099,017	P 533,739,030	P 3,197,540,409
Balance at April 1, 2008		P 704,369,900	(P 3,733,100)	P 1,233,243	P 1,147,161,414	P 736,227,887	P 2,585,259,344
Comprehensive income							
Net income for the year		-	-	-	-	566,997,861	566,997,861
Fair value losses for the year	6	-	-	(8,016,081)	-	-	(8,016,081)
Reclassification to profit or loss for the year		-	-	(2,750,599)	-	-	(2,750,599)
Total comprehensive income		-	-	(10,766,680)	-	566,997,861	556,231,181
Transactions with owners							
Issuance during the year		280,208,000	-	-	-	-	280,208,000
Reversal of appropriations during the year	18	-	-	-	(172,062,397)	172,062,397	-
Cash dividends	18	-	-	-	-	(252,268,960)	(252,268,960)
Stock dividends	18	-	-	-	-	(280,208,000)	(280,208,000)
		280,208,000	-	-	(172,062,397)	(360,414,563)	(252,268,960)
Balance at March 31, 2009		P 984,577,900	(P 3,733,100)	(P 9,533,437)	P 975,099,017	P 942,811,185	P 2,889,221,565

See Notes to Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		**P 729,062,557**	P 661,887,245	P 642,173,549
Adjustments for:				
Interest income	14	**(162,341,912)**	(113,408,092)	(117,675,433)
Depreciation and amortization	13	**63,394,447**	51,192,377	46,524,455
Fair value gains on financial assets at fair value through profit or loss	6	**(8,456,381)**	-	-
Unrealized foreign exchange losses (gains)		**2,967,193**	3,482,984	(3,037,732)
Operating income before working capital changes		**624,625,904**	603,154,514	567,984,839
Increase in tuition and other receivables		**(189,635,556)**	(86,959,370)	(13,575,721)
Decrease (increase) in other assets		**99,466,114**	(36,297,566)	31,863,194
Increase in accounts payable and other liabilities		**42,119,020**	101,013,918	26,628,567
Decrease in trust funds		**(38,576,057)**	(14,519,892)	(17,671,580)
Increase (decrease) in unearned tuition fees		**43,944,872**	(75,499,149)	58,644,230
Cash generated from operations		**581,944,297**	490,892,455	653,873,529
Income taxes paid		**(84,957,901)**	(75,832,382)	(77,462,777)
Net Cash From Operating Activities		**496,986,396**	415,060,073	576,410,752
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in loans receivable		**312,968,845**	(477,000,000)	-
Increase in available-for-sale investments	6	**(295,121,543)**	(112,137,356)	(240,347,166)
Acquisitions of property and equipment and investment property	8, 9	**(177,659,862)**	(137,301,107)	(148,849,114)
Increase in due from a related party	17	**(175,714,704)**	(118,774,500)	-
Interest received		**147,034,401**	110,757,785	105,270,892
Decrease in held-to-maturity investments	2	**20,000,000**	-	13,743,603
Additional investment in subsidiaries, associate and joint venture	7	**-**	(6,250,000)	(26,121,600)
Net Cash Used in Investing Activities		**(168,492,863)**	(740,705,178)	(296,303,385)
CASH FLOWS FROM FINANCING ACTIVITY				
Dividends paid	18	**(371,187,267)**	(365,479,906)	(309,875,665)
Effects of Exchange Rate Changes on Cash and Cash Equivalents		**(2,967,193)**	(3,482,984)	3,037,732
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(45,660,927)**	(694,607,995)	(26,730,566)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**427,163,215**	1,121,771,210	1,148,501,776
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 381,502,288**	P 427,163,215	P 1,121,771,210

Supplemental Information on Noncash Operating and Financing Activities:

1) In fiscal year 2011, the balance of Advances to Joint Venture under Registration amounting to P6.3 million was transferred to Investment in Joint Venture upon the Securities and Exchange Commission's approval of the joint venture's registration (see Note 7).

2) In 2011, 2010 and 2009, the University declared cash dividends totaling P294.3 million, P294.3 million and P252.3 million, respectively, of which P5.7 million, P8.5 million and P24.6 million, respectively, were paid in the year subsequent to the years of declarations (see Notes 10 and 18).

3) The P52.0 million advaces to contractors for the improvements made on a leased property in 2010 were transferred from Other Current Assets to Property and Equipment upon completion of the construction of the improvements (see Note 5).

THE FAR EASTERN UNIVERSITY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

The Far Eastern University, Incorporated (the University or FEU) is a domestic educational institution founded in June of 1928 and incorporated on January 5, 1933. The University was registered with the Securities and Exchange Commission (SEC) on March 7, 1940. The University is a private, non-sectarian institution of learning comprising the following different institutes that offer specific courses, namely, Institute of Arts and Sciences; Institute of Accounts, Business and Finance; Institute of Education; Institute of Architecture and Fine Arts; Institute of Nursing; Institute of Engineering; Institute of Law; and Institute of Graduate Studies.

The University became a listed corporation in the Philippine Stock Exchange on July 11, 1986.

In November 2009, FEU entered into a Joint Venture (JV) Agreement to establish a joint venture company (JVC) for culinary arts. The registration of the JVC was approved by the SEC on May 7, 2010 (see Note 7). In 2010, the University established the FEU Makati Campus (the Branch) in Makati City (see Note 5). The Branch started its operations in June 2010.

As of March 31, 2011, 2010 and 2009, the University holds interest in the following subsidiaries, associate and joint venture which were all incorporated and operating in the Philippines:

Company Name	Percentage of Effective Ownership 2011	2010	2009
Subsidiaries:			
East Asia Computer Center, Inc. (EACCI)	**100%**	100%	100%
Far Eastern College-Silang, Inc. (FECSI)	**100%**	100%	100%
Fern Realty Corporation (FRC)	**37.52%**	37.52%	37.52%
TMC – FRC Sports Performance and Physical Medicine Center, Inc. (SPARC)	**22.51%**	22.51%	-
Associate –			
Juliana Management Co., Inc. (JMCI)	**49%**	49%	49%
Joint Venture –			
ICF – CCE, Inc.	**50%**	-	-

FECSI was incorporated on January 21, 2009 and has started commercial operations in June 2010. FECSI and EACCI, similar to the University, were also established to operate as educational institutions. FRC, on the other hand, operates as a real estate company leasing most of its investment properties to the University and other related parties. In 2009, FEU made additional investment in FRC which resulted in 37.52% equity ownership interest, recognition of pre-acquisition income and decrease in non-controlling interest. FEU owns 22.51% of SPARC through FRC which acquired 60% equity ownership interest in SPARC in 2008. SPARC is engaged in the business of organizing, owning, operating, managing and maintaining a sports facility for the rehabilitation and sports performance enhancement in the Philippines.

The registered office address and principal place of business of the University is located at Nicanor Reyes Sr. Street, Sampaloc, Manila.

The financial statements of the University for the year ended March 31, 2011 (including the comparatives for the years ended March 31, 2010 and 2009) were authorized for issue by the Board of Trustees (BOT) on June 21, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the University have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The University presents all items of income and expenses in a single statement of comprehensive income. The University opted to present on an annual basis two comparative periods for the statement of financial position regardless whether the University has or does not have retrospective application of an accounting policy, retrospective restatement of items in the financial statements or reclassification of items in the financial statements.

(c) *Functional Currency*

These financial statements are presented in Philippine pesos, the University's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the University are measured using the currency of the primary economic environment in which the University operates (the functional currency).

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in Fiscal Year 2011 that are Relevant to the University*

In 2011, the University adopted the following new revisions and amendments to PFRS that are relevant to the University and effective for financial statements for the annual period beginning on or after January 1, 2010:

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 17	:	Distribution of Non-cash Assets to Owners
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are the effects on the financial statements of the new and amended standards.

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the financial statements as there were no transactions with non-controlling interests during the year.

(ii) PFRS 3 (Revised 2008), *Business Combinations*. The revised standard continues to apply the acquisition method to business combination with significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets. All acquisition-related costs should be expensed. The University did not have any business acquisition during the year, hence, the adoption of the revised standard has no effect on the 2011 financial statements.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*. IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The University's adoption of this interpretation did not have a material impact on the financial statements because the University did not distribute non-cash assets to its stockholders during the current year and in prior years.

(iv) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2009*. Most of these amendments became effective for annual periods beginning on or after July 1, 2009 or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the University's financial statements but which did not also have any material impact on its financial statements:

- PFRS 8 (Amendment), *Operating Segments*. It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The University reports total assets for each of its reportable segments as they are regularly provided to the CODM, hence, does not have any significant effect on the University's segment reporting.

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows*. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the University as cash flow from investing activities.

- PAS 17 (Amendment), *Leases*. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the University is the principal in all of its business undertakings.

(b) Effective in Fiscal Year 2011 but not Relevant to the University

The following amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the University's financial statements:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 18	:	Transfers of Assets from Customers

(c) Effective Subsequent to Fiscal Year 2011

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2011. Among those pronouncements, management has initially determined the following, which the University will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property,* it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made. The amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Philippine Interpretation SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation SIC-21, which is accordingly withdrawn. As of March 31, 2011, management is still evaluating the effect of this amendment to the University's financial statements.

(ii) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the University opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The University is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2012.

(iii) PAS 27 (Revised), *Separate Financial Statements* and PAS 28 (Revised), *Investments in Associates and Joint Ventures* (effective from January 1, 2013). These are consequential revisions in connection with the new standards on consolidation PFRS 10, *Consolidated Financial Statements* and PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities,* which have recently been released. Previously, PAS 27 is entitled *"Consolidated and Separate Financial Statements"* while PAS 28 was entitled "*Investments in Associates*." The effect of the adoption of these revised standards would be related to the effect of the adoption of PFRS 10, 11 and 12 [see Note 2.2c (vii) to (ix)] which are already being reviewed by the University in preparation for its adoption of the these standards in fiscal year 2014.

(iv) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all (or part of a financial liability) is consideration paid in accordance with PAS 39;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss.

Management has determined that the adoption of the interpretation will not have any material effect on the University's financial statements as it does not normally extinguish financial liabilities through equity swap.

(v) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The University believes that the adoption of the amendments in 2012 will not have any significant effect on its financial statements as they only affect disclosures and the University usually provides adequate information in its financial statements in compliance with disclosure requirements.

(vi) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are yet to be issued.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the University. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the University expects it can comprehensively assess the impact of the revised standard.

(vii) PFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013). PFRS 10 is intended to address concerns, particularly the concern that consolidated financial statements sometimes failed to convey full exposure to risks from special structures used by certain entities, especially banks, in managing securitizations and other arrangements, in consolidated financial statements with a new, principle-based, definition of control that will be applied to all types of investee (including special purpose entities and more conventional voting interest entities). PFRS 10 also aims to promote clarity with new or amended guidance in areas such as:

- control as the result of a dominant minority shareholding (de facto control);

- the role of potential voting rights such as options and convertible bonds; and,

- distinguishing control in an agency relationship.

The University is currently reviewing the impact of the standard in time for its adoption of the revised standard in fiscal year 2014.

(viii) PFRS 11, *Joint Arrangements* (effective from January 1, 2013). PFRS 11 supersedes PAS 31, *Interests in Joint Ventures*, and it aims to enhance the accounting for, and the quality of information being reported about joint arrangements. The option of using proportionate consolidation for joint ventures that was previously included in PAS 31 has been eliminated (equity accounting is now required for all joint ventures). Many arrangements described in PAS 31 as jointly controlled entities will now be referred to as joint ventures. PFRS 11 removes PAS 31's current terminology of "jointly controlled operations" and "jointly controlled assets." Most of such arrangements fall into the newly defined category of "joint operation". The University is currently reviewing the impact of the standard in time for its adoption of the revised standard in 2014.

(ix) PFRS 12, *Disclosure of Interests in Other Entities* (effective from January 1, 2013). PFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on "borderline" consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement. The University is currently reviewing the impact of the standard in time for its adoption of the revised standard in 2014.

(x) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. The 2010 Improvements amend certain provisions of PFRS 3 (Revised 2008), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The University's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its financial statements.

2.3 Separate Financial Statements and Investments in Subsidiaries, Associate and Joint Venture

The financial statements are prepared as the University's separate financial statements. The University also prepares consolidated financial statements as required under PFRS.

Impairment loss is provided when there is objective evidence that the investments in subsidiaries, associate and joint venture will not be recovered. Such impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. The amount of the impairment loss is recognized in profit or loss in the statement of comprehensive income.

Any goodwill arising from the acquisition of investments in subsidiaries, associate and joint venture, representing the excess of the acquisition costs over the fair value of the University's share in the identifiable net assets of the acquired subsidiaries or associates at the date of acquisition, is included in the amount recognized as investments in subsidiaries, associate and joint venture.

Subsidiaries are entities over which the University has the power to govern the financial reporting policies generally accompanying a shareholding of more than one half of the voting rights. The University obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the University controls another entity.

An associate is an entity over which the University is able to exert significant influence but which is neither subsidiary nor interest in a joint venture.

A joint venture is an entity whose economic activities are controlled jointly by the venturers.

The Company's investments in subsidiaries, associate and joint venture are accounted for in these separate financial statements at cost, less any impairment loss (see Note 2.12).

2.4 Financial Assets

Financial assets include cash and cash equivalents and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs are recognized directly in profit or loss.

Currently, the University's financial instruments are categorized as follows:

(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 the 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 position.

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

This 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 loss, 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 at 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.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. All income and expense relating to financial assets recognized in profit or loss are presented in the statement of comprehensive income line item Finance Income and Finance Costs, respectively.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.5 Property and Equipment

Except for land, which is stated at cost less any impairment in value, property and equipment are stated at cost less accumulated depreciation and amortization, and impairment in value, if any.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 years
Leasehold improvements	20 years
Furniture and equipment	3-6 years
Miscellaneous assets	5 years

Leasehold improvements are amortized over 20 years regardless of the term of lease contract which is usually shorter than the expected useful life of the improvements because it is highly probable that the lease contract with FRC will be renewed before the end of such contract.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.6 Investment Property

Investment property is measured initially at acquisition cost. Subsequently, investment property, except land which is carried at cost less impairment in value, if any, is carried at cost less accumulated depreciation and impairment in value. Depreciation of investment property, which consists of building and improvements, are computed using the straight-line method over its estimated useful life of 20 years.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation of commencement of development with a view to sell.

2.7 Financial Liabilities

Financial liabilities of the University include Accounts Payable and Other Liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the University becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the statement of comprehensive income.

The liabilities are initially recognized at their fair value and subsequently measured at amortized cost.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Similarly, possible inflows of economic benefits to the University that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the University can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the University for services rendered, excluding value-added tax (VAT) and discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the University; and, the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Educational revenues* – Revenue is recognized in profit or loss over the corresponding school term. Tuition fee received in advance and applicable to a school term after the reporting period is not recognized in profit or loss until the next reporting period.

(b) *Management fees* – Revenue is recognized on a monthly basis upon rendering of the services.

(c) *Interest* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

(d) *Rental* – Revenue is recognized over the lease term using the straight-line method.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date such cost and expenses are incurred.

2.10 Leases

The University accounts for its leases as follows:

(a) *University as Lessee*

Leases which do not transfer to the University substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) *University as Lessor*

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term.

The University determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.11 Foreign Currency Transactions

The accounting records of the University are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income as part of profit or loss.

2.12 Impairment of Non-financial Assets

The University's investments in subsidiaries, associate and joint venture, property and equipment, investment properties and certain other non-current assets are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.13 Employee Benefits

(a) Post-employment Benefits

Post-employment benefits are provided to employees through a defined contribution plan.

A defined contribution plan is a pension plan under which the University pays fixed contributions to an independent entity. The University has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the University before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The University recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to present value.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the University expects to pay as a result of the unused entitlement.

2.14 Trust Funds

This represents restricted funds of the University that are intended for student welfare, development, loan, assistance and scholarship fund, and other specific educational purposes. The University administers the use of these funds based on the specific purpose such funds are identified with.

2.15 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred income tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.16 Related Party Transactions

Related party transactions are transfers of resources, services or obligations between the University and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of re-acquiring such shares.

Accumulated fair value gains (losses) comprise gains and losses arising from the revaluation of AFS financial assets.

Retained earnings include all current and prior period results of operations as disclosed in profit or loss in the statement of comprehensive income. The appropriated portion represents the amount which is not available for distribution.

2.18 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net income by the weighted average number of shares subscribed and issued during the year after giving retroactive effect to stock dividend declared, stock split and reverse stock split during the current year, if any.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The University does not have dilutive potential shares outstanding that would require disclosure of diluted earnings per share in the statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The University's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the University's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) HTM Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as HTM investments, the University evaluates its intention and ability to hold such investments up to maturity. If the University fails to keep these investments to maturity other than for specific circumstances as allowed under the standards, it will be required to reclassify the whole class to AFS financial assets. In such a case, the investments would therefore be measured at fair value, not amortized cost.

As of March 31, 2010, there are no HTM investments disposed of before their maturity. In fiscal year 2011, all of the University's HTM investments matured and were no longer reinvested in the same types of investments.

(b) Distinction Between Investment Properties and Owner-managed Properties

The University determines whether a property qualifies as investment property. In making its judgment, the University considers whether the property generates cash flows largely independent of the other assets held. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the process of supplying educational services.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If portion can be sold separately (or leased out separately under finance lease), the University accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The University considers each property separately in making its judgment.

(c) *Classification of Leases*

The University has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the University's lease agreements are determined to be operating leases.

Rental expense charged to operations amounted to P58.2 million in 2011, P55.0 million in 2010 and P56.2 million in 2009 presented as part of Administrative expenses under Operating Expenses (see Note 13) while rental income earned from investment properties in 2011, 2010 and 2009 are presented as Rental under Other Income (Charges) in the statements of comprehensive income (see Note 8).

(d) *Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.8 and relevant disclosures are presented in Note 20.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) *Allowance for Impairment of Receivables*

The University maintains an allowance for impairment loss on receivables at a level considered adequate to cover probable uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, history of the students' payment behavior, age of receivables and other external factors affecting the education industry. The University constantly reviews the age and status of receivables, and identifies accounts that should be provided with allowance. Analyses of the net realizable value of receivables as of March 31, 2011, 2010 and 2009 are presented in Note 5.

Impairment losses recognized on receivables amounted to about P32.5 million in 2011, P22.0 million in 2010 and P17.6 million in 2009 (see Note 5).

(b) *Valuation of Financial Assets Other than Loans and Other Receivables*

The University carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases where active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the University utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit and loss and equity.

Fair value gains and losses recognized on AFS financial assets in 2011, 2010 and 2009 are presented as Accumulated Fair Value Gains (Losses) in the statements of changes in equity (see Note 6). On the other hand, fair value gains recognized on FVTPL investments in 2011 are presented as Fair value gains on financial assets at FVTPL under Finance Income in the 2011 statement of comprehensive income.

(c) *Impairment of AFS Investments*

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the University evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

No impairment loss was recognized on AFS investments in 2011, 2010 and 2009. Analyses of the carrying value of the AFS investments as of March 31, 2011, 2010 and 2009 are presented in Note 6.

(d) *Useful Lives of Investment Properties and Property and Equipment*

The University estimates the useful lives of investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Analyses of the carrying amounts of investment properties and property and equipment are presented in Notes 8 and 9, respectively. Actual results, however, may vary due to changes in factors mentioned above. Based on management assessment as of March 31, 2011, 2010 and 2009, no change in the estimated useful lives of the assets is necessary.

(e) Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. The University's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.12. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The University did not recognize any impairment loss on investment properties, property and equipment, and investments in subsidiaries, associate and joint venture in 2011, 2010 and 2009.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31:

	2011	2010	2009
Cash on hand and in banks	**P 211,842,147**	P 100,407,916	P 149,405,908
Short-term placements	**169,660,141**	326,755,299	972,365,302
	P 381,502,288	P 427,163,215	P 1,121,771,210

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the University. These placements earn effective annual interest ranging from 4.2% to 8.6% in 2011, 2.5% to 4.5% in 2010 and 3.8% to 7.0% in 2009 for peso placements and 0.5% in 2011 and 1.8% to 4.0% in 2009 for dollar placements; there were no dollar placements in 2010. Interest income earned from cash and cash equivalents are presented as part of Finance Income in the statements of comprehensive income (see Note 14). The related interest from placements as of March 31, 2011 are presented as part of Accrued interest under outstanding Receivables in the statements of financial position (see Note 5).

Certain portion of cash and cash equivalents are set aside to cover for trust funds (see Note 11). The amount of cash and cash equivalents set aside to cover trust funds were P5.4 million, P44.0 million and P58.5 million as of March 31, 2011, 2010 and 2009, respectively. Considering the restriction on such amounts of cash and cash equivalents, these are included as part of the Other Current Assets account in the statements of financial position (see Note 21).

5. RECEIVABLES

This account is composed of the following:

	Notes	2011	2010	2009
Tuition and other school fees		**P 160,628,916**	P 104,475,283	P 64,246,194
Allowance for impairment		**(24,428,937)**	(15,727,708)	(14,146,263)
		136,199,979	88,747,575	50,099,931
Loans receivable		**164,031,155**	477,000,000	-
Receivable from:				
FRC	17.1, 17.2	**134,903,190**	288,906	3,117,297
FEU Educational Foundation, Inc. (FEFI)		**37,078,392**	36,671,312	38,040,770
ICF-CCE, Inc.		**32,109,755**	-	-
East Asia Educational Foundation, Inc. (EAEF)		**28,952,968**	22,415,485	18,165,787
FECSI	17.2	**5,536,612**	7,186,208	1,866,708
Accrued interest	4, 6, 17.1	**27,856,173**	11,380,645	8,730,337
Advances to employees		**13,941,521**	9,279,805	11,479,722
Others		**11,284,811**	46,950,398	1,810,105
		P 591,894,556	P 699,920,334	P 133,310,657

A reconciliation of the allowance for impairment loss on receivables at the beginning and end of 2011, 2010 and 2009 is shown below.

	Note	2011	2010	2009
Balance at beginning of year		**P 15,727,708**	P 14,146,263	P 11,872,333
Impairment losses during the year	13	**32,509,082**	22,035,435	17,581,234
Receivables written off during the year		**(23,807,853)**	(20,453,990)	(15,307,304)
		P 24,428,937	P 15,727,708	P 14,146,263

All of the University's receivables had been reviewed for indicators of impairment. Certain tuition and other school fees receivables were found to be impaired and allowance has been recorded accordingly. The allowance for impairment loss on receivables as of March 31, 2011, 2010 and 2009 relates only to receivables from students which have been outstanding for more than one semester and specifically identified to be impaired. No allowance for impairment loss on all other receivables was provided as of March 31, 2011, 2010 and 2009 since management believes that those are collectible in full. Impairment loss recognized on receivables is presented as part of Operating Expenses in the statements of comprehensive income (see Note 13).

Loans receivable represents promissory notes issued to certain rental and leasing corporation as part of University's trust fund arrangement with a certain local bank. Interest income earned from these loans is presented as part of Finance Income in the statements of comprehensive income (see Note 14).

Other receivables as of March 31, 2010 includes a P43.7 million option money for the acquisition of shares of stock of Crans Montana Holdings Corporation (Crans Montana). Under the agreement, such option money will be refunded to the University upon acquisition of Crans Montana or failure by FEU to pursue such acquisition. Pending consummation of the Crans Montana acquisition as of March 31, 2010, the University temporarily leased the properties until November 2010 (land located in Makati City) owned by Crans Montana (Crans Montana Property) and made improvements thereon, including construction of a new school building, for the FEU Makati Campus (see Notes 1 and 20.1). In 2011, the P43.7 million option money was refunded to the University since it did not pursue the acquisition; the land was acquired by FRC instead (see Note 17.4). Accordingly, the University entered into a new lease agreement with FRC (see Note 20.1).

In relation to the improvements made on the Crans Montana Property, the University has made advances to contractors amounting to P52.0 million which remained outstanding as of March 31, 2010. Such advances are presented as part of Other Current Assets in the 2010 statement of financial position. In 2011, these P52.0 million advances were subsequently used and capitalized as part of Buildings and Improvement, presented under Property and Equipment account in the 2011 statement of financial position (see Note 9) upon completion of the construction.

The University provides management services to EAEF which agreed to pay management fee computed at a certain percentage of their gross revenue subject to certain conditions. Management fees earned by the University amounted to P18.3 million in 2011, P14.1 million in 2010 and P11.5 million in 2009 which are presented as Management Fees in the statements of comprehensive income. Receivable from EAEF represents the outstanding receivables arising from management services provided by the University to EAEF and those arising from the lease of a school building to EAEF (see Note 8).

The University provides cash advances to FEFI for the latter's operating requirements such as faculty payroll, which FEFI regularly pays to the University. The outstanding receivables arising from this transaction are presented as Receivable from FEFI.

The net carrying value of receivables is considered a reasonable approximation of fair value (see Note 21.2).

6. AVAILABLE-FOR-SALE INVESTMENTS

This category of financial assets consists of the following:

	2011	2010	2009
Debt securities:			
Government	**P 760,955,122**	P 678,179,527	P 792,260,802
Corporate	**557,761,064**	502,529,786	261,110,403
	1,318,716,186	1,180,709,313	1,053,371,205
Equity securities	**191,836,952**	21,928,999	19,738,752
	P 1,510,553,138	P 1,202,638,312	P 1,073,109,957

AFS investments are classified in the statements of financial position as follows:

	2011	2010	2009
Current	**P 1,199,037,565**	P 1,202,638,312	P 1,073,109,957
Non-current	**311,515,573**	-	-
	P 1,510,553,138	P 1,202,638,312	P 1,073,109,957

Interest income recognized in 2011, 2010 and 2009 are presented as part of Finance Income in the statements of comprehensive income (see Note 14). The related outstanding interest are presented as part of Accrued interest under Receivables in the statements of financial position (see Note 5).

Certain AFS investments reached their maturity in 2009 and were no longer reinvested; thus reclassified to Cash and Cash Equivalents resulting in the reclassification to profit or loss of cumulative gains of P2.8 million in 2009 which were previously recognized in equity. There were no similar transactions in 2011 and 2010.

As of March 31, 2011, short-term placements amounting to P100.1 million that earn interest at 3% to 8% per annum, and maturing beyond three months from the date of placement were presented as part of the AFS Investment account.

In 2011, some of the University's AFS investments in debt securities includes derivatives asset arising from cross currency swap. As of March 31, 2011, the net positive fair values of these embedded cross currency swaps amounting to P8.5 million were presented as Financial Assets at FVTPL account in the 2011 statement of financial position and the related fair value gain as part of Finance Income in the 2011 statement of comprehensive income (see Note 14). The net changes in the carrying amount of the related interest payable from this cross currency swap amounting to P3.4 million is presented as part of Finance Costs in the 2011 statement of comprehensive income while the related liability is presented as part of Accrued expenses under the Accounts Payable and Other Liabilities account in the 2011 statement of financial position (see Note 14).

Analyses of the movements in the carrying amounts of the University's investments held by trustee banks are presented below.

	Note	**2011**	2010	2009
Balance at beginning of year		**P 1,202,638,312**	P 1,073,109,957	P 840,687,402
Additions		**291,523,399**	464,552,265	663,027,476
Withdrawals/disposal		**(113,912,058)**	(414,986,880)	(467,769,330)
Interest income	14	**117,510,202**	62,571,971	45,180,490
Fair value gains (losses)		**12,793,283**	17,390,999	(8,016,081)
Balance at end of year		**P 1,510,553,138**	P 1,202,638,312	P 1,073,109,957

7. INVESTMENTS IN SUBSIDIARIES, ASSOCIATE AND JOINT VENTURE

This account consists of the following as of March 31:

	Note	2011	2010	2009
Investments in:				
Subsidiaries				
FRC		**P 64,419,299**	P 64,419,299	P 64,419,299
FECSI	10	**25,000,000**	25,000,000	25,000,000
EACCI		**20,104,999**	20,104,999	20,104,999
Associate – JMCI		**7,878,121**	7,878,121	7,878,121
JV – ICF-CCE, Inc.		**6,250,000**	-	-
Allowance for impairment		**(2,338,930)**	(2,338,930)	(2,338,930)
		121,313,489	115,063,489	115,063,489
Advances to JV under registration		**-**	6,250,000	-
		P 121,313,489	P 121,313,489	P 115,063,489

As discussed in Note 1, in November 2009, the University entered into a JV Agreement with a co-venturer to establish and operate a culinary skills training center which shall provide courses of study in the culinary arts. The University and co-venturer invested P6.3 million each to ICF-CCE, Inc., the JVC. The JV registration was approved by the SEC on May 7, 2010 (see Note 1). As of March 31, 2010, pending approval by the SEC of the JVC's registration, the amount invested by the University is presented as Advances to JV under Registration in the Investment in Subsidiaries, Associate and Joint Venture account in the 2010 statement of financial position. The registration with the SEC was approved after March 31, 2010, accordingly, the investment was transferred to Investment in JV account in fiscal year 2011.

The shares of stocks of the subsidiaries, associate, and the JV are not listed in the stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amount of the investments, except for EACCI which has been provided with allowance for impairment amounting to P2.3 million, is fully recoverable. The University has major business plans for EACCI, which are expected to materialize within the next 12 months from the end of reporting period.

8. INVESTMENT PROPERTIES

This account consists of the land and building being leased out to EAEF (see Note 5).

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of 2011, 2010 and 2009 are shown below.

	Land	Building and Improvements	Total
March 31, 2011			
Cost	P 53,394,726	P 207,626,479	P 261,021,205
Accumulated depreciation	-	(86,928,391)	(86,928,391)
Net carrying amount	**P 53,394,726**	**P 120,698,088**	**P 174,092,814**
March 31, 2010			
Cost	P 53,394,726	P 207,626,479	P 261,021,205
Accumulated depreciation	-	(76,547,068)	(76,547,068)
Net carrying amount	P 53,394,726	P 131,079,411	P 184,474,137
March 31, 2009			
Cost	P 53,394,726	P 207,626,479	P 261,021,205
Accumulated depreciation	-	(66,165,743)	(66,165,743)
Net carrying amount	P 53,394,726	P 141,460,736	P 194,855,462
April 1, 2008			
Cost	P 53,394,726	P 204,900,484	P 258,295,210
Accumulated depreciation	-	(55,895,547)	(55,895,547)
Net carrying amount	P 53,394,726	P 149,004,937	P 202,399,663

A reconciliation of the carrying amounts of investment properties at the beginning and end of 2011, 2010 and 2009 is shown below.

	Land	Building and Improvements	Total
Balance at April 1, 2010, net of accumulated depreciation	P 53,394,726	P 131,079,411	P 184,474,137
Depreciation charges for the year	-	(10,381,323)	(10,381,323)
Balance at March 31, 2011, net of accumulated depreciation	**P 53,394,726**	**P 120,698,088**	**P 174,092,814**
Balance at April 1, 2009, net of accumulated depreciation	P 53,394,726	P 141,460,736	P 194,855,462
Depreciation charges for the year	-	(10,381,325)	(10,381,325)
Balance at March 31, 2010, net of accumulated depreciation	P 53,394,726	P 131,079,411	P 184,474,137
Balance at April 1, 2008, net of accumulated depreciation	P 53,394,726	P 149,004,937	P 202,399,663
Additions	-	2,725,995	2,725,995
Depreciation charges for the year	-	(10,270,196)	(10,270,196)
Balance at March 31, 2009, net of accumulated depreciation	P 53,394,726	P 141,460,736	P 194,855,462

The total rental income earned from investment properties amounted to P48.2 million in 2011, P39.2 million in 2010 and P22.9 million in 2009 which are presented as Rental under Other Income (Charges) in the statements of comprehensive income (see also Notes 17.5 and 20.2). The direct operating expenses incurred by the University relating to the investment properties is presented as part of Depreciation and amortization under General Operating Expenses in the statements of comprehensive income (see Note 13).

The fair value of investment properties is P280.2 million as of March 31, 2011 and 2010 and P386.5 million as of March 31, 2009, which were determined based on the most recent valuation performed by independent appraisers immediately after the end of the reporting periods.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of 2011, 2010 and 2009 are shown below.

	Land	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Miscellaneous Equipment	Total
March 31, 2011						
Cost	P 98,457,565	P 752,511,043	P 160,365,103	P 80,720,540	P 27,279,374	P 1,119,333,625
Accumulated depreciation and amortization	-	(151,025,328)	(111,531,203)	(22,298,186)	(12,331,014)	(297,185,731)
Net carrying amount	**P 98,457,565**	**P 601,485,715**	**P 48,833,900**	**P 58,422,354**	**P 14,948,360**	**P 822,147,894**
March 31, 2010						
Cost	P 98,457,565	P 628,387,963	P 123,613,889	P 72,998,023	P 18,208,452	P 941,665,892
Accumulated depreciation and amortization	-	(115,382,431)	(98,019,303)	(18,647,599)	(12,115,403)	(244,164,736)
Net carrying amount	P 98,457,565	P 513,005,532	P 25,594,586	P 54,350,424	P 6,093,049	P 697,501,156
March 31, 2009						
Cost	P 98,457,565	P 513,765,632	P 114,826,750	P 65,423,403	P 13,515,760	P 805,989,110
Accumulated depreciation and amortization	-	(89,307,115)	(88,590,851)	(15,190,788)	(11,889,255)	(204,978,009)
Net carrying amount	P 98,457,565	P 424,458,517	P 26,235,899	P 50,232,615	P 1,626,505	P 601,011,101
April 1, 2008						
Cost	P 98,457,565	P 391,268,141	P 107,011,947	P 50,719,189	P 12,409,149	P 659,865,991
Accumulated depreciation and amortization	-	(67,658,804)	(77,080,300)	(12,325,394)	(11,659,252)	(168,723,750)
Net carrying amount	P 98,457,565	P 323,609,337	P 29,931,647	P 38,393,795	P 749,897	P 491,142,241

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2011, 2010 and 2009 is shown below.

	Land	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Miscellaneous Equipment	Total
Balance at April 1, 2010, net of accumulated depreciation and amortization	P 98,457,565	P 513,005,532	P 25,594,586	P 54,350,424	P 6,093,049	P 697,501,156
Additions	-	124,059,468	36,775,150	7,722,517	9,102,727	177,659,862
Depreciation and amortization charges for the year	-	(35,579,285)	(13,535,836)	(3,650,587)	(247,416)	(53,013,124)
Balance at March 31, 2011, net of accumulated depreciation and amortization	**P 98,457,565**	**P 601,485,715**	**P 48,833,900**	**P 58,422,354**	**P 14,948,360**	**P 822,147,894**
Balance at April 1, 2009, net of accumulated depreciation and amortization	P 98,457,565	P 424,458,517	P 26,235,899	P 50,232,615	P 1,626,505	P 601,011,101
Additions	-	114,622,330	10,411,464	7,574,620	4,692,693	137,301,107
Depreciation and amortization charges for the year	-	(26,075,315)	(11,052,777)	(3,456,811)	(226,149)	(40,811,052)
Balance at March 31, 2010, net of accumulated depreciation and amortization	P 98,457,565	P 513,005,532	P 25,594,586	P 54,350,424	P 6,093,049	P 697,501,156
Balance at April 1, 2008, net of accumulated depreciation and amortization	P 98,457,565	P 323,609,337	P 29,931,647	P 38,393,795	P 749,897	P 491,142,241
Additions	-	122,497,491	7,814,803	14,704,214	1,106,611	146,123,119
Depreciation and amortization charges for the year	-	(21,648,311)	(11,510,551)	(2,865,394)	(230,003)	(36,254,259)
Balance at March 31, 2009, net of accumulated depreciation and amortization	P 98,457,565	P 424,458,517	P 26,235,899	P 50,232,615	P 1,626,505	P 601,011,101

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Notes	2011	2010	2009
Accounts payable		**P 37,856,074**	P 47,803,128	P 41,270,585
Accrued expenses	6, 17.3	**86,823,734**	89,586,908	74,459,814
Dividends payable	18.2	**76,933,827**	71,226,466	57,606,705
Withholding and other taxes payable	24.1	**57,771,739**	36,131,410	36,045,790
Funds payable		**45,478,437**	55,705,967	38,743,170
Amounts due to students		**37,036,856**	37,573,353	33,746,306
Accrued salaries and employee benefits		**30,190,791**	29,614,032	54,229,149
Payable to FEU retirement plan		**9,843,054**	32,313,215	36,901,623
Deposits payable		**1,355,953**	1,340,235	1,326,485
Subscriptions payable	7	**-**	18,750,000	18,750,000
Other current liabilities		**10,969,032**	9,029,590	6,207,225
		P 394,259,497	P 429,074,304	P 399,286,852

Accrued expenses include the University's accrual for utilities, rentals and directors' bonuses. Funds payable are amounts due to third parties for cooperative members' fees, school uniforms of students and computer loans of employees. Amounts due to students represent excess payment of tuition and miscellaneous fees from students. Subscription payable, which have been fully paid in fiscal year 2011, represents the unpaid portion of the subscription to FECSI's shares of stock which is presented as part of the Investment in Subsidiaries, Associate and Joint Venture account in the statements of financial position (see Note 7).

11. TRUST FUNDS

This account consists of the following as of March 31:

	2011	2010	2009
Student welfare and development fund	**P 5,394,693**	P 13,141,458	P 26,202,141
Visual aid development fund	**-**	14,635,307	13,224,923
FEU central student organization:			
Student loan fund	**-**	13,384,402	12,777,129
Student scholarship fund	**-**	2,290,745	3,902,308
Others	**-**	518,838	2,384,141
	P 5,394,693	P 43,970,750	P 58,490,642

These trust funds represent collections to defray expenses related to activities for specific educational purposes. As discussed in Note 4, the amounts of cash and cash equivalents corresponding to the outstanding balances of these funds, presented as part of Other Current Assets in the statements of financial position, are set aside and restricted for such purposes. In 2011, majority of the balances of the fund set aside for the purposes listed above have been fully utilized.

12. EDUCATIONAL REVENUES

Details of net tuition and other school fees presented in the statements of comprehensive income are as follows:

	2011	2010	2009
Tuition fees	**P 1,841,412,662**	P 1,746,362,097	P 1,694,493,469
Less discounts:			
Scholarships	**70,485,213**	61,000,082	63,723,848
Cash	**11,014,375**	10,294,191	10,214,508
Family	**9,266,417**	9,277,458	8,746,646
	90,766,005	80,571,731	82,685,002
	1,750,646,657	1,665,790,366	1,611,808,467
Other school fees:			
Entrance fees	**13,628,854**	12,879,474	29,904,890
Identification cards	**8,510,075**	9,903,306	8,775,916
Transcript fees	**8,602,882**	8,794,229	9,030,205
Diplomas	**2,677,978**	2,910,208	1,745,791
Miscellaneous	**822,812**	770,448	824,008
	34,242,601	35,257,665	50,280,810
	P 1,784,889,258	P 1,701,048,031	P 1,662,089,277

Towards the end of every fiscal year, the University usually collects tuition fees from students for summer classes which start after the reporting period. Such collections amounted to P43.9 million, nil and P75.5 million as of March 31, 2011, 2010, and 2009, respectively, are excluded from tuition fees earned for the year and presented as Unearned Tuition Fees in the statements of financial position. These are recognized as revenue in the following year.

13. OPERATING EXPENSES

Operating expenses consists of:

	Notes	2011	2010	2009
Instructional and Academic				
Salaries and allowances	17.6	**P 557,553,771**	P 519,662,398	P 527,192,891
Employees benefits	15, 17.6	**168,862,745**	165,028,563	164,350,335
Related learning experience		**24,681,628**	31,738,871	21,641,432
Affiliation		**11,984,580**	17,153,509	9,960,332
Others		**19,844,834**	19,128,326	21,503,870
		782,927,558	752,711,667	744,648,860
Administrative				
Salaries and allowances		**98,061,322**	92,596,727	84,461,509
Rental	17.3, 17.4	**58,160,909**	55,008,187	56,180,367
Employees benefits	15	**40,997,811**	44,727,498	39,266,335
Directors' bonus		**13,500,000**	12,010,000	11,750,000
Others		**10,871,972**	14,167,855	10,259,595
		221,592,014	218,510,267	201,917,806
Maintenance and University Operations				
Utilities		**80,973,358**	66,785,904	67,818,876
Salaries and allowances		**23,177,313**	21,722,461	23,490,070
Janitorial services		**13,586,765**	11,915,987	12,808,640
Employee benefits	15	**10,405,030**	11,198,934	11,296,291
Repairs and maintenance		**8,067,156**	11,406,398	4,619,377
Property insurance		**1,779,301**	1,485,816	1,160,749
		137,988,923	124,515,500	121,194,003
General				
Depreciation and amortization	8, 9	**63,394,447**	51,192,377	46,524,455
Impairment losses on receivables	5	**32,509,082**	22,035,435	17,581,234
Security services		**24,141,557**	15,782,208	25,834,071
Professional fees		**11,818,976**	8,818,080	6,306,848
Publicity and promotions		**7,154,574**	9,017,636	6,615,235
Maintenance of art works		**2,888,765**	2,812,457	6,176,320
Taxes and licenses	24.6	**1,171,561**	654,492	1,985,560
Donation and charitable contributions		**685,924**	1,803,543	629,864
Others		**6,658,994**	2,724,460	2,896,714
		150,423,880	114,840,688	114,550,301
		P 1,292,932,375	P 1,210,578,122	P 1,182,310,970

14. FINANCE INCOME

This account consists of the following:

	Notes		2011		2010		2009
Interest income from:							
AFS investments	6	**P**	**117,510,202**	P	62,571,971	P	45,180,490
Cash and cash equivalents	4		**22,253,393**		41,295,682		65,927,344
Loans receivable	5		**12,994,323**		2,192,416		-
Due from a related party	17.1		**9,583,994**		5,698,023		4,895,036
HTM investments			**-**		1,650,000		1,672,563
			162,341,912		113,408,092		117,675,433
Fair value gain from financial assets at FVTPL	6		**8,456,381**		-		-
Foreign exchange gains – net			**-**		-		3,037,732
		P	**170,798,293**	P	113,408,092	P	120,713,165

15. EMPLOYEES' HEALTH, WELFARE AND RETIREMENT FUND

The University maintains a funded and contributory retirement plan, which is a defined contribution type of retirement plan since 1967, covering regular teaching and non-teaching personnel members.

The retirement fund is under the administration of an organization, the FEU Health, Welfare and Retirement Fund (the Fund), through its Retirement Board.

Contributions to this fund are in accordance with the defined contribution established by the Retirement Board which is the sum of the employees' and the University's contributions. Employees' contribution is 5% of basic salary while the University's contribution is equivalent to 20% of the employees' basic salary. Retirement expense presented as part of Employee benefits under Operating Expenses in the statements of comprehensive income amounted to P69.8 million in 2011, P86.6 million in 2010 and P85.9 million in 2009 (see Note 13).

The Fund's statements of financial position as of December 31, 2010, 2009 and 2008 showed the following:

		2010		2009		2008
Assets						
Money market placements	**P**	**758,247,882**	P	715,250,000	P	643,050,000
Receivables		**62,940,415**		52,926,997		38,547,269
Cash on hand and in banks		**24,083,864**		9,997,093		10,784,913
Others		**114,396**		136,263		185,654
		845,386,557		778,310,353		692,567,836
Liabilities		**(67,028,640)**		(55,569,843)		(50,395,960)
Net Assets	**P**	**778,357,917**	P	722,740,510	P	642,171,876

16. INCOME TAXES

The components of the University's tax expense presented in profit or loss are as follows:

	2011	2010	2009
Current tax expense:			
Special rate at 10%	**P 59,431,631**	P 56,990,568	P 51,743,268
Final tax at 20%	**27,360,130**	21,103,483	20,543,679
	86,791,761	78,094,051	72,286,947
Deferred tax expense (income) arising from origination and reversal of temporary differences	**(160,096)**	(1,388,091)	2,888,741
	P 86,631,665	P 76,705,960	P 75,175,688

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in profit or loss follows:

	2011	2010	2009
Tax on pretax income at 10%	**P 72,906,256**	P 66,188,724	P 64,217,355
Adjustments for income subjected to higher tax rates	**13,383,769**	10,551,718	9,265,639
Derecognition of previously recognized deferred tax	-	-	1,700,000
Others	**341,640**	(34,482)	(7,306)
Tax expense reported in profit or loss	**P 86,631,665**	P 76,705,960	P 75,175,688

The net deferred tax assets relate to the following as of March 31:

	Statement of Financial Position			**Profit or Loss**		
	2011	2010	2009	**2011**	2010	2009
Deferred tax assets:						
Accrued rent expense	**P 5,275,564**	P 5,168,876	P 4,591,002	**(P 106,688)**	(P 577,874)	(P 1,047,917)
Allowance for impairment on receivables	**2,442,894**	1,572,771	1,414,626	**(870,123)**	(158,145)	(227,393)
Unrealized foreign currency loss	**377,222**	348,299	-	**(28,923)**	(348,299)	474,786
Unearned income	**-**	-	-		-	1,685,492
Accrued donation	**-**	-	-		-	1,700,000
Deferred tax liability – Unrealized foreign currency gains	**(845,638)**	-	(303,773)	**845,638**	(303,773)	303,773
Deferred tax expense (income)				**(P 160,096)**	(P 1,388,091)	P 2,888,741
Deferred tax assets – net	**P 7,250,042**	P 7,089,946	P 5,701,855			

The University availed of the Tax Incentives Provisions of Republic Act (R.A.) No. 8525, Adopt-a-School Act of 1998. Total benefit from the availment of these tax incentives provided under the R.A. is the sum of the amount of contribution/donation that was actually, directly and exclusively incurred for the Adopt-a-School Program, with limitations, conditions and rules set forth in Section 34 (H) of the Tax Code and fifty percent (50%) of the amount of such contribution/donation.

In 2011, 2010 and 2009, the Company opted to continue claiming itemized deductions.

17. RELATED PARTY TRANSACTIONS

The University's related parties include its subsidiaries, the University's key management and others as described below. The following are the University's significant transactions with such related parties:

17.1 Interest-bearing Advances

The University has outstanding initial cash advances to FRC with an aggregate principal amount of P100.0 million as of March 31, 2011, 2010 and 2009 (see Note 21.1). These advances bear interest due quarterly based on 91-day Treasury bill rates ranging from 2.5% to 4.3% in 2011, 3.9% to 4.6% in 2010 and 4.6% to 6.8% in 2009. In 2010, additional advances amounting to P118.8 million were granted by the University to FRC for the construction of school building and campus for FECSI. Interest rate charged on these advances is fixed at 2.5% per annum based on the usual interest rate on the University's placements. In fiscal year 2011, additional advances of P310.6 million were made by the University to FRC, of which, P250.0 million bears interest at 4.3% per annum. As of March 31, 2011, the current portion of these advances to FRC amounting to P134.9 million is presented as Receivable from FRC under the Receivables account in the statements of financial position. There are no current portion of the University's interest-bearing advances as of March 31, 2010 and 2009.

Total interest income earned from the advances amounted to P9.6 million in 2011, P5.7 million in 2010 and P4.9 million in 2009 which were presented as part of Finance Income in the statements of comprehensive income (see Note 14). The related outstanding interest receivables are shown as Accrued interest under the Receivables account in the statements of financial position (see Note 5).

The movement in the outstanding balance of the advances to FRC which is presented as Due from a Related Party in the statements of financial position is shown below (see Note 21.2).

	Note	**2011**	2010	2009
Balance at beginning of year		**P 218,774,500**	P 100,000,000	P 100,000,000
Advances during the year		**310,617,894**	118,774,500	-
Balance at end of year		**529,392,394**	218,774,500	100,000,000
Current portion	5	**134,903,190**	-	-
Non-current portion		**P 394,489,204**	P 218,774,500	P 100,000,000

17.2 Noninterest-bearing Advances

The University grants unsecured and noninterest-bearing advances to certain related parties for working capital purposes which are currently due and demandable. Summarized below are the outstanding receivables, shown as part of receivable from related parties under the Receivables account in the statements of financial position, arising from these transactions (see Note 5).

	2009	Net Additions (Collections)	2010	Net Additions (Collections)	**2011**
FRC	P 3,117,297	(P 2,828,391)	P 288,906	(P 288,906)	**P -**
FECSI	1,866,708	5,319,500	7,186,208	(1,649,596)	**5,536,612**
	P 4,984,005	P 2,491,109	P 7,475,114	(P 1,938,502)	**P 5,536,612**

17.3 Lease of Manila Campus Premises from FRC

The University leases certain buildings located within the Manila campus premises from FRC for a period of 10 years from July 1, 2005 to June 30, 2015. The lease period is renewable subject to conditions mutually agreed upon by both parties. Total rental expense arising from these leases charged to operations amounted to P55.6 million in 2011, P55.0 million in 2010 and P56.2 million in 2009 presented as part of Administrative expenses (see Note 13) while outstanding payables as of March 31, 2011, 2010 and 2009 amounted to P51.6 million, P45.8 million and P42.6 million, respectively, presented as part of Accrued Expenses under Accounts Payable and Other Liabilities in the statements of financial position (see Note 10).

17.4 Lease of Makati Campus Premises from FRC

As discussed in Notes 5 and 20.1(b), upon FRC's acquisition of the Crans Montana Property, the University's lease of the land where the building occupied by FEU Makati Campus is located did not materialize. It was, however, acquired by FRC which eventually leased to FEU the land for a period of 30 years from December 1, 2010 to May 31, 2041. The lease period is renewable subject to conditions mutually agreed upon by both parties. Total rental expense charged to operations amounted to P2.6 million in 2011 and nil in 2010 and 2009 presented as part of Rental under the Administrative expenses (see Note 13). There is no outstanding rental payable as of March 31, 2011 arising from this lease transaction.

17.5 Lease of Certain Floor to FRC

The University leases to FRC the mezzanine floor of one of the University's building for a period of 10 years from September 1, 2007 to August 31, 2017, renewable upon mutual consent of both parties. Based on the lease contract, the University provides discounts on the monthly rental during the lean season of the school year. Rent income from FRC amounted to P1.2 million in 2011, and P0.8 million in 2010 and 2009 which are shown as part of Rental under Other Income (Charges) in the statements of comprehensive income (see Note 8). There are no outstanding receivables as of the end of each year related to this lease agreement.

17.6 Key Management Personnel Compensation

Total remunerations of the University's key management personnel presented as part of Salaries and allowances and Employees benefits under the Instructional and Academic expenses (see Note 13) is as follows:

	2011	2010	2009
Short-term benefits	P 116,142,820	P 116,432,220	P 113,999,963
Retirement benefits	18,958,287	18,247,691	18,063,955
	P 135,101,107	P 134,679,911	P 132,063,918

18. EQUITY

18.1 Capital Stock

	Shares			Amount		
	2011	2010	2009	2011	2010	2009
Common shares – P100 par value						
Authorized	10,000,000	10,000,000	10,000,000			
Issued and outstanding:						
Balance at beginning of year	9,845,779	9,845,779	7,043,699	P 984,577,900	P 984,577,900	P 704,369,900
Issued during the year	-	-	2,802,080	-	-	280,208,000
Balance at end of year	9,845,779	9,845,779	9,845,779	984,577,900	984,577,900	984,577,900
Treasury stock – at cost	(37,331)	(37,331)	(37,331)	(3,733,100)	(3,733,100)	(3,733,100)
Total outstanding	9,808,448	9,808,448	9,808,448	P 980,844,800	P 980,844,800	P 980,844,800

18.2 Retained Earnings

Significant transactions affecting Retained Earnings, which is also legally restricted at an amount equivalent to the cost of the University's treasury shares of P3.7 million, are as follows:

(a) Appropriation of Retained Earnings

Appropriated Retained Earnings consist of appropriations for:

	Note	2011	2010	2009
Property and investment acquisition		P 1,200,000,000	P 1,000,000,000	P -
Expansion of facilities		395,000,000	599,333,335	899,333,335
Purchase of equipment and improvements		140,000,000	-	-
General retirement		65,000,000	57,000,000	57,000,000
Contingencies	20.3, 20.4	53,733,100	18,765,682	18,765,682
		P 1,853,733,100	P 1,675,099,017	P 975,099,017

In 2009, the University made a reversal of appropriations amounting to P172.1 million pertaining to expansion of facilities, repairs and improvements, acquisition of laboratory equipment and purchase of equipment and improvements. In 2010, the University appropriated P1.0 billion for property and investment acquisition and reversed P300.0 million relating to expansion of facilities. In 2011, the University reversed the appropriation for expansion of facilities and purchase of equipment amounting to P379.3 million and appropriated an amount of P557.9 million for expansion and acquisition of facilities and contingencies.

(b) Dividend Declaration

The BOT approved the following dividend declarations in 2011, 2010 and 2009:

	Date of				
	Declaration	Record	Payment		Amount
2011					
Cash dividend of P15 per share	July 6, 2010	July 20, 2010	July 30, 2010	P	147,126,720
Cash dividend of P15 per share	December 14, 2010	January 3, 2011	January 17, 2011		147,126,720
				P	**294,253,440**
2010					
Cash dividend of P15 per share	June 19, 2009	July 6, 2009	July 20, 2009	P	147,126,720
Cash dividend of P15 per share	December 15, 2009	January 8, 2010	January 25, 2010		147,126,720
				P	294,253,440
2009					
Cash dividend of P15 per share	June 17, 2008	July 7, 2008	July 21, 2008	P	105,095,520
40% stock dividend equivalent to 2,802,547 shares	August 23, 2008	September 15, 2008	October 9, 2008		280,208,000
467 fractional shares paid out in cash at P100 per share	August 23, 2008	September 15, 2008	October 9, 2008		46,720
Cash dividend of P15 per share	December 16, 2008	January 8, 2009	January 22, 2009		147,126,720
				P	532,476,960

Unpaid dividends as of March 31, 2011, 2010 and 2009 are presented as dividends payable under Accounts Payable and Other Liabilities in the statements of financial position (see Note 10).

19. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2011	2010	2009
Net income	**P 642,430,892**	P 585,181,285	P 566,997,861
Divided by weighted average number of outstanding shares, net of treasury stock of 37,331 shares	**9,808,448**	9,808,448	8,407,408
Basic and diluted earnings per share	**P 65.50**	P 59.66	P 67.44

The weighted average number of shares outstanding as of March 31, 2009 is computed as follows:

	Number of Shares	Months Outstanding	Weighted Number of Shares
Balance at beginning of year	7,006,368	12	84,076,416
Issuance on October 9, 2008	2,802,080	6	16,812,480
Balance at end of year	9,808,448		100,888,896
Divided by total months in 2009			12
Weighted average number of shares outstanding			8,407,408

There were no stock issuances in 2011 and 2010, hence, the weighted average number of shares outstanding is equivalent to the total outstanding shares as of March 31, 2011 and 2010.

The University has no dilutive potential common shares as of March 31, 2011, 2010 and 2009.

20. COMMITMENTS AND CONTINGENCIES

20.1 Operating Lease Commitments – University as Lessee

(a) Lease Agreement with FRC

The University is a lessee under non-cancellable operating leases covering certain buildings. The lease has 10-year terms with renewal options and includes annual escalation rates of 10%. The future minimum rentals payable under these non-cancellable operating leases are as follows as of March 31:

	2011	2010	2009
Within one year	**P 47,644,090**	P 43,312,809	P 39,375,281
After one year but not more than five years	**115,822,783**	221,116,303	201,014,828
More than five years	**-**	16,222,259	79,636,542
	P 163,466,873	P 280,651,371	P 320,026,651

(b) Lease Agreement with Crans Montana/FRC

The University also entered into a contract of lease with Crans Montana for the land where building occupied by FEU Makati is located commencing on November 18, 2009 until November 17, 2010. In 2010, the parties amended the contract extending the lease term for a period of 10 years. However, as discussed in Notes 5 and 17.4, FRC acquired the land in fiscal year 2011 and entered into a lease contract with FEU for the lease of the land as the University's new lessor. The future minimum rentals payable under this non-cancellable operating lease are as follow as of March 31, 2011 and 2010:

	2011	2010
Within one year	**P 7,869,600**	P 2,623, 200
After one year but not more than five years	**23,608,800**	10,492,800
More than five years	**196,740,000**	12,241,600
	P 228,218,400	P 25,357,600

20.2 Operating Lease Commitments – University as Lessor

The University leases out certain buildings to EAEF and the mezzanine floor to FRC for a period of one to ten years until August 31, 2017 (see Note 8). Total rent income arising from these leases recognized in profit or loss amounted to P36.3 million in 2011, P32.8 million in 2010 and P22.9 million in 2009.

Future minimum rental receivables, excluding contingent rental, under these operating leases as of March 31, 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Within one year	**P 35,656,350**	P 28,666,776	P 28,666,776
After one year but not more than five years	**142,625,400**	114,667,104	114,667,104
More than five years	**14,856,813**	57,333,552	86,000,328
	P 193,138,563	P 200,667,432	P 229,334,208

20.3 Legal Claims

As of March 31, 2010 and 2009, the University is a defendant in certain civil cases which are pending in the local courts, certain illegal dismissal cases pending before the National Labor Relations Commission, and a class suit for damages by certain students which is pending before the Court of Appeals. In 2011, the University was granted with a favorable decision on these legal cases.

The University's management and its legal counsel believe that liabilities, if any, which may result from the outcome of these cases, will not materially affect the financial position and results of operations of the University. However, the University has appropriated portion of its retained earnings for these contingencies (see Note 18.2).

20.4 Others

There are other contingencies that arise in the normal course of business that are not recognized in the University's financial statements. Management believes that losses, if any, arising from these commitments and contingencies will not materially affect its financial statements, however, the University opted to generally appropriate portion of its retained earnings to cover for such contingencies (see Note 18.2).

21. 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.

21.1 Interest Rate Sensitivity

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

	Notes	**2011**	2010	2009
Cash and cash equivalents	4	**P 381,502,288**	P 427,163,215	P 1,121,771,210
AFS investments	6	**1,510,553,138**	1,202,638,312	1,073,109,957
HTM investments		**-**	20,000,000	20,000,000
Due from a related party	17.1	**100,000,000**	100,000,000	100,000,000
Restricted cash and cash equivalents	4, 11	**5,394,693**	43,970,750	58,490,642
		P 1,997,450,119	P 1,793,772,277	P 2,373,371,809

The following table illustrates the sensitivity of income before tax for the years with regard to the University's interest-bearing financial instruments. These percentages have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence. The sensitivity analysis is based on the University's financial instruments held at March 31, 2011, 2010 and 2009.

	2011		2010		2009	
	Reasonably possible change in rate	**Effect on income before tax**	Reasonably possible change in rate	Effect on income before tax	Reasonably possible change in rate	Effect on income before tax
Cash and cash equivalents	+/-0.79%	**P 3,071,364**	+/-1.39%	P 5,925,674	+/-2.67%	P 31,423,827
AFS investments	+/-0.79%	**12,024,719**	+/-0.94%	16,034,252	+/-2.83%	28,147,720
HTM investments	-	-	+/-1.39%	278,000	+/-2.67%	534,000
Due from a related party	+/-0.79%	**937,325**	+/-0.78%	780,297	+/-2.73%	2,733,463
Restricted cash and cash equivalents	+/-0.79%	**42,618**	+/-1.39%	611,193	+/-2.67%	1,561,700
		P 16,076,026		P 23,629,416		P 64,400,710

21.2 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. Also, students are not allowed to enroll in the following semester unless the unpaid balance in the previous semester has been paid. The University also withholds the academic records and clearance of the students with unpaid balance, thus ensuring that collectibility is reasonably assured. The University's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

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 (see Notes 17.1 and 17.2). 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. The maximum exposure to credit risk at the end of the reporting period is as follows:

	Notes	2011	2010	2009
Cash and cash equivalents	4	**P 381,502,288**	P 427,163,215	P 1,121,771,210
Receivables	5	**591,894,556**	699,920,334	133,310,657
Financial assets at FVTPL		**8,456,381**	-	-
AFS investments (debt securities)	6	**1,318,716,186**	1,180,709,313	1,053,371,205
Restricted cash and cash equivalents	4, 11	**5,394,693**	43,970,750	58,490,642
Due from a related party	17.1	**394,489,204**	218,774,500	100,000,000
HTM investments		**-**	20,000,000	20,000,000
		P 2,700,453,308	P 2,590,538,112	P 2,486,943,714

The table below shows the credit quality of the University's financial assets as of March 31, 2011, 2010 and 2009 (presented in thousands Philippine pesos) having past due but not impaired components.

	Neither past due nor impaired	Past due		Total
		Impaired (see Note 5)	Not impaired	
2011				
Cash and cash equivalents	P 381,502	P -	P -	P 381,502
Receivables	572,311	24,429	32,509	629,249
Financial assets at FVTPL	8,456	-	-	8,456
AFS investments	1,318,716	-	-	1,318,716
Restricted cash and cash equivalents	5,395	-	-	5,395
Due from a related party	394,489	-	-	394,489
	P 2,680,869	**P 24,429**	**P 32,509**	**P 2,737,807**

	Neither past due nor impaired	Past due: Impaired (see Note 5)	Past due: Not impaired	Total
2010				
Cash and cash equivalents	P 427,163	P -	P -	P 427,163
Receivables	683,522	15,728	16,398	715,649
AFS investments	1,180,709	-	-	1,180,709
HTM investments	20,000	-	-	20,000
Restricted cash and cash equivalents	43,971	-	-	43,971
Due from a related party	218,774	-	-	218,774
	P 2,574,139	P 15,728	P 16,398	P 2,606,266
2009				
Cash and cash equivalents	P 1,121,771	P -	P -	P 1,121,771
Receivables	118,536	14,146	14,775	147,457
AFS investments	1,053,371	-	-	1,053,371
HTM investments	20,000	-	-	20,000
Restricted cash and cash equivalents	58,491	-	-	58,491
Due from a related party	100,000	-	-	100,000
	P 2,472,169	P 14,146	P 14,775	P 2,501,090

The age of past due but not impaired receivables is about six months for each of the three years.

The University classifies tuition and other school fees receivables from students based on the number of semesters the receivables have been outstanding. Receivables from students that are outstanding for more than one semester are analyzed to determine whether they are impaired. Those that are not outstanding for more than one semester or are currently receivable are determined to be collectible, based on historical experience.

The University's management considers that all the above financial assets are not impaired, except those specifically provided with allowance for impairment, at the end of the reporting period and of good credit quality. Cash and cash equivalents, AFS investments and HTM investments are coursed through reputable financial institutions duly approved by the BOT. The balance of Due from a Related Party account is from a profitable related party with good payment record; collections therefrom are reasonably assured.

21.3 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.

21.4 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 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.

For equity securities listed in the Philippines, an average volatility of 18.98%, 26.06% and 36.68% has been observed during 2011, 2010 and 2009, respectively. If quoted price for these securities increased or decreased by that amount income before tax would have changed by P28.3 million, P4.9 million and P7.1 million in 2011, 2010 and 2009, respectively.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the University's policies, no specific hedging activities are undertaken in relation to these investments, except as discussed in Note 6 in connection with its investment in cross currency swap. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the University's favor.

22. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

22.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below.

	Notes	2011		2010		2009	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets							
Loans and receivables:							
Cash and cash equivalents	4	**P 381,502,288**	**P 381,502,288**	P 427,163,215	P 427,163,215	P 1,121,771,210	P 1,121,771,210
Receivables	5	**591,894,556**	**591,894,556**	699,920,334	699,920,334	133,310,657	133,310,657
Restricted cash and cash equivalents	4, 11	**5,394,693**	**5,394,693**	43,970,750	43,970,750	58,490,642	58,490,642
Due from a related party		**394,489,204**	**394,489,204**	218,774,500	218,774,500	100,000,000	100,000,000
		1,373,280,741	**1,373,280,741**	1,389,828,799	1,389,828,799	1,413,572,509	1,413,572,509
AFS investments:	6						
Debt securities		**1,318,716,186**	**1,318,716,186**	1,180,709,313	1,180,709,313	1,053,371,205	1,053,371,205
Equity securities		**191,836,952**	**191,836,952**	21,928,999	21,928,999	19,738,752	19,738,752
		1,510,553,138	**1,510,553,138**	1,202,638,312	1,202,638,312	1,073,109,957	1,073,109,957
HTM investments - Debt securities		**-**	**-**	20,000,000	20,000,000	20,000,000	20,000,000
		P 2,883,833,879	**P 2,883,833,879**	P 2,612,467,111	P 2,612,467,111	P 2,506,682,466	P 2,506,682,466
Financial Liabilities							
Accounts payable and other liabilities	10	**P 394,259,497**	**P 394,259,497**	P 429,074,304	P 429,074,304	P 399,286,852	P 399,286,852

See Notes 2.4 and 2.7 for a description of the accounting policies for each category of financial instruments. A description of the University's risk management objectives and policies for financial instruments is provided in Note 21.

22.2 Fair Value Hierarchy

The University adopted in fiscal year 2010 the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*. These amendments require the University to present certain information about financial instruments measured at fair value in the statements of financial position.

In accordance with this amendment, financial assets and liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The breakdown of the University's AFS investments measured at fair value in its statements of financial position as of March 31, 2011 and 2010 is as follows (see Note 6):

2011

	Level 1	Level 2	Level 3	Total
Debt securities:				
Government	P 760,955,122	P -	P -	P 760,955,122
Corporate	430,738,836	-	127,022,228	557,761,064
Equity securities	191,836,952	-	-	191,836,952
	P 1,383,530,910	**P -**	**P 127,022,228**	**P 1,510,553,138**

2010

	Level 1	Level 2	Level 3	Total
Debt securities:				
Government	P 678,179,527	P -	P -	P 678,179,527
Corporate	55,540,548	-	446,989,238	502,529,786
Equity securities	21,928,999	-	-	21,928,999
	P 755,649,074	P -	P 446,989,238	P 1,202,638,312

23. 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 capital to 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. Capital for the reporting period March 31, 2011, 2010 and 2009 under review is summarized as follows:

	2011	2010	2009
Total debt	**P 491,311,389**	P 518,923,521	P 576,893,441
Total equity	**3,558,511,144**	3,197,540,409	2,889,221,565
Debt-to-equity ratio	**0.14 : 1.00**	0.16 : 1.00	0.20 : 1.00

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.

24. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations 15-2010, which recquired certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosures requires under PFRS, is presented as follows:

24.1 Output Value-added Tax

In 2011, the University declared output VAT as follows:

	Tax Base	Output VAT
Management fee	P 40,826,129	P 4,899,135
Rental	14,424,354	1,730,922
	P 55,250,483	**P 6,630,057**

The outstanding output VAT payable amounting to P421,877 as of March 31, 2011 is presented as part of Withholding and other taxes payable under the Accounts Payables and Other Liabilities account in the 2011 statement of financial position (see Note 10).

Pursuant to Section 109, *VAT Exempt Transactions*, of the National Internal Revenue Code of 1997, the University's receipts from tuition and other fees related to educational services amounting to P1.8 billion are VAT exempt.

24.2 Input Value-added Tax

As mentioned in Note 24.1, pursuant to Section 109, the University's receipts from tuition and other school fees are VAT exempt. In addition, pursuant to such section, the University is not allowed any tax credit of input VAT on its purchases. Accordingly, the University directly records the input VAT as part of the asset and expenses from which such may arose.

24.3 Landed Cost, Custom Duties and Tariff Fees

The University did not pay any taxes on importation as it did not import any asset or goods for use in its operations in 2011.

24.4 Excise Tax

The University does not have excise tax in 2011 presented since it does not have any transactions which are subject to excise tax.

24.5 Documentary Stamp Tax

In 2011, documentary stamp tax paid amounted to P160,000 pertaining to lease contracts and other various investments in financial instruments entered into by the University during the year (see Note 24.6).

24.6 Taxes and Licenses

The details of Taxes and Licenses presented under Operating Expenses section in the 2011 statement of comprehensive income (see Note 13) is broken down as follows:

	Note		
Municipal license and permits		P	572,565
Business tax			424,723
Documentary stamp tax	24.5		160,000
Community tax certificate			10,500
Miscellaneous			3,773
		P	**1,171,561**

24.7 Withholding Taxes

The details of total withholding taxes for the year ended March 31, 2011 are shown below.

Compensation and benefits	P	18,069,303
Creditable		1,549,483
	P	**19,618,786**

24.8 Deficiency Tax Assessment and Tax Cases

As of March 31, 2011, the University does not have any deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Far Eastern University, Inc. and Subsidiaries is responsible for all information and representations contained in the consolidated statements for the years ended March 31, 2011, 2010 and 2009. The consolidated statements have been prepared in conformity with financial reporting standards in the Philippines/Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. The management likewise discloses to the University and its Subsidiaries' audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Trustees reviews the consolidated statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated statements of the University and its Subsidiaries in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Trustees and stockholders.

LOURDES R. MONTINOLA
Chair, Board of Trustees and
Chief Executive Officer

LYDIA B. ECHAUZ
President and Chief
Operating Officer

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

SUBSRIBED AND SWORN to before me this 13th day of July 2011, affiants exhibiting their Community Tax Certificates as follows:

Name	CTC	Date/Place Issued
Lourdes R. Montinola	06003261	2-17-11/Makati City
Lydia B. Echauz	01190789	2-15-11/Manila
Juan Miguel R. Montinola	05932515	1-07-11/Makati

ATTY. ENRICO G. GILERA
NOTARY PUBLIC
NOTARY PUBLIC
PTR No. 915873; 01-18-11; MANILA
IBP No. 847327; 01-07-11; PPLM
ROLL No. 35145; MAY 27, 1988
COMPLIANCE No. III-0018920

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Book No. III
Series of 2011.

Punongbayan & Araullo

Report of Independent Auditors

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The Board of Trustees
The Far Eastern University, Incorporated and Subsidiaries
Nicanor Reyes Sr. Street
Sampaloc, Manila

We have audited the accompanying consolidated financial statements of The Far Eastern University, Incorporated and subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2011, 2010 and 2009, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Far Eastern University, Incorporated and subsidiaries as at March 31, 2011, 2010 and 2009, and of their consolidated financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Jessie C. Carpio
Partner

CPA Reg. No. 0057831
TIN 109-227-789
PTR No. 2641856, January 3, 2011, Makati City
Partner's SEC Accreditation No. 0011-AR-2 (until Feb. 9, 2012)
BIR AN 08-002511-6-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

June 21, 2011

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	5	P 418,324,237	P 468,148,054	P 1,172,859,362
Receivables - net	6	518,305,654	839,947,375	138,151,928
Financial assets at fair value through profit or loss	7	8,456,381	-	-
Available-for-sale investments	7	1,235,981,682	1,240,095,151	1,088,109,957
Held-to-maturity investments	3	-	20,000,000	20,000,000
Real estate held for sale	8	120,922,260	122,532,288	129,216,942
Other current assets	5, 6, 10	70,014,423	128,520,280	90,677,164
Total Current Assets		2,372,004,637	2,819,243,148	2,639,015,353
NON-CURRENT ASSETS				
Available-for-sale investments	7	311,515,573	-	-
Investments in an associate and joint venture	9	9,948,773	13,251,976	7,055,963
Investment property - net	10	356,957,509	371,577,177	364,903,545
Property and equipment - net	11	1,629,565,811	1,207,576,778	843,473,310
Deferred tax assets	18	13,435,789	10,841,548	9,228,791
Other non-current assets		18,082,480	16,117,892	26,151,492
Total Non-current Assets		2,339,505,935	1,619,365,371	1,250,813,101
TOTAL ASSETS		P 4,711,510,572	P 4,438,608,519	P 3,889,828,454
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable and other liabilities	12	P 364,430,602	P 453,578,125	P 349,657,377
Deferred income	14	51,955,357	2,715,463	76,555,105
Trust funds	13	5,394,693	43,970,750	58,490,641
Income tax payable		53,875,651	78,758,273	48,721,315
Notes payable	10	3,662,796	3,371,494	3,103,359
Total Current Liabilities		479,319,099	582,394,105	536,527,797
NON-CURRENT LIABILITIES				
Notes payable	10	3,292,947	6,955,744	10,327,238
Deferred tax liabilities	18	14,805,270	13,822,482	13,170,629
Total Non-current Liabilities		18,098,217	20,778,226	23,497,867
Total Liabilities		497,417,316	603,172,331	560,025,664

Forward

	Notes	2011	2010	2009
EQUITY				
Equity attributable to owners of the parent company				
Capital stock	20	**984,577,900**	984,577,900	984,577,900
Treasury stock - at cost	20	**(3,733,100)**	(3,733,100)	(3,733,100)
Accumulated fair value gains (losses)	7	**20,650,845**	7,857,562	(9,533,437)
Retained earnings	20			
Appropriated		**1,853,733,100**	1,675,099,017	975,099,017
Unappropriated		**898,549,251**	731,601,395	1,068,447,399
Total equity attributable to owners of the parent company		**3,753,777,996**	3,395,402,774	3,014,857,779
Non-controlling interest		**460,315,260**	440,033,414	314,945,011
Total Equity		**4,214,093,256**	3,835,436,188	3,329,802,790
TOTAL LIABILITIES AND EQUITY		**P 4,711,510,572**	P 4,438,608,519	P 3,889,828,454

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
REVENUES				
Educational income	14			
Tuition fees - net		**P 1,760,859,152**	P 1,665,790,366	P 1,611,808,467
Other school fees		**36,011,952**	35,258,665	50,279,810
		1,796,871,104	1,701,049,031	1,662,088,277
Rental	22	**72,056,661**	58,772,878	50,437,726
Sale of real estate	8	**11,557,142**	8,032,714	-
		1,880,484,907	1,767,854,623	1,712,526,003
COSTS AND OPERATING EXPENSES	15	**1,303,708,537**	1,208,484,789	1,166,169,195
OPERATING INCOME		**576,776,370**	559,369,834	546,356,808
OTHER INCOME (CHARGES)				
Finance income	16	**163,780,640**	110,665,596	120,856,838
Management fees	6	**18,303,571**	14,080,414	11,527,024
Finance costs		**(6,225,443)**	(3,482,984)	-
Share in net losses of associate and joint venture	9	**(3,303,203)**	(53,987)	(49,416)
Gain on sale of investment property	10	**-**	211,609,170	-
Others		**11,054,469**	12,207,533	13,598,675
		183,610,034	345,025,742	145,933,121
PROFIT BEFORE PREACACQUISITION INCOME AND TAX		**760,386,404**	904,395,576	692,289,929
PREACQUISITION INCOME	1	**-**	-	3,999,262
INCOME BEFORE TAX		**760,386,404**	904,395,576	696,289,191
TAX EXPENSE	18	**100,269,179**	126,699,737	86,995,739
NET INCOME		**660,117,225**	777,695,839	609,293,452
OTHER COMPREHENSIVE INCOME	7			
Fair value gains (losses)		**12,793,283**	17,390,999	(8,016,082)
Reclassification to profit or loss		-	-	(2,750,598)
		12,793,283	17,390,999	(10,766,680)
TOTAL COMPREHENSIVE INCOME		**P 672,910,508**	P 795,086,838	P 598,526,772
Net income attributable to:				
Owners of the parent company		**P 639,835,379**	P 657,407,436	P 585,200,755
Non-controlling interest		**20,281,846**	120,288,403	24,092,697
		P 660,117,225	P 777,695,839	P 609,293,452
Total comprehensive income attributable to:				
Owners of the parent company		**P 652,628,662**	P 674,798,435	P 574,434,075
Non-controlling interest		**20,281,846**	120,288,403	24,092,697
		P 672,910,508	P 795,086,838	P 598,526,772
Earnings Per Share				
Basic and Diluted	21	**P 65.23**	P 67.02	P 69.61

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MARCH 31, 2011 , 2010 AND 2009
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company						
					Retained Earnings			
	Notes	Capital Stock	Treasury Stock	Accumulated Fair Value Gains (Losses)	Appropriated	Unappropriated	Non-controlling Interest	Total Equity
Balance at April 1, 2010		P 984,577,900	(P 3,733,100)	P 7,857,562	P 1,675,099,017	P 731,601,395	P 440,033,414	P 3,835,436,188
Comprehensive income								
Net income for the year		-	-	-	-	639,835,379	20,281,846	660,117,225
Fair value gains for the year	7	-	-	12,793,283	-	-	-	12,793,283
Total comprehensive income		-	-	12,793,283	-	639,835,379	20,281,846	672,910,508
Transactions with owners								
Appropriations for the year	20	-	-	-	557,967,418	(557,967,418)	-	-
Reversal of appropriations during the year	20	-	-	-	(379,333,335)	379,333,335	-	-
Cash dividends	20	-	-	-	-	(294,253,440)	-	(294,253,440)
		-	-	-	178,634,083	(472,887,523)	-	(294,253,440)
Balance at March 31, 2011		**P 984,577,900**	**(P 3,733,100)**	**P 20,650,845**	**P 1,853,733,100**	**P 898,549,251**	**P 460,315,260**	**P 4,214,093,256**
Balance at April 1, 2009		P 984,577,900	(P 3,733,100)	(P 9,533,437)	P 975,099,017	P 1,068,447,399	P 314,945,011	P 3,329,802,790
Comprehensive income								
Net income for the year		-	-	-	-	657,407,436	120,288,403	777,695,839
Fair value gains for the year	7	-	-	17,390,999	-	-	-	17,390,999
Total comprehensive income		-	-	17,390,999	-	657,407,436	120,288,403	795,086,838
Transactions with owners								
Appropriations for the year	20	-	-	-	1,000,000,000	(1,000,000,000)	-	-
Reversal of appropriations during the year	20	-	-	-	(300,000,000)	300,000,000	-	-
Cash dividends	20	-	-	-	-	(294,253,440)	-	(294,253,440)
		-	-	-	700,000,000	(994,253,440)	-	(294,253,440)
Transaction with non-controlling interest								
Increase in non-controlling interest	1	-	-	-	-	-	4,800,000	4,800,000
Balance at March 31, 2010		P 984,577,900	(P 3,733,100)	P 7,857,562	P 1,675,099,017	P 731,601,395	P 440,033,414	P 3,835,436,188
Balance at April 1, 2008		P 704,369,900	(P 3,733,100)	P 1,233,243	P 1,147,161,414	P 843,661,207	P 295,973,176	P 2,988,665,840
Comprehensive income								
Net income for the year		-	-	-	-	585,200,755	24,092,697	609,293,452
Fair value losses for the year	7	-	-	(8,016,082)	-	-	-	(8,016,082)
Reclassification to profit or loss for the year		-	-	(2,750,598)	-	-	-	(2,750,598)
Total comprehensive income		-	-	(10,766,680)	-	585,200,755	24,092,697	598,526,772
Transactions with owners								
Issuance during the year		280,208,000	-	-	-	-	-	280,208,000
Reversal of appropriations during the year	20	-	-	-	(172,062,397)	172,062,397	-	-
Cash dividends	20	-	-	-	-	(252,268,960)	-	(252,268,960)
Stock dividends	20	-	-	-	-	(280,208,000)	-	(280,208,000)
		280,208,000	-	-	(172,062,397)	(360,414,563)	-	(252,268,960)
Transaction with non-controlling interest								
Decrease in non-controlling interest	1	-	-	-	-	-	(5,120,862)	(5,120,862)
Balance at March 31, 2009		P 984,577,900	(P 3,733,100)	(P 9,533,437)	P 975,099,017	P 1,068,447,399	P 314,945,011	P 3,329,802,790

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2011, 2010 AND 2009
(Amounts in Philippine Pesos)

	Notes	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 760,386,404	P 904,395,576	P 696,289,191
Adjustments for:				
Interest income	16	(155,324,259)	(110,665,596)	(117,819,106)
Depreciation	10, 11	81,719,829	58,378,201	52,944,002
Fair value gains on financial assets at fair value through profit or loss	7, 16	(8,456,381)	-	-
Share in net losses of associate and joint venture	9	3,303,203	53,987	49,416
Unrealized foreign exchange losses (gains) - net		2,967,193	3,482,984	(3,037,732)
Gain on sale of investment property	10	-	(211,609,170)	-
Preacquisition income	1	-	-	(3,999,262)
Operating profit before working capital changes		684,595,989	644,035,982	624,426,509
Decrease (increase) in receivables		16,957,013	(108,764,370)	(16,276,113)
Decrease in real estate held for sale		1,610,028	6,684,654	-
Decrease (increase) in other assets		23,661,463	(32,672,921)	31,588,975
Increase (decrease) in accounts payable and other liabilities		(17,381,808)	175,147,214	(13,086,542)
Increase (decrease) in deferred income		49,239,894	(73,839,642)	52,267,522
Decrease in trust funds		(38,576,057)	(14,519,891)	(17,671,581)
Cash generated from operations		720,106,522	596,071,026	661,248,770
Income taxes paid		(93,883,448)	(87,960,278)	(86,924,696)
Net Cash From Operating Activities		626,223,074	508,110,748	574,324,074
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property and equipment	11	(483,921,081)	(431,849,189)	(147,865,321)
Decrease (increase) in loans receivable	6	312,968,845	(477,000,000)	-
Increase in available-for-sale investments	7	(294,608,821)	(134,594,195)	(258,189,235)
Interest received		147,040,121	108,937,577	109,929,197
Matured held-to-maturity investments		20,000,000	-	12,071,040
Proceeds from sale of investment property	10	-	100,000,000	-
Investment made to a joint venture under registration	9	-	(6,250,000)	
Acquisitions of investment property	10	-	-	(15,723,242)
Cash Used in Investing Activities		(298,520,936)	(840,755,807)	(299,777,561)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	20	(371,187,267)	(365,479,906)	(309,875,665)
Payment of notes payable	10	(3,371,495)	(3,103,359)	(2,191,607)
Net Cash Used in Financing Activities		(374,558,762)	(368,583,265)	(312,067,272)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(2,967,193)	(3,482,984)	3,037,732
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49,823,817)	(704,711,308)	(34,483,027)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		468,148,054	1,172,859,362	1,207,342,389
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 418,324,237	P 468,148,054	P 1,172,859,362

Supplemental Information on Noncash Investing and Financing Activities:

1) In 2011, 2010 and 2009, the University declared cash dividends totaling P294.3 million, P294.3 million and P252.3 million, respectively, of which P5.7 million, P8.5 millic and P24.6 million, respectively, were not paid in the year of declarations (see Notes 12 and 20).

2) In 2011, Far Eastern College Silang, Inc. acquired educational materials which include books and computer equipment through advances from a third party (see Note 12)

3) The P52.0 million advances to contractors of the University for the improvements made on a leased property in 2010 were transferred from Other Current Assets to Property and Equipment upon completion of the construction of the improvements (see Note 6).

4) In fiscal year 2011, the balance of Advances to Joint Venture under Registration amounting to P6.2 million was transferred to Investments in an Associate and Joint Venture upon the Securities and Exchange Commission's approval of the joint venture's registration (see Note 9).

5) The University declared and issued stock dividends amounting to P280.2 million in 2009 (see Note 20).

6) In December 2009, Fern Realty Corporation (FRC) sold a parcel of land for a total consideration of P240 million of which amount, P140.0 million was unpaid as of March 31, 2010 (see Note 10).

7) In September 2008, FRC acquired a condominium unit by applying the P6.7 million advance payments made to the developer and issuing a a promissory note for P13.4 million for the remaining cost of the unit (see Note 10).

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2011, 2010 and 2009
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

The Far Eastern University, Incorporated (the University or parent company) is a domestic educational institution founded in June of 1928 and incorporated on January 5, 1933. The University was registered with the Philippine Securities and Exchange Commission (SEC) on March 7, 1940. As a private, non-sectarian institution of learning comprising the following different institutes that offer specific courses, namely, Institute of Arts and Sciences; Institute of Accounts, Business and Finance; Institute of Education; Institute of Architecture and Fine Arts; Institute of Nursing; Institute of Engineering; Institute of Law; and Institute of Graduate Studies.

The University became a listed corporation in the Philippine Stock Exchange on July 11, 1986.

In November 2009, the University entered into a Joint Venture (JV) Agreement to establish a joint venture company (JVC) for culinary arts. The registration of the JVC was approved by the SEC on May 7, 2010 (see Notes 2.3 and 9). In 2010, the University established the FEU Makati Campus (the Branch) in Makati City (see Note 6). The Branch started operations in June 2010.

As of March 31, 2011, 2010 and 2009, the University holds interest in the following subsidiaries, associate, and joint venture which were all incorporated and operating in the Philippines:

Company Name	Percentage of Effective Ownership 2011	2010	2009
Subsidiaries:			
East Asia Computer Center, Inc. (EACCI)	**100%**	100%	100%
Far Eastern College-Silang, Inc. (FECSI)	**100%**	100%	100%
Fern Realty Corporation (FRC)	**37.52%**	37.52%	37.52%
TMC – FRC Sports Performance and Physical Medicine Center, Inc. (SPARC)	**22.51%**	22.51%	-
Associate –			
Juliana Management Co., Inc. (JMCI)	**49%**	49%	49%
Joint Venture –			
ICF-CCE, Inc.	**50%**	-	-

FECSI was incorporated on January 21, 2009 and has started commercial operations in June 2010. FECSI and EACCI, similar to the University, were also established to operate as educational institutions. FRC, on the other hand, operates as a real estate company leasing most of its investment properties to the University and other related parties. In 2009, FEU made additional investment in FRC which resulted in 37.52% ownership interest, recognition of preacquisition income and decrease in non-controlling interest. FEU owns 22.51% of SPARC through FRC which acquired 60% equity ownership interest in SPARC in 2008. SPARC is engaged in the business of organizing, owning, operating, managing and maintaining a sports facility for the rehabilitation and sports performance enhancement within the Philippines.

Although the University controls less than 50% of the voting shares of stock of FRC, it has the power to govern the financial and operating policies of the said entity. Also, the University has the power to cast the majority of votes at meetings of the board of directors and elect officers of FRC. Accordingly, FRC is recognized as a subsidiary of the University.

The parent company and its subsidiaries are collectively referred to as the Group.

The registered office address and principal place of business of the University is located at Nicanor Reyes Sr. Street, Sampaloc, Manila.

The consolidated financial statements of the Group for the year ended March 31, 2011 (including the comparatives for the years ended March 31, 2010 and 2009) were authorized for issue by the Board of Trustees (BOT) on June 21, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Consolidated Financial Statements*

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. The Group opted to present on an annual basis two comparative periods for the consolidated statement of financial position regardless whether the Group has or does not have retrospective application of an accounting policy, retrospective restatement of items in the financial statements or reclassification of items in the consolidated financial statements.

(c) *Functional Currency*

These consolidated financial statements are presented in Philippine pesos, the parent company's and the subsidiaries' functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency).

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in Fiscal Year 2011 that are Relevant to the Group*

In 2011, the Group adopted the following new revisions and amendments to PFRS that are relevant to it and effective for consolidated financial statements for the annual period beginning on or after January 1, 2010:

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements
PFRS 3 (Revised 2008)	:	Business Combinations
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC 17)	:	Distribution of Non-cash Assets to Owners
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are the effects on the consolidated financial statements of the new and amended standards.

(i) PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements.* The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the consolidated financial statements as there were no transactions with non-controlling interests during the year.

(ii) PFRS 3 (Revised 2008), *Business Combinations.* The revised standard continues to apply the acquisition method to business combination with significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's identifiable net assets. All acquisition-related costs should be expensed. The University did not have any business acquisition during the year, hence, the adoption of the revised standard has no effect on the 2011 consolidated financial statements.

(iii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners.* IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The Group's adoption of this interpretation did not have a material impact on the consolidated financial statements because the Group did not distribute non-cash assets to its stockholders during the current year and in prior years.

(iv) 2009 Annual Improvements to PFRS. Most of these amendments became effective for annual periods beginning on or after July 1, 2009 or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements but which did not also have any material impact on its consolidated financial statements:

- PFRS 8 (Amendment), *Operating Segments.* It clarifies that a measure of segment assets should be disclosed only if the amount is regularly provided to the chief operating decision maker (CODM). The Group reports total assets for each of its reportable segments as they are regularly provided to the CODM, hence, does not have any significant effect on the Group's segment reporting.

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows*. The amendment clarifies that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases*. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.

(b) Effective in Fiscal Year 2011 but not Relevant to the Group

The following amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's consolidated financial statements:

PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Eligible Hedged Items
PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 18	:	Transfers of Assets from Customers

(c) Effective Subsequent to Fiscal Year 2011

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to fiscal year 2011. Among those pronouncements, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 12 (Amendment), *Income Taxes* (effective from January 1, 2012). An entity is required to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, when the asset is measured using the fair value model in PAS 40, *Investment Property,* it can be difficult and subjective to assess whether recovery will be through use or through sale; accordingly, an amendment to PAS 12 was made. The amendment introduces a presumption that recovery of the carrying amount will be or normally be through sale. Consequently, Philippine Interpretation SIC-21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into PAS 12 the remaining guidance previously contained in Philippine Interpretation SIC-21, which is accordingly withdrawn. As of March 31, 2011, management is still evaluating the effect of this amendment to the Group's consolidated financial statements.

(ii) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in fiscal year 2012.

(iii) PAS 27 (Revised), *Separate Financial Statements* and PAS 28 (Revised) *Investments in Associates and Joint Ventures* (effective from January 1, 2013). These are consequential revisions in connection with the new standards on consolidation PFRS 10, *Consolidated Financial Statements* and PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities,* which have recently been released. Previously, PAS 27 is entitled *"Consolidated and Separate Financial Statements"* while PAS 28 was entitled "*Investments in Associates.*" The effect of the adoption of these revised standards would relate to the effect of the adoption of PFRS 10, 11 and 12 [see Note 2.2c (viii), (ix) and (x)] which are already being reviewed by the Group in preparation for its adoption of the these standards in fiscal year 2014.

(iv) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its consolidated financial statements because its pension plan is a defined contribution type of plan.

(v) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps, and have happened with increased regularity during the financial crisis. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of equity instruments to a creditor to extinguish all (or part of a financial liability) is consideration paid in accordance with PAS 39;

- the entity measures the equity instruments issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in consolidated profit or loss.

Management has determined that the adoption of the interpretation will not have any material effect on the Group's consolidated financial statements as it does not normally extinguish financial liabilities through equity swap.

(vi) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective from July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its consolidated financial statements as they only affect disclosures and the Group usually provides adequate information in its consolidated financial statements in compliance with disclosure requirements.

(vii) PFRS 9, *Financial Instruments* (effective from January 1, 2013). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2013. Other chapters dealing with impairment methodology and hedge accounting are yet to be issued.

Management is in the process of assessing the impact that this amendment is likely to have on the consolidated financial statements of the Group. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Group expects it can comprehensively assess the impact of the revised standard.

(viii) PFRS 10, *Consolidated Financial Statements* (effective from January 1, 2013). PFRS 10 is intended to address concerns, particularly the concern that consolidated financial statements sometimes failed to convey full exposure to risks from special structures used by certain entities, especially banks, in managing securitizations and other arrangements, in consolidated financial statements with a new, principle-based, definition of control that will be applied to all types of investee (including special purpose entities and more conventional voting interest entities) to determine which are consolidated.

PFRS 10 also aims to promote clarity with new or amended guidance in areas such as:

- control as the result of a dominant minority shareholding (de facto control);
- the role of potential voting rights such as options and convertible bonds; and
- distinguishing control in an agency relationship.

The Group is currently reviewing the impact of the standard in time for its adoption of the revised standard in fiscal year 2014.

(ix) PFRS 11, *Joint Arrangements* (effective from January 1, 2013). PFRS 11 supersedes PAS 31, *Interests in Joint Ventures;* and it aims to enhance the accounting for, and the quality of information being reported about joint arrangements. The option of using proportionate consolidation for joint ventures that was previously included in PAS 31 has been eliminated (equity accounting is now required for all joint ventures). Many arrangements described in PAS 31 as jointly controlled entities will now be referrd to as joint ventures. PFRS 11 removes PAS 31's current terminology of "jointly controlled operations" and "jointly controlled assets." Most of such arrangements fall into the newly defined category of "joint operation". The Group is currently reviewing the impact of the standard in time for its adoption of the revised standard in 2014.

(x) PFRS 12, *Disclosure of Interests in Other Entities* (effective from January 1, 2013). PFRS 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement. The Group is currently reviewing the impact of the standard in time for its adoption of the revised standard in 2014.

(xi) 2010 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to PFRS 2010*. Most of these amendments became effective for annual periods beginning on or after July 1, 2010 or January 1, 2011. Among those improvements, only the following amendments were identified to be relevant to the Group's consolidated financial statements:

- PFRS 3, *Business Combinations* (effective from July 1, 2010). This clarifies that contingent consideration balances arising from business combinations that occurred before an entity's date of adoption of PFRS 3 (Revised 2008) shall not be adjusted on the adoption date. It also provides guidance on the subsequent accounting for such balances. It further clarifies that the choice of measuring non-controlling interest at fair value or at the proportionate share in the recognized amounts of an acquiree's identifiable net assets, is now limited to non-controlling interest that are present ownership instruments and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation.

- PFRS 7, *Financial Instruments: Disclosures – Clarification of Disclosures* (effective from January 1, 2011). Clarifies that disclosure requirements of the Standard to remove inconsistencies, duplicative disclosure requirements and specific disclosures that may be misleading.

- PAS 1, *Presentation of Financial Statements – Clarification of Statement of Changes in Equity* (effective from July 1, 2010). Clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements.

2.3 Consolidated Financial Statements and Investments in an Associate and Joint Venture

The University obtains and exercises control through voting rights. The Group's consolidated financial statements comprise the accounts of the University, and its subsidiaries as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the University, using consistent accounting principles except SPARC and EACCI which has an accounting year ending December 31, 2010 and April 30, 2011, respectively.

The University accounts for its investments in subsidiaries and non-controlling interest (previously called "minority interest") as follows:

(a) Investments in Subsidiaries

Subsidiaries are all entities over which the Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date the University obtains control until such time that such control ceases.

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the University, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain (see also Note 2.4).

(b) Investment in an Associate

Associate is an entity over which the Group is able to exercise significant influence but which is neither a subsidiary nor interest in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in an associate. All subsequent changes to the share in the equity of the associate are recognized in the carrying amount of the Group's investment. Changes resulting from the profit or loss generated by the associate are reported as Share in Net Losses of an Associate and Joint Venture in the Group's consolidated statement of comprehensive income and therefore affect the net results of operations of the Group.

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Group, as applicable. However, when the Group's share of net losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of net losses that has previously not been recognized.

Distributions received from the associate are accounted for as a reduction of the carrying value of the investment.

In computing the Group's share in net profit or loss of the associate, unrealized gains or losses on transactions between Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealized losses are eliminated, the underlying asset is also tested for impairment from a group perspective.

(c) *Investment in a Joint Venture*

The Group's interest in a jointly controlled entity is recognized in the consolidated financial statements of the Group using the equity method. Under the equity method, the interest in a jointly controlled entity is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the JV after the date of acquisition. The Group's share in the profit or loss of the JV is adjusted for any unrealized gains arising from transactions with the JV against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred (see Note 2.14). The JV is carried at equity method until the date on which the Group cease to have joint control over the JV.

(d) *Transactions with Non-controlling Interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Any difference between any consideration paid and the relevant share acquired in the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests result in gains and losses that are also recorded in equity.

When the Group ceases to have control, any retained interest in the subsidiary is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset is the fair value. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Upon adoption in 2010 of PAS 27 (Revised 2008), *Consolidated and Separate Financial Statements*, the Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence. It has applied the new accounting policy prospectively as required by the standards beginning January 1, 2010 (effective for financial statements that ended March 31, 2011). As a result, no adjustments were necessary to any of the amounts previously recognized and reported in the 2010 and 2009 consolidated financial statements.

Before the adoption of the revised PAS 27, transactions with non-controlling interests were treated as transactions with parties external to the Group. As such, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Also previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

2.4 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting (previously called "purchase method").

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.14).

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is charged directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

Prior to April 1, 2010, certain items are treated as follows as opposed to how they are now treated based on the changes in accounting policy of the Group as a result of the adoption of the revised PFRS 3 and PAS 27:

(a) Transaction costs directly attributable to business acquisition formed part of the acquisition costs.

(b) The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

(c) Business combinations achieved in stages were accounted for as separate steps or acquisitions. Any additional shares acquired of interest did not affect previously recognized goodwill.

Contingent consideration was recognized if, and only if, payment was probable; i.e., the Group had a present obligation, the economic outflow was more likely than not, and a reliable estimate is determinable. Subsequent adjustment to the contingent consideration was recognized as an adjustment to goodwill. Any adjustment to contingent consideration are now recognized in profit or loss.

2.5 Financial Assets

Financial assets include cash and other financial instruments. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are recognized directly in the profit or loss section of the consolidated statement of comprehensive income.

Currently, the Group's financial instruments are categorized as follows:

(a) Financial Assets at Fair Value through Profit or Loss (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 fair value through profit or loss 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 fair value through profit or loss 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 fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group 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 the consolidated statement of financial position.

The Group 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 Group's derivative instruments provide economic hedges under the Group'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 Group's embedded derivative instruments consist of cross currency swaps included in its available-for-sale 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 Group 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 Group 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 Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables and Other Current Assets, to the extent of the balance of restricted cash and cash equivalents included therein, in the consolidated statement of financial position.

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) Held-to-maturity Investments

This includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Group has the positive intention and ability to hold them until maturity which is presented as Held-to-maturity Investments account in the non-current section of the consolidated statement of financial position, except those maturing within 12 months from the reporting period which are presented as part of current assets. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Changes to the carrying amount of the investment, including impairment loss, are recognized in profit or loss.

(d) Available-for-sale (AFS) Financial Assets

This include 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. These are presented as Available-for-sale Investments account in the non-current section of the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All financial assets within this category are subsequently measured at 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.

Impairment losses, except those pertaining to tuition and other fees receivables which are presented under Costs and Operating Expenses account, recognized on financial assets are presented as part of Finance Costs account in the consolidated statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. All income and expense relating to financial assets recognized in profit or loss are presented in the consolidated statement of comprehensive income line item Finance Income and Finance Costs, respectively.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Real Estate Held for Sale

Acquisition costs of raw land intended for future development by FRC, including other costs and expenses incurred to effect the transfer of title of the property as well as related property development costs are accumulated in this account.

Real estate held for sale is carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and the estimated costs necessary to make the sale.

Real estate held for sale is expected to be sold within 2 to 10 years from the time of acquisition, which is considered as the normal operating cycle of FRC with respect to its development and sale of real estate properties.

2.7 Property and Equipment

Except for land, which is stated at cost less any impairment in value, property and equipment are stated at cost less accumulated depreciation, and impairment in value, if any.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 years
Furniture and equipment	3-6 years
Miscellaneous assets	3-5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.17). The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Investment Property

Investment property is measured initially at acquisition cost. Subsequently, investment property, except land which is carried at cost less impairment in value, if any, is carried at cost less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 to 50 years
Land improvements	5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing cost and other direct costs (see Note 2.17). The account is not depreciated until such time that the assets are completed and available for use.

An investment property's carrying amount is written down immediately to its recoverable amount if the property's carrying amount is greater than its estimated recoverable amount (see Note 2.14).

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss in the year of retirement or disposal.

Transfer is made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfer is made from investment property when and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

2.9 Financial Liabilities

The Group's financial liabilities include accounts payable and other liabilities and notes payable, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement of comprehensive income.

The liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long term-provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Group, and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Tuition and Other School Fees* – Revenue is recognized in profit or loss over the corresponding school term. Tuition received in advance and applicable to a school term after the reporting period is not recognized in profit or loss until the next reporting period (see also Note 14).

(b) *Sale of Real Estate* – Revenue is recognized when the earning process is virtually complete and collectibility of the entire sales price is reasonably assured.

(c) *Management Fees* – Revenue is recognized on monthly basis upon rendering of the services.

(d) *Rental* – Revenue is recognized in profit or loss over the term of the lease using the straight-line method, and in certain cases, the amount determined using straight-line method or amount determined using a certain percentage of the lessee's gross annual revenue whichever is higher. Rent received in advance is recorded as Deferred Income in the consolidated statement of financial position and transferred to Rental revenue when earned.

(e) *Interest* – Income is recognized as the interest accrues taking into account the effective yield on the asset.

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services rendered, excluding value-added tax (VAT), with respect to the Group's revenues that are subject to VAT, and trade discounts.

Cost and expenses are recognized in profit or loss upon receipt of goods, utilization of services or at the date they are incurred. All finance costs are reported in profit or loss on the accrual basis.

2.12 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.13 Foreign Currency Transactions

The accounting records of the Group are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of income or loss from operations.

2.14 Impairment of Non-financial Assets

The Group's investments in an associate and joint venture, property and equipment, investment property and certain other non-current assets are subject to impairment testing. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.15 Employee Benefits

(a) Post-employment Benefits

Post-employment benefits are provided to employees through a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to present value.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.16 Trust Funds

This represents restricted funds of the Group that are intended for student welfare, development, loan, assistance and scholarship fund, and for other specific educational purposes. The Group administers the use of these funds based on the specific purpose such funds are identified with.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.19 Related Parties

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Equity

Capital stock represents the nominal value of shares that have been issued.

Treasury shares are stated at the cost of re-acquiring such shares.

Accumulated fair value gains (losses) comprise gains and losses arising from the revaluation of available-for-sale investments.

Retained earnings include all current and prior period results of operations as disclosed in profit or loss in the consolidated statement of comprehensive income. The appropriated portion represents the amount which is not available for dividend distribution.

2.21 Earnings Per Share

Basic earnings per share is determined by dividing net profit by the weighted average number of shares subscribed and issued during the year after giving retroactive effect to stock dividend declared, stock split and reverse stock split during the current year, if any.

Diluted earnings per share is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. The University does not have dilutive potential shares outstanding that would require disclosure of diluted earnings per share in the consolidated statements of comprehensive income.

2.22 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group’s strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's service lines as disclosed in Note 4, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

A business segment is a group of asset and operations engaged in providing products or services that are subject to risks and returns and are different from those of other business segments.

The activities undertaken by the education segment includes income from tuition fees and other school fees from offering specific courses as discussed in Note 1. Real estate segment includes leasing of properties and acquiring and developing real properties for sale or lease. Investments consists primarily of revenues and expenses arising from investing activities, except those pertaining to subsidiaries, associate and joint venture, of the Group.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. Share in net losses of an associate, finance income that are not related to investments, finance costs, miscellaneous income, preacquisition income and tax expense are not included in arriving at the operating profit of the operating segment. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Financial information on operating segments is presented in Note 4 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Classification of Held-to-maturity Investments

In classifying non-derivative financial assets with fixed or determinable payments and fixed maturity, such as bonds, as held-to-maturity investments, the Group evaluates its intention and ability to hold such investments up to maturity.

If the Group fails to keep these investments to maturity other than for specific circumstances as allowed under the standards, it will be required to reclassify the whole class as available-for-sale financial assets. In such a case, the investments would therefore be measured at fair value, not amortized cost.

As of March 31, 2010 and 2009, there are no held-to-maturity investments disposed off before their maturity. In fiscal year 2011, all of the Group's held-to-maturity investments matured and were no longer reinvested in the same type of investment in 2011.

(b) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the process of supplying services.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If portion can be sold separately (or leased out separately under finance lease), the Group accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Classification of Leases

The Group has entered into various lease agreements as either a lessee or a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

Rental expense charged to operations amounted to P5.8 million in 2011, P7.9 million in 2010, and P17.1 million in 2009 (see Note 15) while rental income earned in 2011, 2010 and 2009 are presented as Rental account under Revenues in the consolidated statements of comprehensive income.

(d) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and disclosure of contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 22.

3.2 *Key Sources of Estimation Uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Allowance for Impairment of Receivables

The Group maintains an allowance for impairment loss on receivables at a level considered adequate to cover probable uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, history of the students' payment behavior, age of receivables and other external factors affecting the education industry. The Group constantly reviews the age and status of receivables, and identifies accounts that should be provided with allowance. Analyses of net realizable value of receivables as of March 31, 2011, 2010 and 2009 are presented in Note 6.

Impairment losses recognized on receivables amounted to about P32.6 million in 2011, P22.0 million in 2010, and P17.6 million in 2009 (see Note 6).

(b) Valuation of Financial Assets Other than Loans and Other Receivables

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases where active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets would affect profit or loss and fund balance.
Fair value gains and losses recognized on AFS investments in 2011, 2010 and 2009 are presented as Accumulated Fair Value Gains (Losses) account in the consolidated statements of changes in equity (see Note 7). On the other hand, fair value gains recognized on FVTPL investments in 2011 are presented as Fair Value Gains on Financial Assets at Fair Value through Profit or Loss under Finance Income account in the 2011 consolidated statements of comprehensive income (see Note 7).

(c) Impairment of AFS Investments

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Analyses of the carrying value of the AFS investments as of March 31, 2011, 2010 and 2009 are presented in Note 7.

(d) *Useful Lives of Investment Property and Property and Equipment*

The Group estimates the useful lives of investment property and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Analyses of the carrying amounts of investment property and property and equipment are presented in Notes 10 and 11, respectively. Actual results, however, may vary due to changes in factors mentioned above. Based on management assessment as of March 31, 2011, 2010 and 2009, no change in the estimated useful lives of the assets is necessary.

(e) *Impairment of Non-financial Assets*

PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.14. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

The Group did not recognize any impairment loss on investments in an associate and joint venture, investment property, and property and equipment in 2011, 2010 and 2009.

4. SEGMENT INFORMATION

4.1 Business Segments

Management currently identifies the Group's three operating segments and is consistent with accounting policies described in Note 2.22. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

4.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, receivables, available-for-sale investments, held-to-maturity investments, real estate held for sale, investment property and property and equipment. Segment liabilities include all operating liabilities as presented in the consolidated statements of financial position, except for deferred tax liabilities. Segment assets do not include investments in an associate and joint venture, deferred taxes and other assets which are not allocated to any segment's assets.

4.3 Intersegment Transactions

Segment revenues, expenses and performance include revenues and purchases between business segments and between geographical segments. Such services and purchases are eliminated in consolidation.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended March 31, 2011, 2010 and 2009 (in thousands):

	Education			Real Estate						Investments			Total		
				Rental Income			Sale of Properties								
	2011	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009	**2011**	2010	2009
REVENUES															
From external customers	**P1,796,872**	P 1,701,048	P 1,662,089	**P 72,056**	P 58,773	P 50,437	**P 11,557**	P 219,643	P -	**P 183,232**	P 124,533	P 127,806	**P 2,063,717**	P2,103,997	P1,840,332
Intersegment revenues	**-**	-	-	**55,016**	48,383	39,960	**-**	-	-	**9,025**	5,698	4,895	**64,041**	54,081	44,855
Total revenues	**1,796,872**	1,701,048	1,662,089	**127,072**	107,156	90,397	**11,557**	219,643	-	**192,258**	130,231	132,701	**2,127,758**	2,158,078	1,885,187
COSTS AND OTHER OPERATING EXPENSES															
Cost of sales and services excluding depreciation	**936,176**	877,228	865,843	**24,144**	31,116	17,001	**1,610**	6,685	-	**1,812**	1,366	-	**963,742**	916,395	882,844
Depreciation	**67,520**	51,061	46,162	**12,246**	6,527	6,782	**-**	-	-	**80**	69	-	**79,846**	57,657	52,944
Other expenses	**313,300**	283,938	270,341	**-**	-	-	**-**	-	-	**1,836**	1,938	-	**315,136**	285,876	270,341
	1,316,996	1,212,227	1,182,346	**36,390**	37,643	23,783	**1,610**	6,685	-	**3,728**	3,373	-	**1,358,724**	1,259,928	1,206,129
SEGMENT OPERATING INCOME	**P 479,876**	P 488,821	P 479,743	**P 90,682**	P 69,513	P 66,614	**P 9,947**	P 212,958	P -	**P 188,529**	P 126,858	P 132,701	**P 769,034**	P 898,150	P 679,058
TOTAL ASSETS AND LIABILITIES															
Segment assets	**P2,579,696**	P 2,521,035	P 2,387,125	**P1,135,663**	P 868,228	P583,072	**P 120,922**	P 122,532	P129,217	**P1,540,553**	P1,253,419	P 1,108,110	**P 5,376,834**	P4,765,214	P4,207,524
Segment liabilities	**1,046,719**	725,705	773,410	**21,436**	143,987	42,371	-	-	-	**4,693**	692	503	**1,072,848**	870,384	816,284

In fiscal year 2011, the Branch and FECSI started operations. Accordingly, as of March 31, 2011, the Group's operations are now concentrated in the following locations, representing the Group's geographical segment (in thousands):

	Manila	Makati	Cavite	Total
Segment revenues				
From external customers	P 2,020,925	P 19,252	P 23,540	P 2,063,717
Intersegment revenues	60,599	2,342	1,100	64,041
Total revenues	2,081,524	21,594	24,640	2,127,758
Cost of real estate sales	-	-	(1,610)	(1,610)
Operating expenses	(1,307,806)	(26,423)	(22,885)	(1,357,114)
Segment operating profit (loss)	**P 773,718**	**(P 4,829)**	**P 145**	**P 769,034**
Total Segment Assets	**P 4,707,777**	**P 212,044**	**P 457,013**	**P 5,376,834**
Total Segment Liabilities	**P 1,060,478**	**P 10,097**	**P 2,273**	**P 1,072,848**

4.5 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (in thousands).

	2011	2010	2009
Revenue			
Total segment revenues	**P 2,127,758**	P 2,158,078	P 1,885,187
Elimination of intersegment revenues	**(64,041)**	(54,081)	(44,855)
Finance and other income	**(183,232)**	(124,533)	(127,806)
Gain on sale of investment property	**(-)**	(211,609)	(-)
Revenues as reported in profit or loss	**P 1,880,485**	P 1,767,855	P 1,712,526
Profit or loss			
Segment operating profit	**P 769,034**	P 898,150	P 679,058
Miscellaneous income	**11,055**	12,208	13,599
Finance costs	**(6,225)**	(3,483)	-
Share in net losses of an associate and joint venture	**(3,303)**	(54)	(49)
Other unallocated expense	**(10,175)**	(2,425)	(318)
Preacquisition income	**-**	-	3,999
Tax expense	**(100,269)**	(126,700)	(86,996)
Group income as reported in profit or loss	**P 660,117**	P 777,696	P 609,293

	2011	2010	2009
Assets			
Segment assets	**P 5,376,834**	P 4,765,214	P 4,207,524
Investments in an associate and joint venture	**9,949**	13,252	7,056
Goodwill	**12,353**	12,353	12,353
Deferred tax assets	**13,436**	10,842	9,229
Elimination of intercompany accounts	**(701,061)**	(363,052)	(346,334)
Total Assets	**P 4,711,511**	P 4,438,609	P 3,889,828
Liabilities			
Segment liabilities	**P 1,072,848**	P 870,384	P 816,284
Deferred tax liabilities	**14,805**	13,822	13,171
Elimination of intercompany accounts	**(590,236)**	**(** 281,034)	(269,429)
Total Liabilities	**P 497,417**	P 603,172	P 560,026

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of March 31:

	2011	2010	2009
Cash on hand and in banks	**P 237,814,272**	P 114,333,595	P 157,747,517
Short-term placements	**180,509,965**	353,814,459	1,015,111,845
	P 418,324,237	P 468,148,054	P 1,172,859,362

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These placements earn effective annual interest ranging from 4.2% to 8.6% in 2011, 2.5% to 4.5% in 2010 and 3.8% to 7.0% in 2009 for peso placements and 0.5% in 2011 and 1.8% to 4.0% in 2009 for dollar placements; there were no dollar placements in 2010. Interest income earned from cash and cash equivalents were presented as part of Finance Income account in the consolidated statements of comprehensive income (see Note 16). Related interest receivable as of March 31, 2011, 2010 and 2009 were presented as Accrued Interest as part of Receivables account in the consolidated statements of financial position (see Note 6).

Certain portion of cash and cash equivalents are set aside to cover for trust funds of the Group (see Note 13). The amount of cash and cash equivalents set aside to cover trust funds were P5.4 million, P44.0 million and P58.5 million as of March 31, 2011, 2010 and 2009, respectively. Considering the restriction on such amounts of cash and cash equivalents, these are included as part of the Other Currents Assets account in the consolidated statements of financial position (see Note 2.1).

6. RECEIVABLES

This account is composed of the following:

	Notes	2011	2010	2009
Tuition and other school fees		**P 161,384,453**	P 104,475,283	P 64,246,194
Allowance for impairment		**(24,491,068)**	(15,727,708)	(14,146,263)
		136,893,385	88,747,575	50,099,931
Loans receivable		**164,031,155**	477,000,000	-
Accounts receivable	10.1	**70,243,249**	140,000,000	-
Receivable from:				
FEU Educational Foundation, Inc. (FEFI)		**37,078,392**	36,671,312	38,040,770
ICF-CCE, Inc.	19.1	**32,109,755**	-	-
East Asia Educational Foundation, Inc. (EAEF)		**28,952,968**	22,415,485	18,165,787
Accrued interest	5, 7	**16,635,488**	10,200,097	8,472,078
Advances to employees		**14,042,349**	9,279,805	11,479,722
Rental receivable		**3,009,171**	7,022,965	8,202,478
Others		**15,309,742**	48,610,136	3,691,162
		P 518,305,654	P 839,947,375	P 138,151,928

A reconciliation of the allowance for impairment loss on receivables at the beginning and end of 2011, 2010 and 2009 is shown below.

	Note	2011	2010	2009
Balance at beginning of year		**P 15,727,708**	P 14,146,263	P 11,872,333
Impairment losses during the year	15	**32,571,213**	22,035,435	17,581,234
Receivables written off during the year		**(23,807,853)**	(20,453,990)	(15,307,304)
		P 24,491,068	P 15,727,708	P 14,146,263

All of the Group's receivables have been reviewed for indicators of impairment. Certain tuition and other fees receivables were found to be impaired and allowance has been recognized accordingly. The allowance for impairment loss on receivables as of March 31, 2011, 2010 and 2009 relates only to receivables from students which have been outstanding for more than one semester and specifically identified to be impaired. Impairment losses recognized on receivables are presented as part of General operating expenses under Costs and Operating Expenses account in the consolidated statements of comprehensive income (see Note 15). No allowance for impairment loss on all other receivables was provided as of March 31, 2011, 2010 and 2009 since management believes that those are collectible in full.

Rental receivable represents amounts collectible from lessees. Loans receivable represents promissory notes issued to certain rental and leasing corporation as part of the University's trust fund arrangement with a certain local bank. Interest income earned from these loans is presented as part of Finance Income account in the consolidated statements of comprehensive income (see Note 16).

Other receivables in 2010 includes a P43.7 million option money for the acquisition of shares of stock of Crans Montana Holdings Corporation (Crans Montana). Under the agreement between the University and Crans Montana, such option money will be refunded to the University upon the acquisition of Crans Montana or failure by the University to pursue such acquisition. Pending consummation of the Crans Montana acquisition as of March 31, 2010, the University temporarily leased the property located in Makati City that is owned by Crans Montana (Crans Montana property) until November 2010 and made improvements thereon, including construction of a new school building, for the Branch (see Notes 1 and 22.2). In 2011, the P43.7 million option money was refunded to the University since it did not pursue the acquisition; the land was acquired by FRC instead. Accordingly, the University entered into a lease agreement with FRC in 2011 (see Note 22.2).

In relation to the improvements made on the Crans Montana property, the University has made advances to contractors amounting to P52.0 million as of March 31, 2010. Such advances are presented as part of Other Current Assets account in the 2010 consolidated statement of financial position. These P52.0 million advances to contractors were transferred to Buildings and Improvement, presented under Property and Equipment account in the 2011 consolidated statement of financial position (see Note 11), upon completion of the construction.

The Group provides management services to EAEF which agreed to pay management fee computed at a certain percentage of their gross revenue subject to certain conditions. Management fees earned amounted to P18.3 million in 2011, P14.1 million in 2010 and P11.5 million in 2009, which are presented as Management Fees account in the consolidated statements of comprehensive income. Receivable from EAEF represents the outstanding receivables arising from management services provided by the Group to EAEF and those arising from the lease of school building to EAEF (see Note 10).

The Group provides cash advances to FEFI for the latter's operating requirements such as faculty payroll, which FEFI regularly pays to the Group. The outstanding receivables arising from this transaction are presented above as Receivable from FEFI.

7. AVAILABLE-FOR-SALE INVESTMENTS

This category of financial assets consists of the following:

	2011	2010	2009
Debt securities:			
Government	**P 760,955,122**	P 678,179,527	P 792,260,802
Corporate	**594,705,181**	539,986,625	276,110,403
	1,355,660,303	1,218,166,152	1,068,371,205
Equity securities	**191,836,952**	21,928,999	19,738,752
	P 1,547,497,255	P 1,240,095,151	P 1,088,109,957

AFS are classified in the consolidated statements of financial position as follows:

	2011	2010	2009
Current	**P 1,235,981,682**	P 1,240,095,151	P 1,088,109,957
Non-current	**311,515,573**	-	-
	P 1,547,497,255	P 1,240,095,151	P 1,088,109,957

Interest income recognized in 2011, 2010 and 2009 are presented as part of Finance Income account in the consolidated statements of comprehensive income (see Note 16). The related interest receivable as of March 31, 2011, 2010 and 2009 are presented as Accrued Interest as part of Receivables account in the consolidated statements of financial position (see Note 6).

Certain AFS investments reached their maturity in 2009 and were no longer reinvested; thus reclassified to Cash and Cash Equivalents account resulting in the reclassification to profit or loss of cumulative gains of P2.8 million in 2009 which were previously recognized in equity. There were no similar transactions in 2011 and 2010.

As of March 31, 2011, short-term placements amounting to P100.1 million that earn interest at 3% to 8% per annum, and maturing beyond three months from the date of placement were presented as part of the Available-for-sale Investments account.

In 2011, some of the Group's AFS investments in debt securities includes derivatives asset arising from cross currency swap. As of March 31, 2011, the net positive fair values of these embedded cross currency swaps amounting to P8.5 million were presented as Financial Assets at Fair Value through Profit or Loss account in the 2011 consolidated statement of financial position and the related fair value gain as part of Finance Income account in the 2011 consolidated statement of comprehensive income. The net changes in the carrying amount of the related interest payable from this cross currency swap amounting to P3.4 million is presented as part of Finance Costs account in the 2011 consolidated statement of comprehensive income while the related liability is presented as part of Accrued expenses under the Accounts Payable and Other Liabilities account in the 2011 consolidated statement of financial position (see Notes 12 and 16).

Analyses of the movements in the carrying amounts of the Group's AFS investments held by trustee banks are presented below.

	Note	**2011**	2010	2009
Balance at beginning of year		**P 1,240,095,151**	P 1,088,109,957	P 840,687,402
Additions		**291,363,945**	486,717,814	678,027,477
Withdrawals/Disposal		**(113,912,058)**	(414,986,880)	(467,769,330)
Investment income – net	16	**117,156,934**	62,863,261	45,180,490
Fair value gains (losses)		**12,793,283**	17,390,999	(8,016,082)
Balance at end of year		**P 1,547,497,255**	P 1,240,095,151	P 1,088,109,957

8. REAL ESTATE HELD FOR SALE

Real estate held for sale represents an inventory of lots for sale at the following locations:

	2011	2010	2009
Silang, Cavite	P 103,751,973	P 103,751,973	P 103,751,973
Ferndale Homes, Quezon City	17,170,287	18,780,315	25,464,969
	P 120,922,260	P 122,532,288	P 129,216,942

Total sale of real estate properties amounted to P11.6 million with a cost of P1.6 million in 2011, P8.0 million with a cost of P6.7 million in 2010 and nil in 2009. The sale is reported as Sale of Real Estate account in the consolidated statements of comprehensive income while the related cost is presented as Cost of real estate sold under the Costs and Operating Expenses account in the 2011 and 2010 consolidated statements of comprehensive income (see Note 15).

Management has assessed that the net realizable value of the assets is higher than their cost, hence, no impairment loss was recognized in 2011, 2010 and 2009.

9. INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURE

This account consists of the following as of March 31:

	2011	2010	2009
Investment in an associate			
Acquisition cost	P 7,878,121	P 7,878,121	P 7,878,121
Accumulated equity in net losses:			
Balance at beginning of year	(876,145)	(822,158)	(772,742)
Share in net losses	(57,338)	(53,987)	(49,416)
Balance at end of year	(933,483)	(876,145)	(822,158)
	6,944,638	7,001,976	7,055,963
Investment in joint venture			
Acquisition cost	6,250,000	-	-
Accumulated equity in net losses:			
Balance at beginning of year	-	-	-
Share in net losses	(3,245,865)	-	-
Balance at end of year	(3,245,865)	-	-
	3,004,135	-	-
Advances to joint venture under registration	-	6,250,000	-
	P 9,948,773	P 13,251,976	P 7,055,963

JMCI's summary of financial information as of December 31, 2010, 2009 and 2008 are as follows:

	2010	2009	2008
Total assets	P 14,904,579	P 14,913,564	P 14,824,762
Total liabilities	731,853	623,820	424,840
Total equity	14,172,726	14,289,744	14,399,922
Net loss	117,018	110,178	100,849

ICF-CCE, Inc.'s summary of financial information as of December 31, 2010 is as follows:

Total assets	P 73,177,511
Total liabilities	67,169,240
Total equity	6,008,271
Net loss	6,491,729

As discussed in Note 1, in November 2009, the University entered into a JV Agreement with a co-venturer to establish and operate a culinary skills training center which shall provide courses of study in the culinary arts. The University and co-venturer invested P6.3 million each to ICF-CCE, Inc., the JVC. The JV registration was approved by the SEC on May 7, 2010. As of March 31, 2010, pending approval by the SEC of the JVC's registration (see Notes 1 and 2.3), the amount invested by the University is presented as Advances to Joint Venture under Registration in the Investment in an Associate and Joint Venture account in the 2010 consolidated statement of financial position. The registration with the SEC was approved after the reporting date, accordingly, the investment was transferred to Investment in Joint Venture under the same account in fiscal year 2011.

The shares of stocks of the associate and the JV are not listed for trading in the stock exchange; hence, the fair value of the shares cannot be determined reliably. However, management believes that the carrying amount of the investments is fully recoverable.

10. INVESTMENT PROPERTY

The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of 2011, 2010 and 2009 are shown below.

	Land	**Land Improvements**	**Building and Improvements**	**Construction in Progress**	**Total**
March 31, 2011					
Cost	P 135,983,037	P 2,941,666	P 306,970,520	P 23,562,905	P 469,458,128
Accumulated depreciation	-	(2,609,265)	(109,891,354)	-	(112,500,619)
Net carrying amount	**P 135,983,037**	**P 332,401**	**P 197,079,166**	**P 23,562,905**	**P 356,957,509**
March 31, 2010					
Cost	P 135,983,037	P 2,941,664	P 306,970,521	P 23,914,725	P 469,809,947
Accumulated depreciation	-	(2,419,214)	(95,813,556)	-	(98,232,770)
Net carrying amount	P 135,983,037	P 522,450	P 211,156,965	P 23,914,725	P 371,577,177

	Land	Land Improvements	Building and Improvements	Construction in Progress	Total
March 31, 2009					
Cost	P 138,676,925	P 2,941,664	P 306,970,521	P -	P 448,589,110
Accumulated depreciation	-	(2,012,361)	(81,673,204)	-	(83,685,565)
Net carrying amount	P 138,676,925	P 929,303	P 225,297,317	P -	P 364,903,545
April 1, 2008					
Cost	P 125,982,883	P 2,722,557	P 304,160,428	P -	P 432,865,868
Accumulated depreciation	-	(1,467,850)	(67,660,802)	-	(69,128,652)
Net carrying amount	P 125,982,883	P 1,254,707	P 236,499,626	P -	P 363,737,216

A reconciliation of the carrying amounts of investment property at the beginning and end of 2011, 2010 and 2009 is shown below.

	Land	Land Improvements	Building and Building Improvements	Construction in Progress	Total
Balance at April 1, 2010, net of accumulated depreciation	P 135,983,037	P 522,450	P 211,156,965	P 23,914,725	P 371,577,177
Reclassification (see Note 11)	-	-	-	(351,819)	(351,819)
Depreciation charges for the year	-	(190,050)	(14,077,800)	-	(14,267,850)
Balance at March 31, 2011, net of accumulated depreciation	**P 135,983,037**	**P 332,401**	**P 197,079,166**	**P 23,562,905**	**P 356,957,509**
Balance at April 1, 2009, net of accumulated depreciation	P 138,676,925	P 929,303	P 225,297,317	P -	P 364,903,545
Disposal	(2,693,888)	-	-	-	(2,693,888)
Reclassification (see Note 11)	-	-	-	23,914,725	23,914,725
Depreciation charges for the year	-	(406,853)	(14,140,352)	-	(14,547,205)
Balance at March 31, 2010, net of accumulated depreciation	P 135,983,037	P 522,450	P 211,156,965	P 23,914,725	P 371,577,177
Balance at April 1, 2008, net of accumulated depreciation	P 125,982,883	P 1,254,707	P 236,499,626	P -	P 363,737,216
Additions	12,694,042	219,107	2,810,093	-	15,723,242
Depreciation charges for the year	-	(544,511)	(14,012,402)	-	(14,556,913)
Balance at March 31, 2009, net of accumulated depreciation	P 138,676,925	P 929,303	P 225,297,317	P -	P 364,903,545

The total rental income earned from the investment property amounted to P72.1 million in 2011, P58.8 million in 2010 and P50.4 million in 2009 and presented as Rental account under Revenues section in the consolidated statements of comprehensive income (see also Note 22.3). The direct operating expenses which include depreciation expense incurred by the Group relating to investment property is presented as part of Depreciation and Amortization under General operating expenses of Costs and Operating Expenses account in the consolidated statements of comprehensive income (see Note 15).

The fair value of the investment property is P2.2 billion as of March 31, 2011, P2.3 billion as of March 31, 2010, and P2.5 billion as of March 31, 2009, which were determined based on the most recent valuation performed by independent appraisers immediately after the end of the reporting periods; except for portions pertaining to FRC's investment property amounting to P1.8 billion and P1.9 billion as of March 31, 2011 and 2010, respectively, which were determined by FRC's management using the discounted net future cash flows model.

10.1 Sale of Parcel of Land

In December 2009, FRC sold its parcels of land located in Quezon City, for a total consideration of P240.0 million which is inclusive of output VAT. The carrying value of the property as of the date of sale amounted to P2.3 million. Total gain recognized from this transaction amounted to P211.6 million and is presented as Gain on Sale of Investment Property account in the 2010 consolidated statement of comprehensive income. Receivable arising from this transaction amounting to P70.2 million and P140.0 million as of March 31, 2011 and 2010, respectively, is presented as Accounts Receivable under Receivables account in the 2010 consolidated statement of financial position (see Note 6).

10.2 Condominium Unit

In 2010, FRC reclassified from Property and Equipment, the condominium unit that was acquired in prior year and is still undergoing construction and renovation works as of March 31, 2010 and was completed in fiscal year 2011. The condominium unit was acquired in prior year as replacement for the original unit acquired by FRC. The original contract was cancelled and replaced in May 2008 prior to its maturity with a new contract for a unit that is significantly bigger than the original. The new contract required a 25% downpayment and monthly installment payments of P341,975, which is covered by a promissory note issued in favor of the seller; payable starting September 2008 until January 2013. FRC has already made a total of P8.5 million payments, net of administrative fees to the seller, in the cancelled contract of which P6.7 million has been applied as downpayment for the new contract. The remaining amount which pertains to input taxes is presented as part of Other Current Assets account in the consolidated statements of financial position.

The current portion of the liability arising from this transaction amounted to P3.7 million, P3.4 million and P3.1 million as of March 31, 2011, 2010 and 2009, respectively, while the non-current portion was amounted to P3.3 million, P7.0 million and P10.3 million as of March 31, 2011 and 2010 and 2009, respectively. These liabilities are presented in the consolidated statements of financial position as Notes Payable.

Interest expense capitalized as part of construction in progress pertaining to the condominium unit amounted to P0.7million in 2011, P1.0 million in 2010 and P0.9 million in 2009. Capitalization rate was 2.5% for 2011 and 4.61% to 6.84% in 2010 and 2009.

11. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation at the beginning and end of 2011, 2010 and 2009 are shown below.

	Land	Building and Improvements	Furniture and Equipment	Miscellaneous Assets	Construction in Progress	Total
March 31, 2011						
Cost	P 469,263,118	P 1,272,240,858	P 166,281,726	P 52,820,630	P -	P 1,960,606,332
Accumulated depreciation	-	(200,032,689)	(112,704,463)	(18,303,369)	-	(331,040,521)
Net carrying value	**P 469,263,118**	**P 1,072,208,169**	**P 53,577,263**	**P 34,517,261**	**P -**	**P 1,629,565,811**
March 31, 2010						
Cost	P 257,219,324	P 782,503,943	P 127,256,408	P 25,137,266	P 279,104,119	P 1,471,221,060
Accumulated depreciation	-	(152,625,123)	(98,498,881)	(12,520,278)	-	(263,644,282)
Net carrying value	P 257,219,324	P 629,878,820	P 28,757,527	P 12,616,988	P 279,104,119	P 1,207,576,778
March 31, 2009						
Cost	P 257,219,324	P 654,637,049	P 115,455,954	P 13,515,759	P 23,914,725	P 1,064,742,811
Accumulated depreciation	-	(120,539,142)	(88,841,105)	(11,889,254)	-	(221,269,501)
Net carrying value	P 257,219,324	P 534,097,907	P 26,614,849	P 1,626,505	P 23,914,725	P 843,473,310
April 1, 2008						
Cost	P 257,219,324	P 517,435,345	P 107,580,928	P 12,409,148	P 9,084,363	P 903,729,108
Accumulated depreciation	-	(93,944,046)	(77,305,432)	(11,659,251)	-	(182,908,729)
Net carrying value	P 257,219,324	P 423,491,299	P 30,275,496	P 749,897	P 9,084,363	P 720,820,379

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2011, 2010 and 2009 is shown below.

	Land	Building and Improvements	Furniture and Equipment	Miscellaneous Assets	Construction in Progress	Total
Balance at April 1, 2010, net of accumulated depreciation	P 257,219,324	P 629,878,820	P 28,757,527	P 12,616,988	P 279,104,119	P 1,207,576,778
Additions	212,043,794	132,571,261	40,284,682	26,479,740	77,709,716	489,089,193
Reclassifications (see Note 10)	-	357,165,654	(1,154,188)	1,154,188	(356,813,835)	351,819
Depreciation charges for the year	-	(47,407,566)	(14,310,758)	(5,733,655)	-	(67,451,979)
Balance at March 31, 2011, net of accumulated depreciation	**P 469,263,118**	**P 1,072,208,169**	**P 53,577,263**	**P 34,517,261**	**P -**	**P 1,629,565,811**
Balance at April 1, 2009, net of accumulated depreciation	P 257,219,324	P 534,097,907	P 26,614,849	P 1,626,505	P 23,914,725	P 843,473,310
Additions	-	127,803,892	13,413,153	1,528,025	279,104,119	431,849,189
Reclassifications (see Note 10)	-	-	-	-	(23,914,725)	(23,914,725)
Depreciation charges for the year	-	(32,022,979)	(11,270,475)	(537,542)	-	(43,830,996)
Balance at March 31, 2010, net of accumulated depreciation	P 257,219,324	P 629,878,820	P 28,757,527	P 12,616,988	P 279,104,119	P 1,207,576,778

	Land	Building and Improvements	Furniture and Equipment	Miscellaneous Assets	Construction in Progress	Total
Balance at April 1, 2008, net of accumulated depreciation	P 257,219,324	P 423,491,299	P 30,275,496	P 749,897	P 9,084,363	P 720,820,379
Additions	-	137,201,704	7,906,080	1,106,611	23,914,725	170,129,120
Derecognition	-	-	(4,737)	-	(9,084,363)	(9,089,100)
Depreciation charges for the year	-	(26,595,096)	(11,561,990)	(230,003)	-	(38,387,089)
Balance at March 31, 2009, net of accumulated depreciation	P 257,219,324	P 534,097,907	P 26,614,849	P 1,626,505	P 23,914,725	P 843,473,310

Miscellaneous Assets include educational books acquired by FECSI amounting to P8.0 million during the year. These educational books have a book value of P6.0 million as of March 31, 2011.

12. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Notes	**2011**	2010	2009
Accounts payable		**P 38,477,408**	P 48,363,855	P 41,670,926
Dividends payable	20.2	**76,933,827**	71,226,466	58,499,156
Withholding taxes and other payable		**58,496,222**	38,360,652	36,513,664
Funds payable		**45,478,437**	55,705,967	38,743,170
Accrued expenses	7	**42,309,043**	45,340,965	33,569,525
Amounts due to students		**37,094,299**	37,573,353	33,746,306
Accrued salaries and employee benefits		**30,190,791**	29,614,032	54,229,149
Payable to FEU retirement plan		**9,843,054**	32,313,215	36,901,623
Deposits payable		**6,147,760**	6,133,212	9,831,557
Payable to FEFI		**5,226,912**	-	-
Payable to contractor		**-**	50,717,331	-
Retention payable		**-**	26,691,627	-
Other current liabilities		**14,232,849**	11,537,450	5,952,301
		P 364,430,602	P 453,578,125	P 349,657,377

Accrued expenses include the Group's accrual for utilities, rentals and directors' bonuses. Funds payable are amounts due to third parties for cooperative members' fees, school uniforms of students, and computer loans of employees. Amounts due to students represent excess payment of miscellaneous fees from students. Payable to contractor represents amount due to a construction company for the construction of FRC's building in Silang, Cavite.

13. TRUST FUNDS

This account consists of the following as of March 31:

	2011	2010	2009
Visual aid development fund	**P 5,394,693**	P 14,635,307	P 13,224,923
FEU Central Student Organization:			
Student loan fund	**-**	13,384,402	12,777,129
Student scholarship fund	**-**	2,290,745	3,902,308
Student welfare and development fund	**-**	13,141,458	26,202,141
Others	**-**	518,838	2,384,140
	P 5,394,693	P 43,970,750	P 58,490,641

These trust funds represent collections to defray expenses related to activities for specific educational purposes. As discussed in Note 5, the amounts of cash and cash equivalents corresponding to the outstanding balances of these funds, presented as part of Other Current Assets account in the consolidated statements of financial position, are set aside and restricted for such purposes. In 2011, majority of the balances of the fund set aside for the purposes listed above have been fully utilized.

14. TUITION AND OTHER SCHOOL FEES

Details of this account presented in the consolidated statements of comprehensive income are as follows:

	2011	2010	2009
Tuition	**P 1,853,109,743**	P 1,746,362,097	P 1,694,493,469
Less discounts:			
Scholarship	**71,237,813**	61,000,082	63,723,848
Cash	**11,167,161**	10,294,191	10,214,508
Family	**9,843,617**	9,277,458	8,746,646
	92,248,591	80,571,731	82,685,002
	1,760,861,152	1,665,790,366	1,611,808,467
Other school fees:			
Entrance fees	**13,628,854**	12,879,474	29,904,890
Transcript fees	**8,602,882**	8,794,229	9,030,205
Identification cards	**8,576,425**	9,903,306	8,775,916
Diplomas	**2,677,978**	2,910,208	1,745,791
Miscellaneous	**2,525,813**	771,448	823,008
	36,011,952	35,258,665	50,279,810
	P 1,796,873,104	P 1,701,048,031	P 1,662,089,277

Towards the end of every fiscal year, the Group usually collects tuition fees from students for summer classes which start after the reporting period. Such collections amounting to P43.9 million, nil and P75.5 million as of March 31, 2011, 2010, and 2009, respectively, are excluded from tuition fees earned for the year and presented as part of Deferred Income account in the consolidated statements of financial position. These are recognized as revenue in the following year.

15. COSTS AND OPERATING EXPENSES

Costs and operating expenses consists of:

	Notes	2011	2010	2009
Instructional and Academic				
Salaries and allowances	19	**P 565,959,225**	P 519,662,398	P 527,192,891
Employees benefits	17, 19	**168,862,745**	165,028,563	164,350,335
Related learning experience		**25,955,995**	31,738,871	21,641,432
Affiliation		**12,095,802**	17,153,509	9,960,332
Others		**20,069,264**	19,128,326	21,503,871
		792,943,031	752,711,667	744,648,861
Sale of Real Estate				
Cost of real estate sold	8	**1,610,028**	6,684,654	-
Administrative				
Salaries and allowances	19	**104,359,201**	98,577,604	87,788,025
Employees benefits	17, 19	**40,997,811**	44,727,498	39,266,335
Directors' bonus		**13,500,000**	12,010,000	11,750,000
Rental		**5,849,365**	7,914,634	17,136,041
Others		**19,556,327**	20,833,245	17,243,886
		184,262,704	184,062,981	173,184,287
Maintenance and University Operations				
Utilities		**84,347,669**	67,704,864	68,074,983
Salaries and allowances		**23,177,313**	21,722,461	23,490,070
Janitorial services		**14,334,033**	11,915,987	12,808,640
Repairs and maintenance		**12,715,115**	18,579,781	6,458,042
Employee benefits	17	**10,405,030**	11,198,934	11,296,291
Property insurance		**1,997,526**	1,485,816	1,160,749
		146,976,686	132,607,843	123,288,775

	Notes	2011	2010	2009
General				
Depreciation	10, 11	**81,719,829**	58,378,201	52,944,002
Impairment losses on receivables	6	**32,571,213**	22,035,435	17,581,234
Security services		**25,545,434**	15,782,208	25,834,071
Professional fees		**14,792,433**	14,068,475	6,306,848
Publicity and promotions		**7,154,574**	9,017,636	6,615,235
Taxes and licenses		**4,499,399**	5,226,801	5,333,533
Maintenance of art works		**2,888,765**	2,812,457	6,176,320
Donation and charitable Contributions		**1,631,176**	2,091,949	1,358,909
Others		**7,113,265**	3,004,482	2,897,120
		177,916,088	132,417,644	125,047,272
		P 1,303,708,537	P 1,208,484,789	P 1,166,169,195

16. FINANCE INCOME

This account consists of the following:

	Notes	2011	2010	2009
Interest income from:				
AFS investments	7	**P 117,156,934**	P 62,863,261	P 45,180,490
Cash and cash equivalents	5	**24,554,804**	43,959,919	69,502,580
Receivables	6	**13,612,521**	2,192,416	1,463,473
HTM investments		**-**	1,650,000	1,672,563
		155,324,259	110,665,596	117,819,106
Fair value gains on financial assets at FVTPL	7	**8,456,381**	-	-
Foreign exchange gains – net		**-**	-	3,037,732
		P 163,780,640	P 110,665,596	P 120,856,838

17. EMPLOYEES' HEALTH, WELFARE AND RETIREMENT FUND

The Group maintains a funded and contributory retirement plan, which is a defined contribution type of retirement plan since 1967, covering regular teaching and non-teaching personnel members.

The retirement fund is under the administration of an organization, the FEU Health, Welfare and Retirement Fund, through its Retirement Board.

Contributions to this fund are in accordance with the defined contribution established by the Retirement Board which is the sum of the employees' and the Group's contributions. Employees' contribution is 5% of basic salary while the Group's contribution is equivalent to 20% of the employees' basic salary. Retirement expense recognized in the Group's consolidated statements of comprehensive income amounted to P69.8 million in 2011, P86.6 million in 2010 and P85.9 million in 2009 (see Note 15).

The retirement fund's statements of financial position as of December 31, 2010, 2009 and 2008 showed the following:

	2010	2009	2008
Assets			
Money market placements	**P 758,247,882**	P 715,250,000	P 643,050,000
Receivables	**62,940,415**	52,926,997	38,547,269
Cash on hand and in banks	**24,083,864**	9,997,093	10,784,913
Others	**114,396**	136,263	185,654
	845,386,557	778,310,353	692,567,836
Liabilities	**(67,028,640)**	(55,569,843)	(50,395,960)
Net Assets	**P 778,357,917**	P 722,740,510	P 642,171,876

18. INCOME TAXES

The components of the tax expense presented in profit or loss are as follows:

	2011	2010	2009
Current tax expense:			
Special rate at 10%	**P 59,431,631**	P 56,990,568	P 51,743,268
Final tax at 20% and 7.5%	**27,763,436**	21,691,427	21,258,726
Regular corporate income tax (RCIT) rate at 30%	**14,685,564**	48,978,646	10,812,275
	101,880,631	127,660,641	83,814,269
Deferred tax expense (income) arising from origination and reversal of temporary differences	**(1,611,452)**	(960,904)	4,788,752
Effect of change in RCIT rate	**-**	-	(1,607,282)
	(1,611,452)	(960,904)	3,181,470
	P 100,269,179	P 126,699,737	P 86,995,739

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in profit or loss is as follows:

	2011	2010	2009
Tax on pretax income at 10%	**P 72,907,887**	P 90,439,558	P 69,628,919
Adjustments for income subjected to:			
Final tax	**13,185,575**	10,257,745	8,858,395
RCIT rate	**12,663,261**	48,303,738	10,843,328
Excess of Optional Standard Deduction (OSD) over itemized deductions	**(237,071)**	(24,161,010)	(3,289,439)
Effect of change in RCIT rate		-	(1,607,282)
Others	**1,749,527**	1,859,706	2,561,818
Tax expense	**P 100,269,179**	P 126,699,737	P 86,995,739

The deferred tax assets and liabilities relate to the following as of March 31:

	Consolidated Statements of Financial Position			Profit or Loss		
	2011	2010	2009	**2011**	2009	2008
Deferred tax assets:						
Unearned rental income	**P 5,340,109**	P 3,751,602	P 3,223,163	**(P 1,588,507)**	(P 528,439)	(P 621,731)
Accrued rent expense	**5,275,564**	5,168,876	4,591,002	**(106,688)**	(577,874)	(1,047,917)
Allowance for impairment loss on receivables	**2,442,894**	1,572,771	1,414,626	**(870,123)**	(158,145)	(227,393)
Unrealized foreign currency loss	**377,222**	348,299	-	**(28,922)**	(348,299)	474,786
Unearned income	**-**	-	-	**-**	-	1,685,492
Accrued donation	**-**	-	-	**-**	-	1,700,000
Net-operating loss carryover	**-**	-	-	**-**	-	163,176
Minimum corporate income tax (MCIT)	**-**	-	-	**-**	-	2,115
Deferred tax assets	**P 13,435,789**	P 10,841,548	P 9,228,791			
Deferred tax liabilities:						
Accrued rent income	**(P 13,959,632)**	(13,822,482)	(P 12,866,856)	**137,150**	955,626	749,169
Unrealized foreign currency gains	**(845,638)**	**-**	(303,773)	**845,638**	(303,773)	303,773
Deferred tax liabilities	**(P 14,805,270)**	**(P 13,822,482)**	(P 13,170,629)			
Deferred tax expense (income)				**(P 1,611,452)**	(P 960,904)	P 3,181,470

The University availed of the Tax Incentives Provisions of Republic Act (R.A.) No. 8525, Adopt-a-School Act of 1998. Total benefit from the availment of this tax incentives provided under R.A. No. 8525 is the sum of the amount of contribution/ donation that were actually, directly and exclusively incurred for the Adopt-a-School Program, with limitations, conditions and rules set forth in Section 34 (H) of the Tax Code and fifty percent (50%) of the amount of such contribution/donation.

FRC is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations. No MCIT was recognized in 2011, 2010, and 2009 as RCIT was higher than the MCIT in those years.

On July 6, 2008, R.A. No. 9504 became effective giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross income which is relevant only to FRC. Once the option is made, it shall be irrevocable for the taxable year for which the option was made. In 2011, 2010 and 2009, FRC opted to use OSD in computing its RCIT.

In accordance with R.A.No. 9337, RCIT rate, which is also applicable to FRC only, was reduced from 35% to 30% while nonallowable deductions for interest expense from 42% to 33% of interest income subjected to final tax beginning January 1, 2009.

19. RELATED PARTY TRANSACTIONS

The Group's related parties include its associates and joint ventures, the Group's key management and others as described below. The following are the Group's significant transactions with such related parties:

19.1 Noninterest-bearing Advances

The Group grants unsecured and noninterest-bearing advances to ICF-CCE, Inc. for working capital purposes which are due on demand. Advances made in 2011 amounted to P32.1 million and nil in 2010 and 2009. This is shown as part of Receivables account in the 2011 consolidated statements of financial position (see Note 5).

19.2 Key Management Personnel Compensation

Total remunerations of the Group's key management personnel presented as part of salaries and allowances and employees benefits under the Instructional and Academic, and Administrative expenses caption of Costs and Operating Expenses account (see Note 15) is as follows:

	2011	2010	2009
Short-term benefits	**P 116,142,820**	P 120,223,887	P 113,999,963
Retirement benefits	**18,958,287**	18,247,691	18,063,955
	P 135,101,107	P 138,471,578	P 132,063,918

20. EQUITY

20.1 Capital Stock

	Shares			**Amount**		
	2011	2010	2009	**2011**	2010	2009
Common shares – P100 par value						
Authorized	**10,000,000**	10,000,000	10,000,000			
Issued and outstanding:						
Balance at beginning of year	**9,845,779**	9,845,779	7,043,699	**P 984,577,900**	P 984,577,900	P 704,369,900
Issued during the year	**-**	-	2,802,080	**-**	-	280,208,000
Balance at end of year	**9,845,779**	9,845,779	9,845,779	**984,577,900**	984,577,900	984,577,900
Treasury stock – at cost	**(37,331)**	(37,331)	(37,331)	**(3,733,100)**	(3,733,100)	(3,733,100)
Total outstanding	**9,808,448**	9,808,448	9,808,448	**P 980,844,800**	P 980,844,800	P 980,844,800

20.2 Retained Earnings

Significant transactions affecting Retained Earnings account, which is also restricted at an amount equivalent to the cost of treasury shares, are as follows:

(a) Appropriation of Retained Earnings

Appropriated Retained Earnings consists of appropriations for:

	2011	2010	2009
Property and investment acquisition	**P 1,200,000,000**	P 1,000,000,000	P -
Expansion of facilities	**395,000,000**	599,333,335	899,333,335
Purchase of equipment and improvements	**140,000,000**	-	-
General retirement	**65,000,000**	57,000,000	57,000,000
Contingencies	**50,000,000**	18,765,682	18,765,682
Others	**3,733,100**	-	-
	P 1,853,733,100	P 1,675,099,017	P 975,099,017

In 2009, the Group made a reversal of appropriations amounting to P172.1 million pertaining to expansion of facilities, repairs and improvements, acquisition of laboratory equipment and purchase of equipment and improvements. In 2010, the Group appropriated P1.0 billion for property and investment acquisition and reversed P300.0 million relating to expansion of facilities. In 2011, the Group reversed the appropriation for expansion of facilities and purchase of equipment amounting to P379.3 million and appropriated an amount of P557.9 million for expansion and acquisition of facilities and contingencies.

(b) Dividend Declaration

The BOT approved the following dividend declarations in 2011, 2010 and 2009:

	Date of			
	Declaration	**Record**	**Payment**	**Amount**
2011				
Cash dividend of P15 per share	July 6, 2010	July 20, 2010	July 30, 2010	P 147,126,720
Cash dividend of P15 per share	December 14, 2010	January 3, 2011	January 17, 2011	147,126,720
				P 294,253,440
2010				
Cash dividend of P15 per share	June 19, 2009	July 6, 2009	July 20, 2009	P 147,126,720
Cash dividend of P15 per share	December 15, 2009	January 8, 2010	January 25, 2010	147,126,720
				P 294,253,440

	Date of Declaration	Date of Record	Date of Payment	Amount
2009				
Cash dividend of P15 per share	June 17, 2008	July 7, 2008	July 21, 2008	P 105,095,520
40% stock dividend equivalent to 2,802,547 shares	August 23, 2008	September 15, 2008	October 9, 2008	280,208,000
467 fractional shares paid out in cash at P100 per share	August 23, 2008	September 15, 2008	October 9, 2008	46,720
Cash dividend of P15 per share	December 16, 2008	January 8, 2009	January 22, 2009	147,126,720
				P 532,476,960

Unpaid dividends as of March 31, 2011, 2010 and 2009 are presented as Dividends payable under Accounts Payable and Other Liabilities account in the consolidated statements of financial position (see Note 12).

21. EARNINGS PER SHARE

Earnings per share amounts were computed as follows:

	2011	2010	2009
Net income attributable to owners of the parent company	**P 639,835,379**	P 657,407,436	P 585,200,755
Divided by weighted average number of shares outstanding, net of treasury stock of 37,331 shares	**9,808,448**	9,808,448	8,407,408
Basic and diluted earnings per share	**P 65.23**	P 67.02	P 69.61

The weighted average number of shares outstanding as of March 31, 2009 is computed as follows:

	Number of shares	Months Outstanding	Weighted number of shares
Balance at beginning of year	7,006,368	12	84,076,416
Issuance on October 9, 2008	2,802,080	6	16,812,480
Balance at end of year	9,808,448		100,888,896
Divided by total months as of March 31, 2009			12
Weighted average number of shares outstanding			8,407,408

There were no stock issuances in 2011 and 2010, hence, the weighted average number of shares outstanding is equivalent to the total outstanding shares as of March 31, 2011 and 2010.

The University has no dilutive potential common shares as of March 31, 2011, 2010 and 2009.

22. COMMITMENTS AND CONTINGENCIES

22.1 Purchase of Condominium Unit

As discussed in Note 10.2, FRC has an existing contract with a real estate company for the acquisition of a condominium unit which is still undergoing minor construction and renovation works. Future payments under this contract are as follows which is presented as Notes Payable account in the consolidated statements of financial position.

	2011	2010	2009
Within one year	**P 3,662,796**	P 3,371,494	P 3,103,359
After one year but not more than five years	**3,292,947**	6,955,744	10,327,238
	P 6,955,743	P 10,327,238	P 13,430,597

22.2 Operating Lease Commitments – Group as Lessee

The University entered into a contract of lease with Crans Montana for the land where the building occupied by the Branch is located commencing on November 18, 2009 until November 17, 2010. In 2010, the parties amended the contract extending the lease term for a period of 10 years, however, the said land was acquired by FRC in 2011 (see Note 6). The future minimum rentals payable under this operating lease is as follows as of March 31, 2010:

	2010
Within one year	P 2,623,200
After one year but not more than five years	10,492,800
More than five years	12,241,600
	25,357,600

22.3 Operating Lease Commitments – Group as Lessor

The University leases out certain buildings to EAEF for a period of one to ten years until August 31, 2017. Total rental income from EAEF presented as part of Rental account in the consolidated statements of comprehensive income amounted to P48.2 million in 2011, P39.2 million in 2010 and P22.9 million in 2009.

Future minimum rental receivables, excluding contingent rental, under these operating leases as of March 31, 2011, 2010, and 2009 are as follows:

	2011	2010	2009
Within one year	**P 35,656,350**	P 28,666,776	P 28,666,776
After one year but not more than five years	**142,625,400**	114,667,104	114,667,104
More than five years	**14,856,813**	57,333,552	86,000,328
	P 193,138,563	P 200,667,432	P 229,334,208

FRC leases out certain land and buildings to several related and non-related parties for a period of one to ten years. Certain lease contracts stipulate contingent rentals at a certain percentage of the lessee's monthly gross revenue. FRC's lease agreement with Nicanor Reyes Educational Foundation, Inc. (Fern College) which covers certain buildings that Fern College occupies within the campus from June 1, 2007 to May 31, 2017 provides for an annual rental of P1.4 million or 10% of gross annual revenue, whichever is higher. Rental income recognized from this transaction amounted to P8.9 million in 2011, P6.7 million in 2010, and P5.5 million in 2009 and is presented as part of Rental account in the consolidated statements of comprehensive income (see Note 10).

Future minimum rental receivables, excluding contingent rental, under these operating leases as of March 31 are as follows:

	2011	2010	2009
Within one year	**P 74,287,361**	P 52,648,424	P 50,442,397
After one year but not more than five years	**238,549,609**	192,814,163	252,835,730
More than five years	**19,823,670**	23,215,842	17,802,160
	P 332,660,640	P 268,678,429	P 321,080,287

22.4 Legal Claims

FRC is a party to a case filed by World War II Veterans Legionaries of the Philippines, which seeks the annulment of FRC's title over approximately 15 to 25 hectares of land that had been the subject matter of a joint development agreement with Ayala Land, Inc. The specific bounds of the claimed area were not specified by the plaintiff. The plaintiff also sought monetary damages in the amount of approximately P300,000 and monthly rentals of P300,000, while the case is pending in court. FRC's management and its legal counsel, however, are vigorously contesting the claims. The case was initially dismissed by the Regional Trial Court and is currently pending on appeal before the Court of Appeals.

The Group's management and its legal counsel believe that the liabilities, if any, which may result from the outcome of these cases, will not materially affect the financial position and results of operations of the Group.

22.5 Others

There are other contingencies that may arise in the normal course of business that are not recognized in the Group's consolidated financial statements. However, management believes that losses, if any, arising from these commitments and contingencies will not materially affect its consolidated financial statements.

23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group 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 Group's risk management framework. It has a risk management committee headed by an independent trustee that is responsible for developing and monitoring the Group's policies, which address risk management areas.

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

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

23.1 Interest Rate Sensitivity

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

	Notes	**2011**	2010	2009
Cash and cash equivalents	5	**P 418,324,237**	P 468,148,054	P1,172,859,362
AFS investments (Equity Securities)	7	**1,355,660,330**	1,218,166,152	1,068,371,205
Held-to-maturity investments		**-**	20,000,000	20,000,000
Restricted cash and cash equivalents	5, 13	**5,394,693**	43,970,750	58,490,642
		P1,779,379,260	P1,750,284,956	P2,319,721,209

The following table illustrates the sensitivity of profit before tax for the years in regards to the Group's interest-bearing financial instruments. These percentages have been determined based on the average market volatility rates, using standard deviation, in the previous 12 months, estimated at 68% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at March 31, 2011, 2010 and 2009.

	2011		2010		2009	
	Reasonably possible change in rate	**Effect on profit before tax**	Reasonably possible change in rate	Effect on profit before tax	Reasonably possible change in rate	Effect on profit before tax
Cash and cash equivalents	**+/-0.79%**	**P 775,545**	+/-1.39%	P 4,992,069	+/-2.67%	P 32,788,553
AFS investments	**+/-0.79%**	**2,473,381**	+/-0.94%	16,554,134	+/-2.83%	28,547,356
Held-to-maturity investments	**-**	**-**	+/-1.39%	278,000	+/-2.67%	534,000
Restricted cash and cash equivalents	**+/-0.79%**	**42,618**	+/-1.39%	611,193	+/-2.67%	1,561,700
		P 3,291,544		P 22,435,396		P 63,431,609

23.2 Credit Risk

Credit risk represents the loss the Group would incur if the counterparty failed to perform under its contractual obligations. The Group'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 Group based on installment payment schemes. The Group 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 Group also withholds the academic records and clearance of the students with unpaid balance, thus ensuring that collectibility is reasonably assured. The Group's exposure to credit risk on its other receivable from debtors and related parties is managed through close account monitoring and setting limits.

The Group 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. With respect to credit risk arising from cash and cash equivalents, receivables, AFS investments and HTM investments, the Group'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 end of the reporting period is as follows:

	Notes	**2011**	2010	2009
Cash and cash equivalents	5	**P 418,324,237**	P 468,148,054	P 1,172,859,362
Receivables - net	6	**518,305,654**	839,947,375	138,151,928
Financial assets at FVTPL		**8,456,381**	-	-
AFS investments	7	**1,355,660,330**	1,218,166,152	1,068,371,205
HTM investments		**-**	20,000,000	20,000,000
Restricted cash and cash equivalents	5, 13	**5,394,693**	43,970,750	58,490,642
		P 2,306,141,295	P 2,590,232,331	P 2,457,873,137

The table below shows the credit quality of the Group's financial assets as at March 31, 2011, 2010 and 2009 (presented in thousands) having past due but not impaired components.

	Neither past due nor impaired	Past due: Impaired (see Note 6)	Past due: Not impaired	Total
2011				
Cash and cash equivalents	P 418,324	P -	P -	P 418,324
Receivables	54,797	24,491	463,509	542,797
Financial assets At FVTPL	8,456	-	-	8,456
AFS investments	1,355,660	-	-	1,355,560
Restricted cash and cash equivalents	5,395	-	-	5,395
	P 1,834,176	**P 24,491**	**P 463,509**	**P 2,330,532**
2010				
Cash and cash equivalents	P 468,148	P -	P -	P 468,148
Receivables	823,549	15,728	16,398	855,675
AFS investments	1,218,166	-	-	1,218,166
Held-to-maturity investments	20,000	-	-	20,000
Restricted cash and cash equivalents	43,970	-	-	43,970
	P 2,573,833	P 15,728	P 16,398	P 2,605,959
2009				
Cash and cash equivalents	P 1,172,859	P -	P -	P 1,172,859
Receivables	123,377	14,146	14,775	152,298
AFS investments	1,068,371	-	-	1,068,371
Held-to-maturity investments	20,000	-	-	20,000
Restricted cash and cash equivalents	58,491	-	-	58,491
	P 2,443,098	P 14,146	P 14,775	P 2,472,019

The age of past due but not impaired receivables is about six months for each of the three years.

The Group classifies tuition and other fee receivables from students based on the number of semesters the receivables have been outstanding. Receivables from students that are outstanding for more than one semester are analyzed to determine whether they are impaired. Those that are not outstanding for more than one semester or are currently receivable are determined to be collectible, based on historical experience.

The Group's management considers that all the above financial assets are not impaired, except those specifically provided with allowance for impairment, as of the end of the reporting periods and of good credit quality. Cash and cash equivalents, AFS investments and HTM investments are coursed through reputable financial institutions duly approved by the BOT.

23.3 Liquidity Risk

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

Financial liabilities of the Group at the end of the reporting period comprise of accounts payable and other liabilities, dividends payables and notes payable – current, which are all short-term in nature and have contractual maturities of less than 12 months from the reporting period, except for the non-current portion of notes payable amounting to P3.3 million and P7.0 million as of March 31, 2011 and 2010, respectively, which are due beyond 12 months.

23.4 Other Price Risk Sensitivity

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

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.

For equity securities listed in the Philippines, an average volatility of 18.98%, 26.06% and 36.68% has been observed during 2011, 2010 and 2009, respectively. If quoted price for these securities increased or decreased by that amount profit before tax would have changed by P34.1 million in 2011, P4.9 million in 2010, and P7.1 million in 2009.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments except as discussed in Note 7 in connection with its investment in cross currency swap. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

24. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

24.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2011		2010		2009	
		Carrying Values	**Fair Values**	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets							
Loans and receivables							
Cash and cash equivalents	5	**P 418,324,237**	**P 418,324,237**	P 468,148,054	P 468,148,054	P 1,172,859,362	P 1,172,859,362
Receivables - net	6	**518,305,654**	**518,305,654**	839,947,375	839,947,375	138,151,928	138,151,928
Restricted cash and and cash equivalents	5, 13	**5,394,693**	**5,394,693**	43,970,750	43,970,750	58,490,641	58,490,641
		942,024,584	**942,024,584**	1,352,066,179	1,352,066,179	1,369,501,931	1,369,501,931
AFS investments	7						
Debt securities		**1,355,660,303**	**1,355,660,303**	1,218,166,152	1,218,166,152	1,068,371,205	1,068,371,205
Equity securities		**191,836,952**	**191,836,952**	21,928,999	21,928,999	19,738,752	19,738,752
		1,547,497,255	**1,547,497,255**	1,240,095,151	1,240,095,151	1,088,109,957	1,088,109,957
HTM investments							
Debt securities		**-**	**-**	20,000,000	20,000,000	20,000,000	20,000,000
		P 2,489,521,839	**P 2,489,521,839**	P 2,612,161,330	P 2,612,161,330	P 2,477,611,889	P2,477,611,889
Financial liabilities							
Accounts payable and other liabilities	12	**P 364,430,602**	**P 364,430,602**	P 453,578,125	P 453,578,125	P 349,657,377	P 349,657,377
Notes payable	10	**6.955,743**	**6,955,743**	10,327,238	10,327,238	13,430,597	13,430,597
		P 371,386,345	**P 371,386,345**	P 463,905,363	P 463,905,363	P 363,087,974	P 363,087,974

See Notes 2.5 and 2.9 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 23.

24.2 Fair Value Hierarchy

The Group adopted in fiscal year 2010 the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*. These amendments require the Group to present certain information about financial instruments measured at fair value in the consolidated statements of financial position. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for March 31, 2011 and 2010.

In accordance with this amendment, financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The breakdown of the Group's AFS investments measured at fair value in its consolidated statements of financial position as of March 31, 2011 and 2010 are as follows:

	Level 1	Level 2	Level 3	Total
March 31, 2011				
Debt securities:				
Government	P 760,955,122	P -	P -	P 760,955,122
Corporate	430,738,836	-	163,966,345	594,705,181
Equity securities	191,836,952	-	-	191,836,952
	P 1,383,530,910	**P -**	**P 163,966,345**	**P1,547,497,255**
March 31, 2010				
Debt securities:				
Government	P 678,179,527	P -	P -	P 678,179,527
Corporate	55,540,548	-	484,446,077	539,986,625
Equity securities	21,928,999	-	-	21,928,999
	P 755,649,074	P -	P 484,446,077	P 1,240,095,151

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Group defines capital as paid-in capital stock and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, accumulated fair value gains (losses) and minority interest 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 Group's external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt, net of deferred tax liabilities divided by total equity. Capital for the reporting period March 31, 2011, 2010 and 2009 under review is summarized as follows:

	2011	2010	2009
Total debt – net	**P 482,612,046**	P 589,349,849	P 546,855,035
Total equity attributable to owners of the parent company	**3,736,860,251**	3,391,278,312	3,028,124,316
Debt-to-equity ratio	**0.13 : 1.00**	0.18 : 1.00	0.18 : 1.00

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

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

LETTER TO THE STOCKHOLDERS

I am pleased to report that the year 2010-2011 proved to be another good year for Far Eastern University.

Our financial results improved permitting the usual cash dividends in January and July. The Board of Trustees also declared a 40% stock dividend during its July 19, 2011 meeting, subject to stockholders' approval during the annual meeting on August 27, 2011. An application for an increase in authorized capital shall be filed with the Securities and Exchange Commission for this purpose.

The biggest news is that we successfully completed constructing and commenced operations at the FEU Makati and Far Eastern College Silang (FEC Silang). FEU Makati, with a 6-storey building in the heart of the Ayala business district offers undergraduate and professional courses. FEC Silang, located in the province of Cavite, is our first campus outside the NCR area. In addition to tertiary education, FEC Silang offers basic education. Both schools had a good start up year and had a dramatic increase in enrollment as they entered their second year.

Our dedication to the continued improvement in the quality of the courses offered at FEU resulted in the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) granting certification of Level III status for five years to eight programs of the University. The Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) also granted Level II re-accredited status to our B. S. Nursing Program for the same period of time. We recognize and are grateful for the all-out support of our faculty and employees during this year's PACUCOA and PAASCU accreditation processes without which our progress would not have been possible.

Our students continue to excel in leadership, academic and sports competitions; two of our students won in the Ayala Young Leaders Congress for 2011, and another was adjudged as one of the Ten Outstanding Students of the Philippines for the NCR. Our athletes emerged as champions in several events during last year's UAAP season. Our graduates also performed well in board examinations, placing among the top ten in CPA, Architecture and Nursing.

Budgetary constraints during the year did not deter the University from providing faculty and employees seminars to broaden their knowledge and to improve efficiency. Constructed or renovated were more classrooms, laboratories, multi-purpose rooms, library extensions and other instructional facilities including the Masscom radio and TV studios. Special attention was given towards general safety with respect to fire prevention and flood control.

The growth in enrollment and the number of honor students/merit entrance scholars are indications that FEU has become one of the better choices, and with sustained improvements, among the top learning institutions in the country today.

On behalf of the Board of Trustees, I wish to express our heartfelt gratitude to the whole FEU community for its unwavering support and to you, our stockholders, for your trust and confidence in our leadership.

LOURDES R. MONTINOLA
Chair
Board of Trustees

Undertaking

Upon written request, the Corporation undertakes to furnish stockholders with a copy of SEC Form 17-A free of charge, except for the exhibits attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

Far Eastern University
Nicanor Reyes Street
Sampaloc, Manila 1008

Attention: Ms. Angelina P. Jose
Corporate Secretary

Verification

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

ISSUER	:	FAR EASTERN UNIVERSITY, INC.
DATE	:	August 01, 2011
SIGNATURE AND TITLE	:	ANGELINA P. JOSE Corporate Secretary