



FAR EASTERN UNIVERSITY

P.O. BOX 609

MANILA, PHILIPPINES

SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-Q

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

1. For the Quarter period ended **September 30, 2012**
2. SEC Identification Number **538**
3. PSE Code
4. BIR Tax Identification No. **000-225-442**
5. Exact Name of Registrant as specified in its charter **Far Eastern University, Inc.**
6. Province, Country or other jurisdiction of Incorporation or organization **Philippines**
7.

/ /	(SEC use only)
/ /	
8. Address of Principal Office **Nicanor Reyes Street,**
Postal Code **Sampaloc, Manila**
1008
9. Registrant's Telephone Number including Area Code **(632) 735-5621**
10. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.
11. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, ₱100.00 par value	13,731,303
Bond with Non-Detachable Warrant, ₱1.00 per unit	Not Applicable

12. All of these common securities are listed with the Philippine Stock Exchange, Inc.
13. Has filed all reports required during the preceding 12 months (or for such shorter period required to file such reports):
- a) Sections 17 of the Code and SRC Rule 17
- Yes [] No []
- b) Sections 26 and 141 of the Corporation Code of the Philippines
- Yes [] No []

Financial Information


Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY


ANGELINA P. JOSE
Corporate Secretary


GLENN Z. NAGAL
Comptroller


JUAN MIGUEL R. MONTINOLA
Chief Finance Officer


ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
November 14, 2012

Management's Discussion and Analysis or Plan of Operation

Financial Position:

Total assets as of September 30, 2012 amounting to P4,869.1 million increased by P338.5 million over this year's beginning balance of P4,530.6 million. Current assets went down by P134.3 million but non-current assets went up by P472.8 million thus the increase in total assets by P338.51 million.

Total liabilities as of September 30, 2012 amounting to P619.5 million increased by P131.17 million over this year's beginning balance of P488.3 million. The increase is mainly due to unearned tuition fees for the first semester.

Stockholder's equity as of September 30, 2012 amounting to P4,249.65 million increased by P207.34 million compared to this year's beginning balance of P4,042.3 million due to a bigger comprehensive income compared to the amount of dividend declared during the first half of this year.

Results of Operation

Net income after tax for the first half is P375.7 million reflecting an increase of P67.1 million compared to last year's P308.54 million. Net operating (educational) income increased by P72.51 million and other income went up by P13.86 million. After an income tax of P53.2 million which increased by P19.22 million, net income after tax for the first quarter of this year is P67.1 million more than the same period last year.

A Look of What Lies Ahead

For the school year 2012-2013, the first semester enrollment increased by 10.11% compared to the previous year's 27,001. The increase in enrollment is attributed to our improved facilities and new course offerings. Our newly-opened branch in Makati brought in 1,771 students compared to last year's 931 and we expect our branch enrollment to be substantial in the succeeding years.

The 4.8% tuition fee increase for 2012-2013 is a little higher than the previous year's 4.5%. With the proper management of resources, we expect that operating profit will again improve this year.

With the company's current assets amounting to P2,689.1 million and non-current assets amounting to P2,180 million as of September 30, 2012 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 the continuous improvement of academic standards. This will be done by continuously improving curricula, strengthening faculty, improving services to students and providing the best educational facilities. The University is confident of being a university of choice for its target market.

Changes in Real Accounts as of September 30, 2012 compared to March 31, 2012

	<u>September 30, 2012</u>	<u>March 31, 2012</u>	<u>Increase (Decrease)</u>	<u>%</u>
1 Cash & Cash Equivalents	481,760,112.21	421,846,870.61	59,913,241.60	14%
2 Receivables - net	526,199,923.93	758,811,846.89	(232,611,922.96)	-31%
3 Available for sale Investments - net	1,612,267,439.40	1,612,888,938.87	(621,499.47)	0%
4 Other Current Assets	68,915,234.00	29,853,986.64	39,061,247.36	131%
5 Due from a related party	28,774,820.65	114,610,613.02	(85,835,792.37)	-75%
6 Investment in subsidiaries	179,813,488.94	147,313,488.94	32,500,000.00	22%
7 Investment Property	158,779,923.23	163,711,489.55	(4,931,566.32)	-3%
8 Property and Equipment, net	1,463,966,603.77	932,925,048.04	531,041,555.73	57%
9 Accounts payable & other current liabilities	343,111,658.41	414,402,473.04	(71,290,814.63)	-17%
10 Trust Funds	37,000,951.72	0.00	37,000,951.72	-
11 Unearned Tuition Fees	210,504,100.48	31,922,492.74	178,581,607.74	559%
12 Income Tax Payable	28,863,881.59	41,982,048.73	(13,118,167.14)	-31%
13 Accumulated fair value gains (losses)	79,977,234.07	83,549,498.44	(3,572,264.37)	-4%
14 Unappropriated Retained Earnings	1,078,041,364.84	867,127,414.59	210,913,950.25	24%

Changes in Income and Expense Items during the same period (first half) this year and last year

<u>INCOME</u>		<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Increase (Decrease)</u>	<u>%</u>
1	Tuition Fees, net	899,103,994.46	823,581,151.65	75,522,842.81	9%
2	Other School Fees	25,922,960.47	20,691,633.91	5,231,326.56	25%
3	Other Income	141,184,551.50	127,326,597.85	13,857,953.65	11%
<u>EXPENSES</u>		<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Increase (Decrease)</u>	<u>%</u>
1	Salaries	338,004,837.62	364,213,333.56	(26,208,495.94)	-7%
2	Employee Benefits	70,190,561.88	35,910,419.84	34,280,142.04	95%
3	RLE	1,034,157.00	2,866,995.00	(1,832,838.00)	-64%
4	Affiliation	1,753,352.50	5,105,286.00	(3,351,933.50)	-66%
5	Other Instructional & Academic Expenses	40,563,499.22	51,133,587.70	(10,570,088.48)	-21%
6	Rentals	36,256,403.58	35,883,632.78	372,770.80	1%
7	Other Administrative Expenses	7,468,475.01	5,486,051.07	1,982,423.94	36%
8	Utilities	52,765,707.66	45,396,819.76	7,368,887.90	16%
9	Janitorial Services	7,856,463.00	7,511,045.78	345,417.22	5%
10	Property Insurance	231,030.47	699,863.78	(468,833.31)	-67%
11	Repairs & Maintenance, Buildings & Equipment	7,281,408.01	8,764,586.24	(1,483,178.23)	-17%
12	Security Services	9,399,784.80	7,741,359.73	1,658,425.07	21%
13	Depreciation	47,006,969.39	33,961,775.95	13,045,193.44	38%
14	Publicity and Promotions	3,379,564.32	4,652,064.32	(1,272,500.00)	-27%
15	Other General Expenses	3,050,324.06	7,994,066.99	(4,943,742.93)	-62%
16	Professional Fee	10,595,399.90	10,871,948.66	(276,548.76)	-3%
17	Taxes & Licenses	485,224.85	504,879.30	(19,654.45)	-4%
18	Charitable Contribution	0.00	379,895.36	(379,895.36)	-100%

Cause of Material Changes in Real Accounts as of September 30, 2012 compared to March 31, 2012

1. Cash and cash equivalent increased by P59.91 million due to fresh collections from students enrolled in the first semester.
2. Receivables decreased by P232.6 million due to reduction in receivables from Fern Realty and East Asia..
3. There is no material change in the available for sale investments. It still remains at P1,947.6 million compared to last year's P1,948.2 million.
4. Other current assets increased by P39.06 million due to a reservation fee of P49.4 million.
5. Due from related party decreased by P85.8 million due to collection.
6. Investment in subsidiaries increased by P32.5 million due to investment in EACCI common shares.
7. Investment Property decreased by P4.93 million due to depreciation.
8. Property and Equipment increased by P531.04 million due to major repairs/renovations and new acquisitions.
9. Accounts payable and other current liabilities decreased by P71.29 million mainly due to lower accrued expenses and accounts payable.
10. Trust funds increased by P37.00 million due to allocations made during the summer and the first semester of this school year.
11. Unearned tuition fee increased by P178.58 million due to tuition fee not yet earned for the month of October.
12. Income tax payable decreased by P13.11 million. March 31 figure represents the amount for the whole year while September 30 represents the amount for two quarters only.
13. Accumulated fair value gain decreased by P3.57 million due to decrease in market value of available for sale investments.
14. Unappropriated retained earnings increased by P210.91 million due to higher comprehensive income for the first half of this year compared to dividends declared during the same period.

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

INCOME

1. Tuition fee income went up by P75.52 million due to the increase in first semester enrollment and in tuition fee rates.
2. Other School Fees increased by P5.23 million due to the increase in first semester enrollment and in rates.
3. Other income increased by P13.86 million due to higher interest/investment income and rental income.

EXPENSES

1. Salaries and allowances decreased by P26.20 million due to this year's payment schedule for regular faculty where overload are determined and paid in the second semester. Relatively lower rates for new hires compared to those who retired this year is also a factor.
2. Employee and faculty benefits increased by P34.28 million due to last year's application of retirement forfeitures to retirement contribution resulting to last year's lower fringe benefits expense.
3. RLE decreased by P1.83 million due to decrease in Nursing enrollment.
4. Affiliation fee decreased by P3.35 million mainly due to decrease in nursing enrollment .
5. Other Instructional and academic expenses decreased by P10.57 million due to:

	<u>(in million)</u>
Travel and Business	P 9.480
Subscription	6.747
Conference and Seminar	1.272
Supplies and Materials	2.800
Printing and Binding	(0.013)
Student Services	(0.837)
Other Academic Expenses	<u>(30.020)</u>
Total	P <u><u>(10.571)</u></u>

6. Rental expense increased by P.37 million mainly due to increase in rate.
 7. Other administrative expenses increased by P1.98 million due to:

	<u>(in million)</u>	
Travel and Business	P	0.616
Printing and Binding		(0.134)
Conference and Seminar		0.142
Supplies and Materials		(0.216)
Other Administrative Expenses		<u>1.574</u>
Total	P	<u><u>1.982</u></u>

8. Utilities expense increased by P7.36 million due to:

	<u>(in million)</u>	
Travel and Business	P	0.091
Supplies		(0.139)
Light and Power		2.911
Water		1.278
Telephone		3.469
Gasoline and Oil		(0.079)
Others		<u>(0.163)</u>
Total	P	<u><u>7.368</u></u>

9. Janitorial Services increased by P.34 million due to increase in minimum wage rates.
 10. Property Insurance decreased by P.46 million due to timing differences.
 11. Repairs and Maintenance decreased by P1.48 million due to less projects.
 12. Security Services increased by P1.65 million due to timing difference and increase in minimum wage rates.
 13. Depreciation increased by P13.04 million due to additional depreciable assets.
 15. Publicity and Promotions decreased by P1.27 million due to less advertisements.
 16. Other General expenses decreased by P4.94 million due to:

	<u>(in million)</u>	
Outside Services	P	2.681
Interest and Bank Charges		0.302
Other General Expenses		<u>(7.927)</u>
Total	P	<u><u>(4.944)</u></u>

17. Professional Fees decreased by P.27 million due to timing difference.

18. Taxes and Licenses is almost the same as last year with a minimal P19,000.00 decrease this year.
19. Charitable Contribution decreased by P.37 million due to less donations.

Top Five (5) Key Performance Indicators / Financial Soundness 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)

September 30, 2011	4.01:1
March 31, 2012	5.78:1
September 30, 2012	4.34:1

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)

September 30, 2011	3.91:1
March 31, 2012	5.72:1
September 30, 2012	4.23:1

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)

September 30, 2011	17%
March 31, 2012	12%
September 30, 2012	15%

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)

September 30, 2011	14%
March 31, 2012	11%
September 30, 2012	13%

- 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)

September 30, 2011	86%
March 31, 2012	89%
September 30, 2012	87%

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:

- 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).

September 30, 2011	7%	(first half)
March 31, 2012	16%	(one year)
September 30, 2012	8%	(first half)

- 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).

September 30, 2011	8%	(first half)
March 31, 2012	18%	(one year)
September 30, 2012	9%	(first half)

- Earnings per share measures the net income per share.

September 30, 2011	P31.45	(first half)
March 31, 2012	51.93	(one year)
September 30, 2012	27.36	(first half)

IV. Product Standard

- 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.
- a). 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

- b). The Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) granted a level II Reaccredited Status to its Nursing program for another 5 years up to 2015.
- c). The Commission on Higher Education (CHED) granted Far Eastern University an Autonomous status effective July 25, 2012 to May 31, 2014.

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

CPA, October 2011	10 th Place
CPA, May 2011	10 th Place
BAR, 2011	9 th Place
Nursing, 2011	3 rd , 6 th , 7 th , 9 th and 10 th Places
Teacher Licensure Exam., 2011	8 th and 9 th Places

V. Market Acceptability

The growth in enrollment despite difficult times and the increase in the number of valedictorians, salutatorians and entrance merit scholars are indications that FEU is one of the better choices among the various colleges and universities in the metropolis.

<u>SY</u>	<u>First Semester Enrollment</u>	<u>Increase (Decrease)</u>	
		<u>No. of Students</u>	<u>%</u>
2009-2010	22,890		
2010-2011	24,671	1,781	7.78
2011-2012	27,001	2,330	9.44
2012-2013	29,731	2,730	10.11

Formula

1 Liquidity

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

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

2 Solvency

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

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

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

3 Profitability

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

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

$$3 \text{ Earning per share} = \frac{\text{Net Profit}}{\text{Total Outstanding shares}}$$

(In Million Pesos)

	1st Half <u>September 30, 2011</u>	<u>March 31, 2012</u>	1st Half <u>September 30, 2012</u>
Quick Assets	2,428.3	2,793.5	2,620.2
Current Assets	2,487.8	2,823.4	2,689.1
Non-Current Assets	1,884.5	1,707.2	2,180.0
Total Assets	4,372.3	4,530.6	4,869.1
Current Liabilities	620.6	488.3	619.5
Total Liabilities	620.6	488.3	619.5
Stockholder's Equity	3,751.7	4,042.3	4,249.6
Operating Profit	215.2	539.8	287.7
Other Income	127.3	270.3	141.2
Net Profit before Tax	342.5	810.1	428.9
Net Profit or Profit after Tax	308.5	713.0	375.7
Other Comprehensive Income	11.9	62.9	(3.6)
Total Comprehensive Income	320.4	775.9	372.1
<hr/>			
Total Outstanding shares (average)	9,808,448	13,731,303	13,731,303

Other Items

1. The current economic condition may still affect the sales/revenues/income from operations.
2. There are no known events that would result in any default or acceleration of an obligation.
3. There are no known events that will trigger direct or contingent financial obligation that may be material to the company
4. 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.
5. There are no sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction.
6. There are no significant elements of income or loss from continuing operations.
7. 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 26,000 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.

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2012

(With comparative figures for March 31, 2012)

	<u>SEPTEMBER 2012</u>	<u>MARCH 2012</u>
Current Assets		
Cash and cash equivalents	P 481,760,112.21	P 421,846,870.61
Receivables -net	526,199,923.93	758,811,846.89
Available-for-sale investments - net	1,612,267,439.40	1,612,888,938.87
Other current assets	68,915,234.00	29,853,986.64
Total Current Assets	<u>2,689,142,709.54</u>	<u>2,823,401,643.01</u>
Noncurrent Assets		
Due from a related party	28,774,820.65	114,610,613.02
Available-for-sale investments	335,300,863.64	335,300,863.64
Investments in subsidiaries, associate and joint venture -net	179,813,488.94	147,313,488.94
Investment properties - net	158,779,923.23	163,711,489.55
Property and equipment - net	1,463,966,603.77	932,925,048.04
Deferred tax assets - net	9,424,385.00	9,424,385.00
Other non-current assets	3,929,796.34	3,929,796.34
Total Non-current Assets	<u>2,179,989,881.57</u>	<u>1,707,215,684.53</u>
TOTAL ASSETS	P <u>4,869,132,591.11</u>	P <u>4,530,617,327.54</u>
Current Liabilities		
Accounts payable & other current liabilities	P 343,111,658.41	P 414,402,473.04
Trust Funds	37,000,951.72	0.00
Unearned tuition fees	210,504,100.48	31,922,492.74
Income tax payable	28,863,881.59	41,982,048.73
Total Current Liabilities	<u>619,480,592.20</u>	<u>488,307,014.51</u>
Equity		
Capital Stock	1,376,863,400.00	1,376,863,400.00
Treasury stock	(3,733,100.00)	(3,733,100.00)
Accumulated fair value gains(losses)	79,977,234.07	83,549,498.44
Retained Earnings		
Appropriated	1,718,503,100.00	1,718,503,100.00
Unappropriated	1,078,041,364.84	867,127,414.59
Total Equity	<u>4,249,651,998.91</u>	<u>4,042,310,313.03</u>
TOTAL LIABILITIES AND EQUITY	P <u>4,869,132,591.11</u>	P <u>4,530,617,327.54</u>

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF COMPREHENSIVE INCOME

For the six-month period ended September 30, 2012 & 2011

	<u>JULY TO</u> <u>SEPTEMBER 2012</u>	<u>JULY TO</u> <u>SEPTEMBER 2011</u>	<u>APRIL TO</u> <u>SEPTEMBER 2012</u>	<u>APRIL TO</u> <u>SEPTEMBER 2011</u>
EDUCATIONAL REVENUES				
Tuition Fees - net	P 607,132,386.41	P 538,397,151.65	P 899,103,994.46	P 823,581,151.65
Other school fees	14,438,210.19	11,839,929.11	25,922,960.47	20,691,633.91
	<u>621,570,596.60</u>	<u>550,237,080.76</u>	<u>925,026,954.93</u>	<u>844,272,785.56</u>
OPERATING EXPENSES (Schedule 1)	<u>352,355,691.40</u>	<u>342,243,165.05</u>	<u>637,323,163.27</u>	<u>629,077,611.83</u>
OPERATING INCOME	<u>269,214,905.20</u>	<u>207,993,915.71</u>	<u>287,703,791.66</u>	<u>215,195,173.73</u>
OTHER INCOME (CHARGES)				
Finance Income	46,150,489.45	62,268,099.80	104,919,582.28	94,382,484.25
Finance costs	0.00	0.00	0.00	(412,758.54)
Rental	15,992,013.66	17,415,548.96	31,826,155.77	32,309,208.17
Others	1,611,543.29	(468,516.64)	4,438,813.45	1,047,663.97
	<u>63,754,046.40</u>	<u>79,215,132.12</u>	<u>141,184,551.50</u>	<u>127,326,597.85</u>
INCOME BEFORE TAX	332,968,951.60	287,209,047.83	428,888,343.16	342,521,771.58
TAX EXPENSE				
Provision for Income Tax	28,863,881.86	16,664,905.00	32,578,911.73	17,661,661.01
Tax Expense - Final Tax	13,722,452.95	10,993,105.25	20,619,845.18	16,313,122.32
Deferred Tax	0.00	0.00	0.00	0.00
	<u>42,586,334.81</u>	<u>27,658,010.25</u>	<u>53,198,756.91</u>	<u>33,974,783.33</u>
NET INCOME	P 290,382,616.79	P 259,551,037.58	375,689,586.25	P 308,546,988.25
OTHER COMPREHENSIVE INCOME				
Fair value gains (losses)	14,928,713.89	(7,985,379.20)	(3,572,264.37)	11,904,289.61
TOTAL COMPREHENSIVE INCOME	<u><u>305,311,330.68</u></u>	<u><u>251,565,658.38</u></u>	<u><u>372,117,321.88</u></u>	<u><u>320,451,277.86</u></u>
EARNINGS PER SHARE				
Basic & Diluted	P <u>21.15</u>	P <u>18.90</u>	P <u>27.36</u>	P <u>22.47</u>

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CHANGES IN EQUITY

For the six-month period ended September 30, 2012 & 2011

	<u>SEPTEMBER 2012</u>	<u>SEPTEMBER 2011</u>
CAPITAL STOCK - P100 par value	P <u>1,376,863,400.00</u>	P <u>984,577,900.00</u>
TREASURY STOCK - at cost (37,331 shares)	<u>(3,733,100.00)</u>	<u>(3,733,100.00)</u>
ACCUMULATED FAIR VALUE GAINS (LOSSES)		
Balance at beginning of year	83,549,498.44	20,650,844.92
Fair Value gains (losses) for the year	<u>(3,572,264.37)</u>	<u>11,904,289.61</u>
Balance at end of period	<u>79,977,234.07</u>	<u>32,555,134.53</u>
RETAINED EARNINGS		
APPROPRIATED		
Balance at beginning of year	1,718,503,100.00	1,853,733,100.00
Appropriations for:		
Reserve for Contingencies	0.00	0.00
Reserve for General retirement	0.00	0.00
Expansion of physical facilities	0.00	0.00
Purchases of equipments	0.00	0.00
Approp.for Property Acquisition & Investment	0.00	0.00
Reserve for Treasury shares	0.00	0.00
Reversal for Appropriations	0.00	0.00
Balance at end of period	<u>1,718,503,100.00</u>	<u>1,853,733,100.00</u>
UNAPPROPRIATED		
Balance at beginning of year		
As previously reported	867,127,414.59	703,282,400.89
Prior period adjustment	0.00	19,843,900.56
	<u>867,127,414.59</u>	<u>723,126,301.45</u>
Net Income	<u>375,689,586.25</u>	<u>308,546,988.25</u>
Cash dividends	<u>(164,775,636.00)</u>	<u>(147,126,720.00)</u>
Balance at end of period	<u>1,078,041,364.84</u>	<u>884,546,569.70</u>
Total Retained Earnings	<u>2,796,544,464.84</u>	<u>2,738,279,669.70</u>
TOTAL EQUITY	P <u><u>4,249,651,998.91</u></u>	P <u><u>3,751,679,604.23</u></u>

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CASH FLOWS

For the six-month period ended September 30, 2012 & 2011

	SEPTEMBER 2012	SEPTEMBER 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 428,888,343.16	P 342,521,771.58
Adjustments for:		
Interest Income	(104,919,582.28)	(94,382,484.25)
Depreciation and amortization	47,006,969.39	33,961,775.95
Unrealized foreign exchange losses (gains)	0.00	412,758.54
Operating income before working capital changes	370,975,730.27	282,513,821.82
Decrease (increase) in receivables	237,921,569.11	(158,063,536.02)
Decrease (increase) in Other assets	(39,061,247.36)	(30,711,252.15)
Increase (Decrease) in Accounts payable & other liabilities	(71,290,814.63)	(46,388,244.87)
Increase in Trust Funds	37,000,951.72	69,128,264.52
Increase (Decrease) in Unearned tuition fee	178,581,607.74	159,577,866.91
Cash generated from (used in) operations	714,127,796.85	276,056,920.21
Income taxes paid	(45,697,078.87)	(47,712,327.30)
Net cash from operating activities	668,430,717.98	228,344,592.91
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in available-for-sale investments	(2,950,764.90)	10,842,462.05
Interest Received	84,299,737.10	78,069,361.93
Acquisitions of property and equipment	(573,116,958.80)	(93,437,644.10)
Decrease (increase) in loans receivable	(5,309,646.15)	44,661,836.56
Collections from (advances to) a related party	85,835,792.37	29,185,316.17
Additional investment in subsidiaries, associates and joint venture	(32,500,000.00)	0.00
Net cash provided by (used in) investing activities	(443,741,840.38)	69,321,332.61
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(164,775,636.00)	(147,126,720.00)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	0.00	(412,758.54)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,913,241.60	150,126,446.98
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	421,846,870.61	342,506,590.00
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 481,760,112.21	P 492,633,036.98

THE FAR EASTERN UNIVERSITY, INCORPORATED

Schedule of Operating/Educational Expenses

For the six-month period ended September 30, 2012 & 2011

Schedule 1

	<u>JULY TO</u> <u>SEPTEMBER 2012</u>		<u>JULY TO</u> <u>SEPTEMBER 2011</u>		<u>APRIL TO</u> <u>SEPTEMBER 2012</u>		<u>APRIL TO</u> <u>SEPTEMBER 2011</u>
Instructional and Academic							
Salaries and allowances	P 143,408,999.42		P 171,008,449.09		P 275,333,526.22		P 303,319,166.72
Employees benefits	31,236,203.88		17,129,896.56		55,673,027.41		28,774,048.46
RLE	1,034,157.00		1,771,495.00		1,034,157.00		2,866,995.00
Affiliation	892,310.00		1,641,308.00		1,753,352.50		5,105,286.00
O t h e r s	25,221,048.81		24,393,244.97		40,563,499.22		51,133,587.71
	<u>201,792,719.11</u>		<u>215,944,393.62</u>		<u>374,357,562.35</u>		<u>391,199,083.89</u>
Administrative							
Salaries and allowances	24,695,349.91		23,400,983.92		49,015,414.11		48,488,138.00
Rentals	18,441,302.76		18,973,164.28		36,256,403.58		35,883,632.78
Employees benefits	5,464,783.03		3,424,301.84		11,418,537.92		5,422,418.44
O t h e r s	4,762,332.11		3,911,887.45		7,468,475.01		5,486,051.07
	<u>53,363,767.81</u>		<u>49,710,337.49</u>		<u>104,158,830.62</u>		<u>95,280,240.29</u>
Maintenance and University Operation							
Utilities	35,616,531.53		27,463,229.75		52,765,707.66		45,396,819.76
Salaries and allowances	6,989,093.66		6,195,269.85		13,655,897.29		12,406,028.84
Janitorial services	4,790,178.69		3,279,900.86		7,856,463.00		7,511,045.78
Employees benefits	100,052.09		1,083,587.19		3,098,996.55		1,713,952.94
Repairs and maintenance							
Buildings and equipments	4,813,068.47		4,396,923.92		7,281,408.01		8,764,586.24
Property insurance	3,062.00		51,218.11		231,030.47		699,863.78
	<u>52,311,986.44</u>		<u>42,470,129.68</u>		<u>84,889,502.98</u>		<u>76,492,297.34</u>
General							
Depreciation	28,129,056.26		17,168,091.83		47,006,969.39		33,961,775.95
Security services	7,267,323.68		3,314,808.29		9,399,784.80		7,741,359.73
Professional Fee	6,026,438.84		6,245,843.47		10,595,399.90		10,871,948.66
Publicity and promotions	1,342,338.40		2,201,239.57		3,379,564.32		4,652,064.32
Donations and charitable contributions	0.00		58,000.00		0.00		379,895.36
Taxes and licenses	355,155.85		263,918.12		485,224.85		504,879.30
O t h e r s	1,766,905.01		4,866,402.98		3,050,324.06		7,994,066.99
	<u>44,887,218.04</u>		<u>34,118,304.26</u>		<u>73,917,267.32</u>		<u>66,105,990.31</u>
Total operating expense	P <u>352,355,691.40</u>		P <u>342,243,165.05</u>		P <u>637,323,163.27</u>		P <u>629,077,611.83</u>

FAR EASTERN UNIVERSITY
Aging of Accounts Receivable
As of September 30, 2012

	Total	1 to 6 months	7 mos. To 1 year	One year or more	Past due accounts & items in litigation
Type of Accounts receivable					
Non - Trade Receivables					
1 . Official and Personal	9,694,220.21	9,694,220.21			Not Applicable
2 . SSS Sickness Benefit	316,038.55	316,038.55			"
3 . FERN College	(620,056.61)	(620,056.61)	-	-	"
4 . NRMF	570,452.54	570,452.54			"
5 . Engineering / East Asia	7,500,000.00		7,500,000.00		"
6 FEU Silang	3,730.65	3,730.65	-	-	"
7 FERN Realty	134,357.86	65,835.35	41,650.94	26,871.57	"
8 ICF-CCE, Inc.	23,750,000.00	23,750,000.00			"
9 Alphaland, Corp.	430,000.00	210,700.00	133,300.00	86,000.00	"
10 Moldex	4,021,862.50	4,021,862.50			
	<hr/>	<hr/>	<hr/>	<hr/>	
Total	<u><u>45,800,605.70</u></u>	<u><u>38,012,783.19</u></u>	<u><u>7,674,950.94</u></u>	<u><u>112,871.57</u></u>	

FAR EASTERN UNIVERSITY

Notes to Financial Statements

September 30, 2012

1. The interim 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.
2. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.
3. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.
4. No significant changes in estimates of amounts reported in prior interim periods or in prior financial years that have a material effect in the current interim period have been noted.
5. There are no issuances, repurchases, and repayments of debt and equity securities.
6. On June 19, 2012, a cash dividend of P12.00 per share has been declared to all stockholders on record as of July 04, 2012. There were 13,731,303 outstanding shares and a total of P164,775,636.00 was paid on July 18, 2012.
7. 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 second quarter ended September 30, 2012 is P58.27 million while its operating expense for the same period amounted to P13.91 million.

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.

8. On July 12, 2012 and July 19, 2012 the University purchased two buildings located at Silang, Cavite amounting to P200,000,000 and P217,870,000 respectively. Said Buildings were recorded under the account Property, Plant and Equipment in the Statement of Financial Position.

9. The University made an additional investment in EACCI's common shares. Number of shares subscribed is 1,300,000 @ P100 par (P130,000,000) of which P32,500,000 has been paid.
10. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
11. There are no changes in composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
12. There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.
13. PFRS 9, Financial Interests: Classification and Measurement(Effective from January 1, 2015)

The University does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the University and is committed to conduct a comprehensive study of the potential impact of this standard to assess the impact of all changes in view of its adoption in 2015.

14. 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 2012 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 re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

b) Loans and Receivables

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

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

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

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

c) HTM Investments

The category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the University has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. HTM investments are included in non-current assets in the statement of financial position, except those maturing within 12 months from the end of the reporting period, which are presented as part of current assets. Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

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

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

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

12. Risk Management Objectives and Policies

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

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

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

a) Interest Rate Sensitivity

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

b) Credit Risk

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

The University neither has any significant exposure to any individual customer or counterparty nor does it have any other concentration of credit risk arising from counterparties in similar business activities, geographic region or economic parties. It has, however, a significant amount of loans to FRC which are not considered high risk considering that FRC is a subsidiary of the University. With respect to credit risk arising from cash and cash equivalents, receivables, due from a related party, AFS investments and HTM investments, the University's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

c) Liquidity Risk

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

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

d) Other Price Risk Sensitivity

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

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

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

13. Capital Management Objectives, Policies and Procedures

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

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

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

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

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

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012
(With Comparative Figures for March 31, 2012)
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>September 30, 2012</u> <u>(Unaudited)</u>	<u>March 31, 2012</u> <u>(Audited)</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	7	P 584,902,150	P 486,095,989
Receivables - net	8	541,389,858	478,526,679
Financial assets at fair value through profit or loss	9	-	-
Available-for-sale investments	9	1,732,267,439	1,669,306,024
Held-to-maturity investments	3	-	-
Real estate held-for-sale	10	119,459,271	119,459,271
Other current assets	7, 8, 12	84,943,172	40,125,702
Total Current Assets		<u>3,062,961,890</u>	<u>2,793,513,665</u>
NON-CURRENT ASSETS			
Held-to-maturity investments			-
Available-for-sale investments	9	335,300,863	335,300,863
Investments in an associate and a joint venture	11	6,849,500	6,883,716
Investment property - net	12	362,842,596	291,397,103
Property and equipment - net	13	1,972,143,564	1,767,389,265
Brand development costs			-
Deferred tax assets	21	15,254,114	15,254,114
Other non-current assets		19,436,323	18,151,513
Total Non-current Assets		<u>2,711,826,960</u>	<u>2,434,376,574</u>
TOTAL ASSETS		<u>P 5,774,788,850</u>	<u>P 5,227,890,239</u>
<u>LIABILITIES AND EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable and other liabilities	14	P 336,160,396	P 394,055,602
Deferred income	17	221,372,555	31,922,493
Trust funds	13	44,135,029	-
Notes payable	15	2,393,065	5,771,862
Income tax payable		39,669,770	41,982,049
Total Current Liabilities		<u>643,730,815</u>	<u>473,732,006</u>

Forward

		<u>September 30, 2012</u>	<u>March 31, 2012</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
NON-CURRENT LIABILITIES			
Due to a related party		-	-
Notes payable	15	P 8,052,982	P 7,514,521
Deferred tax liabilities	21	12,760,404	12,760,404
Other non-current liabilities		<u>3,008,185</u>	<u>7,528,932</u>
Total Non-current Liabilities		<u>23,821,571</u>	<u>27,803,857</u>
Total Liabilities		<u>667,552,386</u>	<u>501,535,863</u>
EQUITY			
Equity attributable to owners			
of the parent company			
Capital stock	23	1,376,863,400	1,376,863,400
Treasury stock - at cost	23	(3,733,100)	(3,733,100)
Accumulated fair value gains	9	79,977,234	83,549,498
Retained earnings	23		
Appropriated		1,718,503,100	1,718,503,100
Unappropriated		<u>1,287,874,831</u>	<u>1,069,868,922</u>
Total equity attributable to owners of the parent		4,459,485,465	4,245,051,820
Non-controlling interest	3	<u>647,750,999</u>	<u>481,302,556</u>
Total Equity		<u>5,107,236,464</u>	<u>4,726,354,376</u>
TOTAL LIABILITIES AND EQUITY		<u>P 5,774,788,850</u>	<u>P 5,227,890,239</u>

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>2012</u>	<u>2011</u>
REVENUES		
Educational income		
Tuition fees - net	P 911,813,722	P 830,317,854
Other school fees	<u>25,661,454</u>	<u>20,484,184</u>
	937,475,176	850,802,038
Rental	42,932,760	39,255,174
Other operating income	<u>4,450,323</u>	<u>2,892,273</u>
	984,858,259	892,949,485
COSTS AND OPERATING EXPENSES	<u>634,670,645</u>	<u>625,038,448</u>
OPERATING INCOME	<u>350,187,614</u>	<u>267,911,037</u>
OTHER INCOME (CHARGES)		
Finance income	104,307,172	77,227,054
Management fees		
Educational materials received from a foundation		
Gain on sale of real property	9,713,872	11,591,676
Finance costs	(1,824,895)	(412,759)
Share in net losses of associate and joint venture	(34,216)	-
Others	<u>5,214,908</u>	<u>10,693,515</u>
	<u>117,376,841</u>	<u>99,099,486</u>
INCOME BEFORE TAX	467,564,455	367,010,523
PREACQUISITION INCOME		
TAX EXPENSE	<u>64,084,467</u>	<u>43,653,297</u>
NET INCOME	<u>P 403,479,988</u>	<u>P 323,357,226</u>

Forward

	<u>2012</u>	<u>2011</u>
<i>Balance brought forward</i>	P 403,479,988	P 323,357,226
OTHER COMPREHENSIVE INCOME		
Fair value gains (losses)	(<u>3,572,264</u>)	<u>11,904,290</u>
Reclassification to profit or loss		
TOTAL COMPREHENSIVE INCOME	<u>P 399,907,724</u>	<u>P 335,261,516</u>
Net income attributable to:		
Owners of the parent company	P 382,781,545	P 309,242,596
Non-controlling interest	<u>20,698,443</u>	<u>14,114,630</u>
	<u>P 403,479,988</u>	<u>P 323,357,226</u>
Total comprehensive income attributable to:		
Owners of the parent company	P 379,209,281	P 321,146,886
Non-controlling interest	<u>20,698,443</u>	<u>14,114,630</u>
	<u>P 399,907,724</u>	<u>P 335,261,516</u>
Earnings Per Share		
Basic and Diluted	<u>P 26.51</u>	<u>P 21.68</u>

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 467,564,455	P 367,010,523
Adjustments for:		
Interest income	(104,307,172)	(77,227,054)
Depreciation	54,883,362	45,623,577
Gain on sale of properties	(9,713,872)	(11,591,676)
Interest expense	1,824,895	412,759
Share in net losses of associate and joint venture	<u>34,216</u>	<u>-</u>
Operating profit before working capital changes	410,285,884	324,228,129
Increase in receivables	(62,863,179)	(231,944,473)
Decrease in real estate held-for-sale	-	1,123,056
Decrease in other assets	(65,517,137)	(60,288,295)
Increase in other non-current assets	(1,284,810)	(1,817,209)
Decrease in accounts payable and other liabilities	(57,895,206)	(28,996,770)
Increase in deferred income	189,450,062	209,066,631
Decrease in other non-current liabilities	(<u>4,520,747</u>)	(<u>4,771,746</u>)
Cash generated from operations	407,654,867	206,599,323
Income taxes paid	(<u>45,697,079</u>)	(<u>47,712,327</u>)
 Net Cash From Operating Activities	 <u>361,957,788</u>	 <u>158,886,996</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(254,372,972)	(102,078,706)
Interest received	104,307,172	77,227,054
Increase in Available-for-sale financial investments	(66,533,679)	(45,589,360)
Acquisitions of investment property	(66,996,310)	-
Proceed from disposal of investment property	<u>-</u>	<u>11,850,845</u>
 Cash Used in Investing Activities	 <u>(283,595,789)</u>	 <u>(58,590,168)</u>

Forward

	<u>2012</u>	<u>2011</u>
<i>Balance brought forward</i>	(<u>P 283,595,789</u>)	(<u>P 58,590,168</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(164,775,636)	(147,126,720)
Proceeds from issuance of preferred stocks to related party	145,750,000	-
Increase in trust funds	44,135,029	72,685,121
Payments of notes payable	(4,665,231)	(2,206,220)
Increase in due to related parties	<u>-</u>	<u>98,675,250</u>
Net Cash Used in Financing Activities	<u>20,444,162</u>	<u>22,027,431</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,806,161	122,324,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>486,095,989</u>	<u>379,328,540</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>P 584,902,150</u></u>	<u><u>P 501,652,799</u></u>

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(With Comparative Figures for 2009)
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>Attributable to Owners of the Parent Company</u>					<u>Non-controlling Interest</u>	<u>Total Equity</u>
	<u>Capital Stock</u>	<u>Treasury Stock</u>	<u>Accumulated Fair Value Gains (Losses)</u>	<u>Retained Earnings</u>			
				<u>Appropriated</u>	<u>Unappropriated</u>		
Balance at April 1, 2012	P 1,376,863,400	(P 3,733,100)	P 83,549,498	P 1,718,503,100	P 1,069,868,922	P 481,302,556	P 4,726,354,376
Capital issuance during the period		-	-	-	-	-	-
Comprehensive income							
Net profit for the period	-	-	-	-	382,781,545	20,698,443	403,479,988
Fair value gains for the period	-	-	(3,572,264)	-	-	-	(3,572,264)
Total comprehensive income	-	-	(3,572,264)	-	382,781,545	20,698,443	399,907,724
Transactions with owners							
Reversal of appropriations during the period	-	-	-	-	-	-	-
Appropriations for the period	-	-	-	-	-	-	-
Stock dividends	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(164,775,636)	-	(164,775,636)
Transaction with non-controlling interest							
Increase in non-controlling interest	-	-	-	-	-	145,750,000	145,750,000
Balance at September 30, 2012	<u>P 1,376,863,400</u>	<u>(P 3,733,100)</u>	<u>P 79,977,234</u>	<u>P 1,718,503,100</u>	<u>P 1,287,874,831</u>	<u>P 647,750,999</u>	<u>P 5,107,236,464</u>
Balance at April 1, 2011	P 984,577,900	(P 3,733,100)	P 20,650,845	P 1,853,733,100	P 919,575,512	P 459,132,898	P 4,233,937,155
Comprehensive income							
Net profit for the period	-	-	-	-	309,242,596	14,114,630	323,357,226
Fair value gains for the period	-	-	11,904,290	-	-	-	11,904,290
Total comprehensive income	-	-	11,904,290	-	309,242,596	14,114,630	335,261,516
Transactions with owners							
Appropriations for the period	-	-	-	-	-	-	-
Reversal of appropriations during the period	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(147,126,720)	-	(147,126,720)
Transaction with non-controlling interest							
Increase in non-controlling interest	-	-	-	-	-	-	-
Balance at September 30, 2011	<u>P 984,577,900</u>	<u>(P 3,733,100)</u>	<u>P 32,555,135</u>	<u>P 1,853,733,100</u>	<u>P 1,081,691,388</u>	<u>P 473,247,528</u>	<u>P 4,422,071,951</u>

See Notes to Consolidated Financial Statements.

**THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012
(Amounts in Philippine Pesos)**

1. CORPORATE INFORMATION

The Far Eastern University, Incorporated (the University, FEU or parent company) is a domestic educational institution founded in June 1928 and was registered and incorporated with the Securities and Exchange Commission (SEC) on October 27, 1933. On October 27, 1983, the University extended its corporate life for another 50 years. The University became a listed corporation in the Philippine Stock Exchange on July 11, 1986.

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 Tourism and Hotel Management; Institute of Law; and Institute of Graduate Studies.

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 11). In 2010, the University established the FEU Makati Campus (the Branch) in Makati City (see Note 8). The Branch started operations in June 2010.

As of September 30 and March 30, 2012, the University holds interest in the following subsidiaries, associate, and joint venture which were all incorporated and operating in the Philippines:

<u>Company Name</u>	<u>Percentage of Effective Ownership</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
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%	22.51%
Associate –			
Juliana Management Co., Inc. (JMCI)	49%	49%	49%

Company Name	Percentage of Effective Ownership		
	2012	2011	2010
Joint Venture – ICF-CCE, Inc.	50%	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. In 2012, FEU made additional investment in FECSI amounting to P26.0 million. FRC, on the other hand, operates as a real estate company, leasing most of its investment properties to the University and other related parties. 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 and SPARC is located at Nicanor Reyes Sr. Street, Sampaloc, Manila. On the other hand, the registered address of EACCI is located at FEU-EAC Building, FEU Campus, Nicanor Reyes Sr. St., Sampaloc, Manila while the registered address of FECSI is located at Metrogate Silang Estates, Silang, Cavite and the registered address of FRC is located at Administration Building, FEU Compound Nicanor Reyes Sr. St., Sampaloc, Manila.

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*

The interim consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) PAS 34, *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements in accordance with PFRS, and they should be read in conjunction with the audited consolidated financial statements of the Group as of and for the year ended March 31, 2012.

The accompanying interim consolidated financial statements presented here consist of: interim consolidated statements of financial position for the six month period ended September 30, 2012 and for the fiscal year ended March 31, 2012, and the related interim consolidated statements of comprehensive income, statements of changes in equity, and statements of cash flow for the six-month period ended September 30, 2012 and 2011, and a summary of selected explanatory notes to interim consolidated financial statements.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The Group's accounting policies used in the interim consolidated financial statements are consistent with those applied in its most recent annual consolidated financial statements.

These interim consolidated financial statements are presented in Philippine pesos, the functional currency of the Group and all values represent absolute amounts except when otherwise indicated.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in Fiscal Year 2012 that are Relevant to the Group*

In 2012, 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 July 1, 2010 or January 1, 2011:

PAS 32 (Amendment)	:	Financial Instruments: Presentation – Classification of Rights Issues
PAS 24 (Amendment)	:	Related Party Disclosures
Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) 19	:	Extinguishing Financial Liabilities with Equity Instruments
Various Standards	:	2010 Annual Improvements to PFRS

Below is the discussion of the impact of these accounting standards.

- (i) PAS 32 (Amendment), *Financial Instruments: Presentation – Classification of Rights Issues* (effective from February 1, 2010). The amendment addresses the accounting for rights issues (e.g., rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. In particular, when the amendment is applied, rights (and similar derivatives) to acquire a fixed number of an entity's own equity instruments for a fixed price stated in a currency other than the entity's functional currency, would be classified as equity instruments, provided the entity offers the rights pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment has no significant impact on the Group's consolidated financial statements.

(ii) PAS 24 (Amendment), *Related Party Disclosures* (effective from January 1, 2011). The amendment simplifies and clarifies the definition of related party by eliminating inconsistencies in determining related party relationships. The amendment also provides partial exemption from the disclosure requirements for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of this amendment did not result in any significant changes in the Group's disclosures of related parties on its consolidated financial statements.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective from July 1, 2010). This interpretation clarifies the accounting when an entity renegotiates the terms of a financial liability through issuance of equity instruments to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. 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 financial liability is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;
- 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.

The adoption of the interpretation did not have a material effect on the Group's consolidated financial statements as it did not extinguish financial liabilities through equity swap during the year.

(iv) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to PFRS*. 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 which are effective from January 1, 2011 were identified to be relevant to the Group's consolidated financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements: Clarification of Statements of Changes in Equity* (effective from July 1, 2010). The amendment clarifies that, for each component of equity, an entity may present an analysis of other comprehensive income either in the consolidated statement of changes in equity or in the consolidated notes to the financial statements. As the Group's other comprehensive income only includes fair value changes on AFS investments, the Group has elected to continue presenting comprehensive income in the consolidated statement of changes in equity.

- PFRS 3 (Amendment), *Business Combinations* (effective from July 1, 2010). The amendment clarifies that contingent consideration arrangement and balances arising from business combinations with acquisition dates prior to the 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, applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless PFRS requires another measurement basis.

This amendment also clarifies accounting for all share-based payment transactions that are part of a business combination, including unreplaced and voluntary replaced share-based payment awards. Specifically, this provides guidance for situations where the acquirer does not have an obligation to replace an award but replaces an existing acquiree award that would otherwise have continued unchanged after the acquisition, thus resulting to the accounting for these awards being the same as for the awards that the acquirer is obliged to replace. As there were no business combination transactions entered into by the Group, the amendment has no significant impact in the consolidated financial statements of the Group.

- PAS 34 (Amendment), *Interim Financial Reporting – Significant Events and Transactions* (effective from January 1, 2011). The amendment provides further guidance to illustrate how to apply disclosure principles under PAS 34 for significant events and transactions to improve interim financial reporting. It requires additional disclosure covering significant changes to fair value measurement and classification of financial instruments, and to update relevant information from the most recent annual report. Since the Group already provides sufficient and appropriate disclosures for significant events and transactions in its interim financial reporting, this amendment has no significant effect on the Group's consolidated financial statements.
- PFRS 7 (Amendment), *Financial Instruments: Clarification of Disclosures* (effective from January 1, 2011). The amendment clarifies the disclosure requirements which emphasize the interaction between quantitative and qualitative disclosures about the nature and extent of risks arising from financial instruments. It also amends the required disclosure of financial assets including the financial effect of collateral held as security. This amendment has no significant effect on the consolidated financial statements since the Group already provides adequate information in its consolidated financial statements in compliance with the disclosure requirements.

(b) *Effective Subsequent to Fiscal Year 2012 but not Adopted Early*

PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace PAS 39 in its entirety. This chapter deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

The Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and is committed to conduct a continuing comprehensive study of the potential impact of this standard to assess the impact of all changes in view of its adoption in 2015.

2.3 *Classification of the Group's Financial Assets*

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. 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 (FVTPL), loans and receivables, held-to-maturity (HTM) investments and 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 purchase 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 any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

Currently, the Group'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 meets 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 Group has derivative assets (including embedded derivatives such as cross currency swaps), 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 favorable to the University and as liabilities when the fair value is favorable to the counterparty.

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.

(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, discounted at the effective interest rate.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Receivables (excluding advances to employees) 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 with original maturities of three months or less, 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 Group 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. If the Group were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified as AFS financial assets. HTM investments are included in non-current assets in the consolidated 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, HTM 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.

(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. These are presented as Available-for-sale Investments account in 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, and are reported as part of the Accumulated Fair Value Gains account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity 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 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 of the underlying net asset base of the investment.

Non-compounding interest 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.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred.

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.

The judgments, estimates and assumptions applied in the consolidated interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended March 31, 2012.

4. SEGMENT INFORMATION

4.1 Business Segments

Management currently identifies the Group's three operating segments and is consistent with accounting policies described the most recent audited financial statements. 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, AFS investments, HTM 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 a 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 six month periods ended September 30, 2012 and 2011 (in thousands):

	Education		Real estate				Investments		Total	
			Rental income		Sale of properties					
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
REVENUES										
From external customers	P 937,475	P 850,802	P 42,932	P 39,255	P -	P -	P 119,236	P 99,512	P 1,099,643	P 989,569
Intersegment revenues	-	-	38,179	37,322	-	-	1,820	10,064	39,999	47,386
Total revenues	<u>937,475</u>	<u>850,802</u>	<u>81,111</u>	<u>76,577</u>	<u>-</u>	<u>-</u>	<u>121,056</u>	<u>109,576</u>	<u>1,139,642</u>	<u>1,036,955</u>
COSTS AND OTHER										
OPERATING EXPENSES										
Cost of sales and services excluding depreciation	571,379	568,950	-	-	-	-	-	-	571,379	568,950
Depreciation	44,405	32,664	8,964	11,660	-	-	-	-	53,369	44,324
Other expenses	34,679	37,152	8,938	8,129	-	-	-	-	43,617	45,281
	<u>650,463</u>	<u>638,766</u>	<u>17,902</u>	<u>19,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,365</u>	<u>658,555</u>
SEGMENT OPERATING INCOME	<u>P 287,012</u>	<u>P 212,036</u>	<u>P 63,209</u>	<u>P 56,788</u>	<u>P -</u>	<u>P -</u>	<u>P 121,056</u>	<u>P 109,576</u>	<u>P 471,277</u>	<u>P 378,400</u>
TOTAL ASSETS AND LIABILITIES										
Segment assets	P 2,623,381	P 2,454,423	P 771,981	P 1,128,753	P 166,960	P 244,560	P 2,251,538	P 1,806,894	P 5,813,860	P 5,634,630
Segment liabilities	734,039	893,026	8,230	46,872	-	-	-	-	742,269	939,898

The Group's geographical segment for the six month periods ended September 30, 2012 and 2011 follows (in thousands).

2012

	<u>Manila</u>	<u>Makati</u>	<u>Cavite</u>	<u>Total</u>
Segment revenues				
From external customers	P 1,027,980	P 58,265	P 13,398	P 1,099,643
Intersegment revenues	<u>35,616</u>	<u>3,935</u>	<u>448</u>	<u>39,999</u>
Total revenues	<u>1,063,596</u>	<u>62,200</u>	<u>13,846</u>	<u>1,139,642</u>
Operating expenses	(<u>641,815</u>)	(<u>13,913</u>)	(<u>12,637</u>)	(<u>668,365</u>)
Segment operating profit	<u>P 421,781</u>	<u>P 48,287</u>	<u>P 1,209</u>	<u>P 471,277</u>
Total Segment Assets	<u>P 5,630,914</u>	<u>P 134,156</u>	<u>P 48,790</u>	<u>P 5,813,860</u>
Total Segment Liabilities	<u>P 722,698</u>	<u>P -</u>	<u>P 19,571</u>	<u>P 742,269</u>

2011

Segment revenues				
From external customers	P 959,863	P 22,510	P 7,196	P 989,569
Intersegment revenues	<u>43,451</u>	<u>3,935</u>	<u>-</u>	<u>47,386</u>
Total revenues	<u>1,003,314</u>	<u>26,445</u>	<u>7,196</u>	<u>1,036,955</u>
Operating expenses	(<u>631,976</u>)	(<u>11,700</u>)	(<u>14,879</u>)	(<u>658,555</u>)
Segment operating profit (loss)	<u>P 371,338</u>	<u>P 14,745</u>	<u>(P 7,683)</u>	<u>P 378,400</u>
Total Segment Assets	<u>P 5,459,620</u>	<u>P 141,483</u>	<u>P 33,527</u>	<u>P 5,634,630</u>
Total Segment Liabilities	<u>P 911,418</u>	<u>P -</u>	<u>P 28,480</u>	<u>P 939,898</u>

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) as of September 30.

	<u>2012</u>	<u>2011</u>
Revenues		
Total segment revenues	P 1,139,642	P 1,036,955
Elimination of intersegment revenues	(39,999)	(47,386)
Finance and other income	(109,521)	(87,920)
Gain on sale of real property	(9,714)	(11,592)
Revenue from non-reportable segment	<u>4,450</u>	<u>2,892</u>
Revenues as reported in profit or loss	<u>P 984,858</u>	<u>P 892,949</u>

	<u>2012</u>	<u>2011</u>
Revenues		
Segment operating profit	P 471,277	P 378,400
Finance costs	(1,825)	(413)
Share in net losses of an associate and a joint venture	(34)	-
Other unallocated expense	(1,854)	(10,977)
Tax expense	(<u>64,084</u>)	(<u>43,653</u>)
 Group net profit as reported in profit or loss	 <u>P 403,480</u>	 <u>P 323,357</u>
Assets		
Segment assets	P 5,813,860	P 5,634,630
Investments in an associate and a joint venture	183,413	124,913
Goodwill	12,353	12,353
Deferred tax assets	9,424	7,250
Elimination of intercompany accounts	(<u>244,261</u>)	(<u>551,256</u>)
 Total Assets	 <u>P 5,774,789</u>	 <u>P 5,227,890</u>
Liabilities		
Segment liabilities	P 742,269	P 939,898
Deferred tax liabilities	6,931	8,620
Elimination of intercompany accounts	(<u>81,648</u>)	(<u>446,982</u>)
 Total Liabilities	 <u>P 667,552</u>	 <u>P 501,536</u>

5. PROPERTY , PLANT AND EQUIPMENT

On July 12 and 19, 2012, the University purchased two (2) buildings located in Silang, Cavite from FRC amounting to P417.87 million which was recorded as part of the University's Property, plant and equipment. These buildings were previously held out for lease by FRC to FECSI.

6. EQUITY

6.1 Capital Stock

Capital stock as of September 30 and March 31, 2012 consists of:

	Shares		Amount	
	September 30, 2012	March 31, 2012	September 30, 2012	March 31, 2012
Common shares - P100 par value				
Authorized	<u>20,000,000</u>	<u>10,000,000</u>		
Issued and outstanding				
Balance at beginning of the year	P 13,768,634	P 9,845,779	P 1,376,863,400	P 984,577,900
Issued during the year	<u>-</u>	<u>3,922,855</u>	<u>-</u>	<u>392,285,500</u>
Balance at end of the year	13,768,634	13,768,634	1,376,863,400	1,376,863,400
Treasury stock - at cost	(<u>37,331</u>)	(<u>37,331</u>)	(<u>3,733,100</u>)	(<u>3,733,100</u>)
Total outstanding	<u>P 13,731,303</u>	<u>P 13,731,303</u>	<u>P 1,373,130,300</u>	<u>P 1,373,130,300</u>

On July 19, 2011, the University's BOT approved the increase in authorized capital stock from P1.0 billion divided into 10.0 million shares with a par value of P100 per share to P2.0 billion divided into 20.0 million shares with a par value of P100 per share. On the same date, the University's BOT approved the declaration of 40% stock dividends.

The increase in authorized capital stock and declaration of stock dividends were ratified by the stockholders representing at least 2/3 of FEU's total outstanding shares during the University's annual stockholders' meeting on August 27, 2011 and was subsequently approved by the SEC on November 2, 2011.

On July 11, 1986, the SEC approved the listing of the University's shares totaling 199,272,368. The shares were initially issued at an offer price of P100 per share. As of September 30, 2012, there are 4,781,131 holders of the listed shares apart from the University and its related parties, equivalent to 34.85% of the total outstanding shares. Such listed shares closed at P1,060 per share as of September 30, 2012.

In the Annual Stockholders' Meeting called on July 6, 2012 and held for the purpose of, among others, the BOD of EACCI approved the increase in the capital stock of EEACI from P24.0 million divided into 240,000 common shares with a par value of P100 per share to P1.5 billion divided into: (a) 1,000,000 million preferred shares with a par value of P1,000 per share, and (b) 5,000,000 million common shares with a par value of P100 per share.

Of the additional issuance amounting to P1,476,000,000, consisting of 4,760,000 common shares with a par value of P100 per share and 1,000,000 preferred shares with a par value of P1,000 per share, the amount of P390,000,000, representing at least 25% of such increase, has been subscribed and at least 25% of such subscribed amount has been fully paid in cash the details are as follows:

<u>Subscriber</u>	<u>Number of Shares</u>	<u>Amount Subscribed</u>	<u>Amount Paid</u>
FEU East Asia Educational Foundation, Inc.	1,300,000	P 130,000,000	P 32,500,000
	260,000	260,000,000	145,750,000

6.2 Retained Earnings

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

(a) Appropriation of Retained Earnings

Appropriated Retained Earnings amounting to P1.7 billion as at September 30, 2012 and March 31, 2012 consists of appropriations for expansion of facilities, general retirement, contingencies, purchase of equipment and improvements and treasury shares. There were no additional appropriations or reversals in the amount of appropriated Retained Earnings for the six month period ended September 30, 2012.

(b) Dividend Declaration

On June 4, 2012, the BOT approved the declaration of cash dividends to all stockholders amounting to P12 per share for a total of P164,775,636 with record date and payment date on July 4, 2012 and July 18, 2012, respectively.

Unpaid dividends as of September 30 and March 31, 2012 are presented as Dividends payable under Accounts Payable and Other Liabilities account in the consolidated statements of financial position.

7. EARNINGS PER SHARE

EPS amounts for September 30, 2012 and 2011 were computed as follows:

	<u>2012</u>	<u>2011</u>
Net profit attributable to owner of the parent company	P 382,781,545	P 309,242,596
Divided by weighted average number of shares outstanding net of treasury stock of 37,331 shares	<u>13,731,303</u>	<u>14,261,081</u>
	<u>P 26.51</u>	<u>P 21.68</u>

The University has no dilutive potential common shares as of September 30, 2012 and 2011, hence the diluted EPS is same as basic EPS in all the periods presented.

8. 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 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 in the succeeding paragraphs.

8.1 Interest Rate Risk

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.

8.2 Credit Risk

Credit risk represents the loss the Group would incur if the counterparty failed to perform 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. 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 collectability 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.

8.3 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.

8.4 Other Price Risk

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

Management monitors its equity 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 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.

9. 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 and non-controlling 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.

10. OTHER INTERIM INFORMATION

10.1 Tuition fee revenue is subject to seasonal fluctuations. Revenues from such source reach its peak during the month of June and October, the enrollment months. Tuition fee revenues for the six months ended September 30, 2012 represented 47% (first six months of fiscal year 2011: 43%) of the annual level of these revenues for the fiscal year ended March 31, 2011. Noted increase of 4% is attributable with the increase in the number of enrollees and annual increase in tuition fees.

- 10.2 Aside from the purchase of two (2) buildings from FRC during the period ended as discussed in Note 5, there were no other items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, size or incidence have been noted.
- 10.3 There were no issuances, repurchases, and repayments of debt and equity securities as of the six months ended September 30, 2012.
- 10.4 There were no material events subsequent to the end of the interim period that have not been reflected in the Group's consolidated financial statements as of the six months ended September 30, 2012.
- 10.5 For the period then ended, there were no significant changes in the composition of the entity, including business combinations, obtaining or losing of subsidiaries and long-term investments, restructurings, and discontinued operations.
- 10.6 There were no changes in contingent liabilities or contingent assets since the end of the last annual reporting period.