Far Eastern University, Incorporated

FEU

PSE Disclosure Form 17-7 - Statement of Changes in Beneficial Ownership of Securities ***References: SRC Rule 23 and Section 17.5 of the Revised Disclosure Rules***

Name of Reporting Person	Angelina Palanca Jose
Relationship of Reporting Person to Issuer	Trustee/Corporate Secretary

Description of the Disclosure

Ms. Angelina P. Jose, Trustee/Corporate Secretary of Far Eastern University has uplifted 300 FEU shares of stock w ith the PCD Nominee Corporation (Filipino).

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

Dec 31, 2013

2. SEC Identification Number

PW538

3. BIR Tax Identification No.

000-225-442

4. Exact name of issuer as specified in its charter

Far Eastern University, Inc.

5. Province, country or other jurisdiction of incorporation or organization

Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

Nicanor Reyes Street, Sampaloc, Manila Postal Code 1008

8. Issuer's telephone number, including area code

(632) 735-8686

9. Former name or former address, and former fiscal year, if changed since last report

-

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	13,731,303

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

- (•) Yes
- ( ) No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. (PSE) Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

- (•) Yes
- ( ) No

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

- (•) Yes
- ( ) No

Far Eastern University, Incorporated

FEU

PSE Disclosure Form 17-2 - Quarterly Report *References: SRC Rule 17 and Section 17.2 and 17.8 of the Revised Disclosure Rules*

For the period ended	Dec 31, 2013
Currency (indicate units, if applicable)	-

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Dec 31, 2013	Mar 31, 2013
Current Assets	3,780,820,000	2,946,820,000
Total Assets	8,410,150,000	7,027,270,000
Current Liabilities	1,358,770,000	497,300,000
Total Liabilities	2,207,770,000	1,362,720,000
Retained Earnings/(Deficit)	3,577,260,000	3,259,050,000

Stockholders' Equity	6,202,380,000	5,664,550,000
Stockholders' Equity - Parent	5,057,970,000	4,811,870,000
Book Value per Share	368.55	350.43

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	1,711,850,000	1,676,650,000	681,180,000	682,090,000
Other Revenue	164,540,000	142,460,000	24,760,000	34,790,000
Gross Revenue	1,876,390,000	1,819,110,000	705,940,000	716,880,000
Operating Expense	1,055,010,000	1,027,790,000	379,540,000	393,120,000
Other Expense	0	0	0	0
Gross Expense	1,055,010,000	1,027,790,000	379,540,000	393,120,000
Net Income/(Loss) Before Tax	821,380,000	791,320,000	326,400,000	323,760,000
Income Tax Expense	106,060,000	102,740,000	37,260,000	38,660,000
Net Income/(Loss) After Tax	715,320,000	688,580,000	289,130,000	285,100,000
Net Income Attributable to Parent Equity Holder	688,600,000	659,260,000	282,470,000	276,480,000
Earnings/(Loss) Per Share (Basic)	50.15	48.01	20.57	20.76
Earnings/(Loss) Per Share (Diluted)	50.15	48.01	20.57	20.76

Other Relevant Information

Attached is the Quarterly Report (SEC Form 17-Q) ending December 31, 2013 of Far Eastern University.

FAR EASTERN UNIVERSITY

P.O. BOX 609 MANILA, PHILIPPINES

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SEC RULE 17 (2) (b) THEREUNDER

1.	For the Quarter period ended	**December 31, 2013**
2.	SEC Identification Number	**538**
3.	PSE Code	
4.	BIR Tax Identification No.	**000-225-442**
5.	Exact Name of Registrant as specified in its charter	**Far Eastern University, Inc.**
6.	Province, Country or other jurisdiction of Incorporation or organization	**Philippines**
7.	________ / / /________/ (SEC use only)	
8.	Address of Principal Office	**Nicanor Reyes Street, Sampaloc, Manila**
	Postal Code	**1008**
9.	Registrant's Telephone Number including Area Code	**(632) 735-5621**

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

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

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

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

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

    a) Sections 17 of the Code and SRC Rule 17

       Yes [**x**] No [ ]

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

       Yes [**x**] No [ ]

Financial Information

Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY

ANGELINA P. JOSE
Corporate Secretary

GLENN Z. NAGAL
Comptroller

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
February 14, 2014

Management’s Discussion and Analysis or Plan of Operation

Financial Position:

Total assets as of December 31, 2013 amounting to P6,880.0 million increased by P1,051.10 million over this year’s beginning balance of P5,828.9 million. Current assets increased by P612.9 million while non-current assets increased by P438.2 million thus the increase in total assets by P1,051.1 million.

Total liabilities as of December 31, 2013 amounting to P2,054.0 million increased by P819.8 million over this year’s beginning balance of P1,234.2 million. The increase is mainly due to unearned tuition fees for the second semester.

Stockholder’s equity as of December 31, 2013 amounting to P4,826.0 million increased by P231.3 million compared to this year’s beginning balance of P4,594.7 million. Comprehensive income for the three quarters exceeded the cash dividends declared during the same period of time.

Results of Operation

Net income after tax for the three quarters is P674.16 million reflecting an increase of P22.84 million compared to last year's P651.32 million. Net operating (educational) income increased by P12.31 million while other income went up by P15.78 million resulting in an increase in net income before tax of P28.09 million. After a total tax of P93.09 million which increased by P5.41 million, net income after tax for the three quarters of this year is P22.84 million more than the same period last year.

A Look of What Lies Ahead

Enrollment for the first and second semesters of school year 2013-2014 decreased by 2.13% and 1.94% respectively compared to the previous year. The slight decrease in enrollment is due to this year’s re-configuration of facilities resulting in a slightly lower maximum capacity and the intended improvement in faculty-student ratio.

The slight decrease in enrollment and the lower tuition fee increase will certainly have an adverse effect on income but with proper and better management of resources, we expect that this year’s operating income would still be more than satisfactory.

With the company’s current assets amounting to P3,164.9 million and non-current assets amounting to P3,715.1 million as of December 31, 2013 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. With sustained improvements and reasonable tuition fee, the University is confident of being a university of choice for its target market.

Changes in Real Accounts as of December 31, 2013 compared to March 31, 2013

		December 31, 2013	March 31, 2013	Increase (Decrease)	%
1	Cash & Cash Equivalents	183,533,093.34	195,608,838.23	(12,075,744.89)	-6%
2	Receivables - net	718,851,411.25	327,223,561.17	391,627,850.08	120%
3	Available for sale Investments - net	2,225,579,692.86	1,997,186,487.99	228,393,204.87	11%
4	Other Current Assets	18,316,654.17	13,332,513.85	4,984,140.32	37%
5	Available for sale financial assets	484,014,669.43	367,039,668.00	116,975,001.43	32%
6	Investment in subsidiaries	277,313,363.94	187,313,363.94	90,000,000.00	48%
7	Investment Property	1,591,422,453.40	1,586,241,962.91	5,180,490.49	0.3%
8	Property and Equipment, net	1,349,660,787.81	1,123,615,849.80	226,044,938.01	20%
9	Accounts payable & other current liabilities	535,470,341.44	412,353,385.80	123,116,955.64	30%
10	Trust Funds	51,664,875.83	11,654,402.21	40,010,473.62	343%
11	Unearned Tuition Fees	639,141,973.79	-	639,141,973.79	-
12	Income Tax Payable	27,763,391.19	10,204,672.36	17,558,718.83	172%
13	Revaluation Reserves	107,400,245.18	179,511,292.69	(72,111,047.51)	-40%
14	Unappropriated Retained Earnings	1,716,695,315.11	1,413,282,509.17	303,412,805.94	21%

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

	INCOME	December 31, 2013	December 31, 2012	Increase (Decrease)	%
1	Tuition Fees, net	1,565,691,416.80	1,508,540,919.81	57,150,496.99	4%
2	Other School Fees	34,056,876.89	37,595,068.84	(3,538,191.95)	-9%
3	Other Income	227,042,633.79	211,259,487.70	15,783,146.09	7%

	EXPENSES	December 31, 2013	December 31, 2012	Increase (Decrease)	%
1	Salaries	523,216,071.60	516,194,825.81	7,021,245.79	1%
2	Employee Benefits	146,114,556.01	142,590,202.87	3,524,353.14	2%
3	RLE	740,600.00	1,505,640.00	(765,040.00)	-51%
4	Affiliation	3,242,781.50	2,790,398.50	452,383.00	16%
5	Other Instructional & Academic Expenses	65,510,443.14	70,512,390.64	(5,001,947.50)	-7%
6	Rentals	63,196,667.32	55,909,251.13	7,287,416.19	13%
7	Other Administrative Expenses	15,208,262.44	10,445,479.08	4,762,783.36	46%
8	Utilities	67,275,509.51	68,745,587.98	(1,470,078.47)	-2%
9	Janitorial Services	13,272,210.90	12,638,918.68	633,292.22	5%
10	Property Insurance	563,610.56	306,805.01	256,805.55	84%
11	Repairs & Maintenance, Buildings & Equipment	10,899,445.26	12,193,414.49	(1,293,969.23)	-11%
12	Other Maintenance and University Operations	8,961,551.68	7,106,918.55	1,854,633.13	26%
13	Security Services	12,855,230.66	13,240,370.73	(385,140.07)	-3%
14	Depreciation	96,729,125.76	73,924,662.26	22,804,463.50	31%
15	Publicity and Promotions	5,257,009.55	5,444,257.56	(187,248.01)	-3%
16	Other General Expenses	22,539.30	903,444.02	(880,904.72)	-98%
17	Professional Fee	22,216,718.43	18,460,392.73	3,756,325.70	20%
18	Taxes & Licenses	3,255,101.31	4,516,358.85	(1,261,257.54)	-28%
19	Charitable Contribution	1,009,400.70	810,492.60	198,908.10	25%

Cause of Material Changes in Real Accounts as of December 31, 2013 compared to March 31, 2013

1. Cash and cash equivalent decreased by P12.07 million due to maturity of short term investment.

2. Receivables increased by P391.63 million due mainly to receivables from students.

3. Available for sale investments increased by P228.39 million due to additional placements.

4. Other current assets increased by P4.98 million due to increase in prepaid rental and prepaid income tax.

5. Available for sale financial assets increased by 116.97 million due to additional placements.

6. Investment in subsidiaries increased by P90 million due to investment in EACCI common shares.

7. Investment Property increased by P5.18 million due to renovation/structural retrofitting of East Asia Main Bldg.

8. Property and Equipment increased by P226.04 million due to acquisitions of land and building.

9. Accounts payable and other current liabilities increased by P123.12 million mainly due to dividends payable.

10. Trust funds increased by P40 million due to allocations made during the summer, first semester and second semester of this school year.

11. Unearned tuition fee increased by P639.14 million due to tuition fee not yet earned for the month of December.

12. Income tax payable increased by P17.56 million. March 31 figure represents the remaining amount to be paid.

13. Revaluation reserves decreased by P72.11 million due to decrease in market value of available for sale investments.

14. Unappropriated retained earnings increased by P303.42 million due to higher comprehensive income compared to dividends declared during the same period.

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

INCOME

1. Tuition fee income went up by P57.15 million due to the increase in tuition fee.
2. Other School Fees decreased by P3.54 million due to less foreign student fee and admission fee.
3. Other income increased by P15.78 million due to increase in investible funds and capital gains.

EXPENSES

1. Salaries and allowances increased by P7.02 million due to CBA increase, merit increases and regularization of faculty members.
2. Employee and faculty benefits increased by P3.52 million due to higher rates.
3. RLE decreased by P.77 million due to decrease in Nursing enrollment.
4. Affiliation fee increased by P.45 million mainly due to increase in med tech students and payment of past due accounts.
5. Other Instructional and academic expenses decreased by P5 million due to:

		(in million)
Travel and Business	P	(.91)
Subscription		(4.0)
Conference and Seminar		(.39)
Supplies and Materials		(3.0)
Printing and Binding		.11
Outside Services		4.5
Other Academic Expenses		(1.30)
Total	P	(5.0)

6. Rental expense increased by P7.29 million mainly due to increase in rate.

7. Other administrative expenses increased by P4.76 million due to:

		(in million)
Travel and Business	P	.37
Printing and Binding		(.22)
Conference and Seminar		0.22
Supplies and Materials		(.05)
Student ID (.27)		
Outside Services .47		
Other Administrative Expenses		4.24
Total	P	4.76

8. Utilities expense decreased by P1.47 million due to:

		(in million)
Light and Power		.02
Water		(1.34)
Telephone		(.15)
Total	P	(1.47)

9. Janitorial Services increased by P.63 million due to increase in rates.

10. Property Insurance increased by P.26 million due to timing differences.

11. Repairs and Maintenance decreased by P1.29 million due to less repairs.

12. Security Services decreased by P.39 million due to timing difference.

13. Other maintenance and University operations increased by P1.85 million due to:

	(in million)
Books and subscription	.002
Outside services	1.69
Travel and business	.29
Communication	(.57)
Gasoline and oil	(.12)
Conference and seminar	(.001)
Supplies and materials	.37
Others	.19
Total	1.85

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14. Depreciation increased by P22.80 million due to additional depreciable assets.

15. Publicity and Promotions decreased by P.19 million due to less advertisements.

16. Other General expenses decreased by P.88 million due to:

		(in million)
Interest and Bank Charges		(.883)
Other General Expenses		.003
Total	P	(.880)

17. Professional Fees increased by P3.76 million due to in house consultants difference.

18. Taxes and Licenses decrease by 1.26 million due to payment of deficiency taxes.

19. Charitable Contribution increased by P.2 million due to more 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)

December 31, 2012	1.59:1
March 31, 2013	5.88:1
December 31, 2013	2.52:1

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

December 31, 2012	1.59:1
March 31, 2013	5.85:1
December 31, 2013	2.51:1

II. Test of Solvency

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

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

December 31, 2012	47%
March 31, 2013	27%
December 31, 2013	43%

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

December 31, 2012	32%
March 31, 2013	21%
December 31, 2013	30%

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

December 31, 2012	68%
March 31, 2013	79%
December 31, 2013	70%

III. Test of Profitability

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

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

December 31, 2012	10%	(three quarters)
March 31, 2013	13%	(one year)
December 31, 2013	10%	(three quarters)

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

December 31, 2012	15%	(three quarters)
March 31, 2013	17%	(one year)
December 31, 2013	14%	(three quarters)

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

December 31, 2012	P47.43 (three quarters)
March 31, 2013	57.23 (one year)
December 31, 2013	49.10 (three quarters)

IV. Product Standard

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

2. 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, PACUCOA granted a Level III Reaccredited Status from April 2011 to April 2015 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

Also, PACUCOA have granted candidate status from March 2012 to March 2014 to:

Master of Arts in Psychology
Master of Arts in Education
Doctor of 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 from 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 2013	9th Place
Medical Technology, September 2013	7th Place
Medical Technology, March 2013	10th Place
Nursing, 2012	9th Place

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.

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

SY	First Semester Enrollment	Increase (Decrease) No. of Students	%
2009-2010	22,890		
2010-2011	24,671	1,781	7.78
2011-2012	27,001	2,330	9.44
2012-2013	29,741	2,740	10.15
2013-2014	29,108	(633)	(2.13)

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

SY	Entrance	Entrance Merit	Total
2009-2010	477	198	675
2010-2011	570	223	793
2011-2012	750	230	980
2012-2013	833	256	1,089
2013-2014	726	253	979

Formula

1 Liquidity

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

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

2 Solvency

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

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

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

3 Profitability

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

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

3 Earnings per share = $\dfrac{\text{Net Profit}}{\text{Total Outstanding shares}}$

Facts

	(In Million Pesos)		
	(3 Quarters) December 31, 2012	(Whole Year) March 31, 2013	(3 Quarters) December 31, 2013
Quick Assets	3,246.43	2,538.6	3,146.59
Current Assets	3,251.33	2,552.0	3,164.91
Non-Current Asset	3,182.61	3,276.9	3,715.09
Total Assets	6,433.94	5,828.9	6,880.00
Current Liabilities	2,046.00	434.2	1,254.04
Non-Current Liabilities	0.00	800.0	800.00
Total Liabilities	2,046.00	1,234.2	2,054.04
Stockholder's Equity	4,387.94	4,594.7	4,825.96
Operating Profit	527.90	638.8	540.20
Other Income	211.26	264.0	227.04
Net Profit before Tax	739.16	902.8	767.24
Net Profit or Profit after Tax	651.32	785.9	674.16
Other Comprehensive Income	23.86	96.0	(72.11)
Total Comprehensive Income	675.18	881.9	602.05

Total Outstanding shares			
Actual	13,731,303	13,731,303	13,731,303
EPS Computation	13,731,303	13,731,303	13,731,303
Book value per share	P319.56	P334.61	P351.46
Earnings per share			
Basic	P47.43	P57.23	P49.10
Diluted	P47.43	P57.23	P49.10

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. A branch (FEU Makati Campus) was opened in June 2010 at the Makati area to offer business courses. Its educational income for the three quarters ended December 31, 2013 is P113.20 million while its operating expense for the same period amounted to P19.31 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. As the joint venture continues to incur losses, management fully impaired its investment. The allowance for impairment recognized in 2013 is presented in the 2013 statement of comprehensive income.

   In 2013, the University increased its subscription in common shares of EACCI to P150.1 million.

   Also in January 2013, FEU Alabang, Inc. was established with an authorized capital stock of P100 million. The University subscribed 25% or P25 million of the authorized capital stock; of which 25% or P6.2 million was paid as of March 31, 2013.

7. There are no significant elements of income or loss from continuing operations.
8. Seasonal aspects that has material effect on financial statements:

   There are three school terms within a fiscal year: the summer (April-May), the first semester (June to October) and the second semester (November to March). The first semester has the highest enrollment at an average of 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
DECEMBER 31, 2013
(With comparative figures for March 31, 2013)

		DECEMBER 2013		MARCH 2013
A S S E T S				
Current Assets				
Cash and cash equivalents	P	183,533,093.34	P	195,608,838.23
Trade and other receivables - net		718,851,411.25		327,223,561.17
Financial assets at fair value through profit or loss		18,629,900.00		18,629,900.00
Available-for-sale financial assets		2,225,579,692.86		1,997,186,487.99
Other current assets		18,316,654.17		13,332,513.85
Total Current Assets		3,164,910,751.62		2,551,981,301.24
Noncurrent Assets				
Available-for-sale financial assets		484,014,669.43		367,039,668.00
Investments in subsidiaries, an associate and a joint venture- net		277,313,363.94		187,313,363.94
Investment properties - net		1,591,422,453.40		1,586,241,962.91
Property and equipment - net		1,349,660,787.81		1,123,615,849.80
Deferred tax assets - net		8,747,720.00		8,747,720.00
Refundable deposits		3,929,796.34		3,929,796.34
Total Non-current Assets		3,715,088,790.92		3,276,888,360.99
TOTAL ASSETS	P	6,879,999,542.54	P	5,828,869,662.23
LIABILITIES & EQUITY				
Current Liabilities				
Trade and other payables	P	535,470,341.44	P	412,353,385.80
Trust Funds		51,664,875.83		11,654,402.21
Unearned tuition fees		639,141,973.79		0.00
Income tax payable		27,763,391.19		10,204,672.36
		1,254,040,582.25		434,212,460.37
Non- Current Liabilities				
Interest bearing loan		800,000,000.00		800,000,000.00
Total Liabilities		2,054,040,582.25		1,234,212,460.37
Equity				
Capital Stock		1,376,863,400.00		1,376,863,400.00
Treasury stock - at cost		(3,733,100.00)		(3,733,100.00)
Revaluation reserves		107,400,245.18		179,511,292.69
Retained Earnings				
Appropriated		1,628,733,100.00		1,628,733,100.00
Unappropriated		1,716,695,315.11		1,413,282,509.17
Total Equity		4,825,958,960.29		4,594,657,201.86
TOTAL LIABILITIES AND EQUITY	P	6,879,999,542.54	P	5,828,869,662.23

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF COMPREHENSIVE INCOME

For the nine-month period ended DECEMBER 31, 2013 & 2012

		OCTOBER TO DECEMBER 2013		OCTOBER TO DECEMBER 2012		APRIL TO DECEMBER 2013		APRIL TO DECEMBER 2012
EDUCATIONAL REVENUES								
Tuition Fees - net	P	625,541,055.88	P	609,436,925.35	P	1,565,691,416.80	P	1,508,540,919.81
Other school fees		10,657,559.21		11,672,108.37		34,056,876.89		37,595,068.84
		636,198,615.09		621,109,033.72		1,599,748,293.69		1,546,135,988.65
OPERATING EXPENSES (Schedule 1)		380,588,807.82		380,550,698.22		1,059,546,835.63		1,018,239,811.49
OPERATING PROFIT		255,609,807.27		240,558,335.50		540,201,458.06		527,896,177.16
OTHER INCOME (CHARGES)								
Finance Income		33,544,562.78		36,140,161.94		163,616,957.24		141,059,744.22
Finance costs		(1,186.80)		0.00		(1,186.80)		0.00
Management Fee		0.00		9,121,983.77		0.00		9,121,983.77
Rental		19,102,000.85		17,265,441.06		53,365,145.27		49,091,596.83
Miscellaneous - net		2,923,297.00		7,181,399.43		10,061,718.08		11,986,162.88
		55,568,673.83		69,708,986.20		227,042,633.79		211,259,487.70
PROFIT BEFORE TAX		311,178,481.10		310,267,321.70		767,244,091.85		739,155,664.86
TAX EXPENSE								
Provision for Income Tax		27,763,391.83		27,412,715.97		60,362,713.46		59,991,627.70
Tax Expense - Final Tax		6,708,912.55		7,228,032.39		32,723,391.45		27,847,877.57
Deferred Tax		0.00		0.00		0.00		0.00
		34,472,304.38		34,640,748.36		93,086,104.91		87,839,505.27
NET INCOME	P	276,706,176.72	P	275,626,573.34	P	674,157,986.94	P	651,316,159.59
OTHER COMPREHENSIVE INCOME								
Fair value gains (losses)		(19,105,614.59)		27,435,228.33		(72,111,047.51)		23,862,963.96
TOTAL COMPREHENSIVE INCOME		257,600,562.13		303,061,801.67		602,046,939.43		675,179,123.55
EARNINGS PER SHARE								
Basic & Diluted	P	20.15	P	20.07	P	49.10	P	47.43

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CHANGES IN EQUITY

For the nine-month period ended DECEMBER 31, 2013 & 2012

		DECEMBER 2013		DECEMBER 2012
CAPITAL STOCK - P100 par value	P	1,376,863,400.00	P	1,376,863,400.00
TREASURY STOCK - at cost (37,331 shares)		(3,733,100.00)		(3,733,100.00)
REVALUATION RESERVES				
Balance at beginning of year		179,511,292.69		83,549,498.44
Fair Value gains (losses) for the year		(72,111,047.51)		23,862,963.96
Balance at end of period		107,400,245.18		107,412,462.40
RETAINED EARNINGS				
APPROPRIATED				
Balance at beginning of year		1,628,733,100.00		1,718,503,100.00
UNAPPROPRIATED				
Balance at beginning of year		1,413,282,509.17		867,127,414.59
Net Income		674,157,986.94		651,316,159.59
Cash dividends		(370,745,181.00)		(329,551,272.00)
Stock Dividends		0.00		0.00
Balance at end of period		1,716,695,315.11		1,188,892,302.18
Total Retained Earnings		3,345,428,415.11		2,907,395,402.18
	P	**4,825,958,960.29**	P	**4,387,938,164.58**

THE FAR EASTERN UNIVERSITY, INCORPORATED

STATEMENTS OF CASH FLOWS
For the nine-month period ended DECEMBER 31, 2013 & 2012

		DECEMBER 2013		DECEMBER 2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	P	767,244,091.85	P	739,155,664.86
Adjustments for:				
Interest Income		(163,616,957.24)		(141,059,744.22)
Depreciation and amortization		96,729,125.76		73,924,662.26
Operating income before working capital changes		700,356,260.37		672,020,582.90
Decrease (increase) in trade and other receivables		(391,627,850.08)		(78,896,893.15)
Decrease (increase) in other assets		(4,984,140.32)		24,956,406.37
Increase (Decrease) in trade and other payables		123,116,955.64		144,163,242.50
Increase in Trust funds		40,010,473.66		44,725,710.29
Increase (Decrease) in unearned tuition fee		639,141,973.75		583,375,513.04
Cash generated from (used in) operations		1,106,013,673.02		1,390,344,561.95
Income taxes paid		(42,803,994.63)		(74,560,960.73)
Net cash from operating activities		1,063,209,678.39		1,315,783,601.22
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in available-for-sale investments		(417,479,253.81)		(26,352,933.66)
Decrease (increase) in loans receivable		0.00		(5,309,646.15)
Acquisitions of property and equipment and investment property		(327,954,554.26)		(1,615,997,722.36)
Collections of due from related parties		0.00		105,835,792.37
Additional investments in subsidiaries, an associate and a joint venture		(90,000,000.00)		(39,155,010.00)
Interest Received		130,893,565.79		113,211,866.65
Net cash provided by (used in) investing activities		(704,540,242.28)		(1,467,767,653.15)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(370,745,181.00)		(329,551,272.00)
Increase (Decrease) in long term debt		0.00		800,000,000.00
Net cash provided by (used in) financing activities		(370,745,181.00)		470,448,728.00
Effects of Exchange Rate Changes on Cash and Cash Equivalents		0.00		0.00
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(12,075,744.89)		318,464,676.07
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		195,608,838.23		421,846,870.61
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	183,533,093.34	P	740,311,546.68

THE FAR EASTERN UNIVERSITY, INCORPORATED

Schedule of Operating/Educational Expenses
For the nine-month period ended DECEMBER 31, 2013 & 2012

Schedule 1

		OCTOBER TO DECEMBER 2013		OCTOBER TO DECEMBER 2012		APRIL TO DECEMBER 2013		APRIL TO DECEMBER 2012
Instructional and Academic								
Salaries and allowances	P	147,321,846.40	P	145,485,953.01	P	433,218,743.97	P	420,819,479.23
Employees benefits		55,123,115.34		55,280,988.03		115,675,477.40		110,954,015.44
RLE		238,385.00		471,483.00		740,600.00		1,505,640.00
Affiliation		730,394.50		1,037,046.00		3,242,781.50		2,790,398.50
O t h e r s		22,494,646.39		28,578,246.00		65,510,443.14		70,512,390.64
		225,908,387.63		230,853,716.04		618,388,046.01		606,581,923.81
Administrative								
Salaries and allowances		20,247,180.82		25,525,958.41		69,630,748.76		74,541,372.52
Employees benefits		12,744,867.94		13,376,907.46		23,892,340.70		24,795,445.38
Rentals		21,907,347.75		19,652,847.55		63,196,667.32		55,909,251.13
O t h e r s		2,993,858.86		2,135,639.19		15,208,262.44		10,445,479.08
		57,893,255.37		60,691,352.61		171,928,019.22		165,691,548.11
Maintenance and University Operation								
Utilities		29,879,329.21		20,690,051.10		67,275,509.51		68,745,587.98
Salaries and allowances		6,855,723.98		7,178,076.77		20,366,578.87		20,833,974.06
Employees benefits		3,159,864.14		3,741,745.50		6,546,737.91		6,840,742.05
Janitorial services		5,253,415.22		4,782,455.68		13,272,210.90		12,638,918.68
Repairs and maintenance								
Buildings and equipments		3,056,999.16		4,912,006.48		10,899,445.26		12,193,414.49
Property insurance		0.00		75,774.54		563,610.56		306,805.01
O t h e r s		3,289,867.54		2,064,422.65		8,961,551.68		7,106,918.55
		51,495,199.25		43,444,532.72		127,885,644.69		128,666,360.82
General								
Depreciation		32,763,585.30		26,917,692.87		96,729,125.76		73,924,662.26
Security services		2,395,772.11		3,840,585.93		12,855,230.66		13,240,370.73
Professional Fee		7,375,107.20		7,864,992.83		22,216,718.43		18,460,392.73
Publicity and promotions		1,951,462.13		2,064,693.24		5,257,009.55		5,444,257.56
Donations and charitable contributions		640,815.00		615,815.35		1,009,400.70		810,492.60
Taxes and licenses		268,832.50		4,031,134.00		3,255,101.31		4,516,358.85
O t h e r s		(103,608.67)		226,182.63		22,539.30		903,444.02
		45,291,965.57		45,561,096.85		141,345,125.71		117,299,978.75
Total operating expense	P	380,588,807.82	P	380,550,698.22	P	1,059,546,835.63	P	1,018,239,811.49

FAR EASTERN UNIVERSITY
Aging of Accounts Receivable
As of DECEMBER 31, 2013

	Total	1 to 6 months	7 mos. To 1 year	One year or more	Past due accounts & items in litigation
Types of Accounts receivable					
Non - Trade Receivables					Not Applicable
1 . Official and Personal	10,481,057.38	10,481,057.38			"
2 . SSS Sickness Benefit	316,038.55	316,038.55			"
3 . Far Eastern College Silang, Inc.	951,424.21	951,424.21			"
4 . FEU East Asia	5,100,630.51	5,100,630.51			
5 FERN College	(599,634.33)	(599,634.33)			"
6 NRMF	570,452.54	570,452.54			"
7 FEU Educational Foundation	300,000.00	147,000.00	93,000.00	60,000.00	"
8 HWRFP	157,947.99	157,947.99			"
9 FERN Realty	167,439.99	167,439.99			"
10 Alphaland, Corp.	510,000.00	510,000.00			"
11 FEU - Alabang	1,334,658.00		1,334,658.00		"
Total	19,290,014.84	17,802,356.84	1,427,658.00	60,000.00	

FAR EASTERN UNIVERSITY
Notes to Financial Statements
December 31, 2013

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 May 27, 2013, a parcel of land with an area of 1.6 hectares located at Biluso Silang, Cavite was purchased from Moldex Realty Incorporated for the full amount of Forty Million Two Hundred Eighteen Million Six hundred Twenty Five Pesos (P40,218,625.00). Such parcel of land was acquired for future expansion.

7. On June 18, 2013, a cash dividend of P15.00 per share has been declared to all stockholders on record as of July 2, 2013. There were 13,731,303 outstanding shares and a total of P205,969,545.00 was paid on July 17, 2013.

   On December 10, 2013 a cash dividend of P12 per share has been declared to all stockholders on record as of December 26, 2013, to be paid on January 15, 2014. Total cash dividends amounts to P164,775,636.

8. 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 first quarter ended June 30,2013 is 18.44 million while its operating expense for the same period amounted to P3.75 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.

9. 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.

10. 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. An advances amounting to P7,500,000 was applied as payment in March 31,2013. Likewise, an additional payment amounting to P50,000,000.00 was made in June 26, 2013.

    Full payment of the subscription amounting to P40,000,000.00 was made in December 6, 2013.

11. The University made an investment in FEU Alabang Inc. Number of shares subscribed is 249,995@ P100 par (P24,999,500) of which P6,249875 has been paid.

12. The Board of Trustees has authorized the company to acquire and purchase from Philinvest Alabang Inc of a parcel of land located in Filinvest Corporate City, Muntinlupa in the Woods District (West), amounting to P998,240,000.00 for future expansion. Likewise, a medium term loan of P800,000,000.00 was secured to finance such purchase.

13. 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.

14. 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.

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

16. <u>PFRS 9, Financial Interests: Classification and Measurement(Effective from January 1, 2015)</u>

    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.

17. 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 lost, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit or loss.

d) *AFS Financial Assets*

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

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

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

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.

Management's Discussion and Analysis or Plan of Operation

Financial Position:

Total assets as of December 31, 2013 amounting to P8,410.15 million increased by P1,382.88 million over this year's beginning balance of P7,027.27 million. Current assets went up by P834.00 million and non-current assets by P548.88 million thus the increase in total assets by P1,382.88 million.

Total liabilities as of December 31, 2013 amounting to P2,207.77 million increased by P845.05 million over this year's beginning balance of P1,362.72 million. Current liabilities went up by P861.47 million while non-current liabilities went down by P16.42 million thus, the increase in total liabilities by P845.05 million.

Stockholder's equity as of December 31, 2013 amounting to P6,202.37 million increased by P537.83 million compared to this year's beginning balance of P5,664.55 million. Comprehensive income for the three quarters exceeded the cash dividends paid during the same period of time.

Results of Operation

Net income after tax for the three quarters is P715.32 million reflecting an increase of P26.74 million compared to last year's P688.58 million. Net operating income increased by P7.98 million while other income went up by P22.08 million. After a tax expense of P106.06 million which increased by P3.32 million, net income after tax for the three quarters of this year is P26.74 million more than the same period last year.

A Look of What Lies Ahead

For the past three (3) years, the consolidated net income before tax grew from P755.52 million to P1,063.86 million. On the average, 61.2% came from education, 22.4% from investments, 10.3% from rentals and 6.1% from sale of real estate properties. Except for the sale of real estate properties, the revenue from the other business segments are related to school operations. Rental income are mostly for the school buildings while investment income are from the funds generated by the school. Since FEU-Main was able to maintain its first semester enrollment at 29,000 for SY 2013-2014 despite this year's intended improvement in faculty-student ratio and re-configuration of facilities resulting in a slightly lower maximum capacity, we expect that this year's consolidated result of operations would still be satisfactory.

Changes in Real Accounts as of December 31, 2013 compared to March 31, 2012

		December 31, 2013	March 31, 2013	Increase (Decrease)	%
1	Cash and cash equivalents	361,467,466.00	338,059,095.00	23,408,371.00	7%
2	Trade and other receivables - net	903,518,795.00	402,521,059.00	500,997,736.00	124%
3	Available-for-sale (AFS) Financial assets	2,273,997,137.00	2,045,603,933.00	228,393,204.00	11%
4	Real estate held-for-sale	129,293,559.00	94,837,617.00	34,455,942.00	36%
5	Other current assets	93,913,352.00	47,165,034.00	46,748,318.00	99%
6	Non current - Trade and other receivables - net	-	98,226,853.00	(98,226,853.00)	-100%
7	Non current Available for sale financial assets	484,014,669.00	367,039,668.00	116,975,001.00	32%
8	Property and equipment - net	3,755,497,673.00	3,221,446,603.00	534,051,070.00	17%
9	Investment property - net	362,981,515.00	366,291,755.00	(3,310,240.00)	-1%
10	Other non-current assets	7,106,101.00	7,702,000.00	(595,899.00)	-8%
11	Trade and other payables	655,690,041.00	478,263,447.00	177,426,594.00	37%
12	Interest-bearing loans	1,232,186.00	3,154,777.00	(1,922,591.00)	-61%
13	Deferred revenues	661,106,557.00	5,679,787.00	655,426,770.00	11540%
14	Income tax payable	40,740,734.00	10,204,672.00	30,536,062.00	299%
15	Other non-current liabilities	-	16,953,803.00	(16,953,803.00)	-100%
16	Revaluation reserves	107,575,245.00	179,686,293.00	(72,111,048.00)	-40%
17	Retained earnings - Unappropriated	1,948,528,748.00	1,630,315,875.00	318,212,873.00	20%
18	Non-controlling interest	1,144,405,092.00	852,680,490.00	291,724,602.00	34%

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

	INCOME	December 31, 2013	December 31, 2012	Increase/ (Decrease)	%
1	Tuition Fees - net	1,592,344,602.21	1,531,781,514.67	60,563,087.54	4%
2	Other school fees	36,058,611.39	36,500,693.94	(442,082.55)	-1%
3	Sale of Real Property	-	9,363,872.00	(9,363,872.00)	-100%
4	Other Operating Income	22,992,080.92	17,442,459.42	5,549,621.50	32%
5	Rental	60,455,645.13	72,447,479.11	(11,991,833.98)	-17%
6	Management Fee	-	9,121,984.00	(9,121,984.00)	-100%
7	Other Income	164,543,243.75	160,944,154.05	3,599,089.70	2%

	EXPENSES	December 31, 2013	December 31, 2012	Increase/ (Decrease)	%
1	Salaries and allowances	545,956,945.67	534,035,734.99	11,921,210.68	2%
2	Employees benefits	146,478,070.96	142,616,122.87	3,861,948.09	3%
3	RLE	740,600.00	1,505,640.00	(765,040.00)	-51%
4	Affiliation	3,254,257.34	2,795,963.50	458,293.84	16%
5	Rentals	7,063,127.54	10,822,515.78	(3,759,388.24)	-35%
6	Utilities	70,180,726.07	71,783,199.41	(1,602,473.34)	-2%
7	Janitorial services	14,837,026.88	14,292,016.09	545,010.79	4%
8	Repairs and maintenance	11,972,322.71	13,670,357.11	(1,698,034.40)	-12%
9	Property insurance	563,610.56	306,805.01	256,805.55	84%
10	Depreciation	106,747,110.99	82,032,332.69	24,714,778.30	30%
11	Security services	15,820,544.77	16,564,121.96	(743,577.19)	-4%
12	Professional Fee	23,832,917.68	19,541,188.02	4,291,729.66	22%
13	Publicity and promotions	5,775,916.10	5,939,110.70	(163,194.60)	-3%
14	Donations and charitable contributions	1,041,602.49	815,492.60	226,109.89	28%
15	Taxes and licenses	6,654,349.32	12,100,213.88	(5,445,864.56)	-45%
16	O t h e r s	94,088,949.12	99,349,779.06	(5,260,829.94)	-5%

Cause of Material Changes in Real Accounts as of December 31, 2013 compared to March 31, 2013

1. Cash and cash equivalent increased by P23.41 million due to collection of tuition and rent.
2. Trade and other receivables increased by P500.99 million due mainly to receivables from students.
3. Available for sale financial assets increased by P228.39 million due to additional placements.
4. Real estate held for sale increased by P34.45 million due to new acquired properties for sale.
5. Other current assets increased by P46.75 million due to increase in prepaid rental and prepaid income tax.
6. Non- current trade and other receivables decreased by P98.23 million due to collection.
7. Available for sale financial assets increased by P116.98 million due to additional placements.
8. Property and Equipment increased by P534.05 million due to acquisitions of land and construction of building.
9. Investment Property decreased by P3.31 million due to depreciation.
10. Other non-current assets decreased by P.60 million due to timing difference.
11. Trade and other payables increased by 177.43 million mainly due to dividends payable trust fund allocation and accrual of expenses.
12. Interest bearing loans decreased by P1.92 million due to payment.
13. Deferred revenue increased by P655.43 million due to tuition not yet earned for the month of December.
14. Income tax payable increased by P30.54 million. March 31 figure represents the remaining amount to be paid.
15. Other non-current liabilities decreased by 16.9 million due to payment.
16. Revaluation reserves decreased by P72.11 million due to decrease in market value of available for sale investments.
17. Non- current interest bearing loans increased by P.54 million due to additional loans.
18. Unappropriated retained earnings increased by P318.12 million due to higher comprehensive income compared to dividends declared during the same period.
19. Non-controlling interest increased by P291.72 million due to higher income.

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

INCOME

1. Tuition fee income went up by P60.56 million due to the increase in tuition fee.
2. Other School Fees decreased by P.44 million due to less foreign student fee and admission fee.
3. Sale of real property decreased by P9.36 million. No property was sold during the period.
4. Other operating income increased by P5.55 million due to timing difference.
5. Rental income decreased by P11.99 million due to timing difference.
6. Other income increased by P3.6 million due to increase in investible funds and capital gains.
7. Management fee decreased by P9.21 million. No accrual was made as compared to previous year.

EXPENSES

1. Salaries and allowances increased by P11.92 million due to CBA increase, merit increases and regularization of faculty members.
2. Employee and faculty benefits increased by P3.86 million due to higher rates.
3. RLE decreased by P.77 million due to decrease in Nursing enrollment.
4. Affiliation fee increased by P.46 million mainly due to increase in med tech students and payment of past due accounts.
5. Rental expense decreased by P3.76 million due to less rental space.
6. Utilities expense decreased by P1.6 million due to energy saving measures.
7. Janitorial Services increased by P.54 million due to increase in rates.
8. Repairs and Maintenance decreased by P1.70 million due to less repairs.
9. Property Insurance increased by P.26 million due to timing differences.

10. Depreciation expense increased by P24.7 million due to additional depreciable assets.

11. Security Services decreased by P.74 million due to timing difference.

12. Professional Fees increased by P4.30 million due to additional in house consultants.

13. Publicity and Promotions decreased by P.16 million due to less advertisements.

14. Donation and charitable contribution increased by P.23 million due to more donations.

15. Taxes and Licenses decrease by 5.45 million. Last year's figure is higher due to payment of docs stamps.

16. Other expenses decreased by P5.26 million due to less instructional and academic expenses.

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)

December 31, 2012	2.85:1
March 31, 2013	5.93:1
December 31, 2013	2.78:1

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

December 31, 2012	2.73:1
March 31, 2013	5.64:1
December 31, 2013	2.62:1

II. Test of Solvency

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

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

December 31, 2012	40%
March 31, 2013	24%
December 31, 2013	36%

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

December 31, 20112	28%
March 31, 2013	19%
December 31, 2013	26%

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

December 31, 2012	72%
March 31, 2013	81%
December 31, 2013	74%

III. Test of Profitability

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

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

December 31, 2012	9%	(three quarters)
March 31, 2013	13%	(one year)
December 31, 2013	9%	(three quarters)

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

December 31, 2012	13%	(three quarters)
March 31, 2013	16%	(one year)
December 31, 2013	12%	(three quarters)

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

December 31, 2012	P 48.01	(three quarters)
March 31, 2013	58.28	(one year)
December 31, 2013	50.15	(three quarters)

IV. Product Standard

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

2. 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, PACUCOA granted a Level III Reaccredited Status from April 2011 to April 2015 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

   Also, PACUCOA have granted candidate status from March 2012 to March 2014 to:
   - Master of Arts in Psychology
   - Master of Arts in Education
   - Doctor of 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 from 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 2013	9^{th} Place
Medical Technology, September 2013	7^{th} Place
Medical Technology, March 2013	10^{th} Place
Nursing, 2012	9^{th} Place

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.

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

SY	First Semester Enrollment	Increase (Decrease) No. of Students	%
2009-2010	22,890		
2010-2011	24,671	1,781	7.78
2011-2012	27,001	2,330	9.44
2012-2013	29,741	2,740	10.15
2013-2014	29,108	(633)	(2.13)

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

SY	Entrance	Entrance Merit	Total
2009-2010	477	198	675
2010-2011	570	223	793
2011-2012	750	230	980
2012-2013	833	256	1,089
2013-2014	726	253	979

Formula

1 Liquidity

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

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

2 Solvency

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

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

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

3 Profitability

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

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

3 Earnings per share $= \dfrac{\text{Net Profit}}{\text{Total Outstanding shares}}$

Facts

	(In Million Pesos)		
	(3 Quarters) December 31, 2012	(Whole Year) March 31, 2013	(3 Quarters) December 31, 2013
Quick Assets	3,479.04	2,804.81	3,557.61
Current Assets	3,622.38	2,946.82	3,780.82
Non-Current Asset	3,726.44	4,080.45	4,629.33
Total Assets	7,348.82	7,027.27	8,410.15
Current Liabilities	1,273.02	497.30	1,358.77
Non-Current Liabilities	820.81	865.42	849.00
Total Liabilities	2,093.83	1,362.72	2,207.77
Stockholder's Equity	5,254.99	5,664.55	6,202.38
•Owners of Parent Company	4,598.62	4,811.87	5,057.97
•Non-controlling Interest	656.37	852.68	1,144.40
Operating Profit	648.86	966.62	656.84
Other Income	142.46	97.24	164.54
Net Profit before Tax	791.32	1,063.86	821.38
Net Profit or Profit after Tax	688.58	890.86	715.32
•Owners of Parent Company	659.26	800.23	688.60
•Non-controlling Interest	29.32	90.63	26.72
Other Comprehensive Income	23.86	96.14	(72.11)
Total Comprehensive Income	712.44	987.00	643.21
Total Outstanding shares	13,731,303	13,731,303	13,731,303
Book value per share	P334.90	P350.43	P368.35
Earnings per share	P48.01	P58.28	P50.15

Other Items

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

2. The University has obtained a bank loan of P800 million payable in 5 years to buy a new property for future school site. Other than this, there are no known events that will trigger direct or contingent financial obligation that may be material to the company. There are also no known events that would result in any default or acceleration of an obligation.

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

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

5. The FEU Makati Campus was constructed and opened in June 2010 at the Makati area to offer business courses. Its educational income for the three quarters ended December 31, 2012 is P101.39 million while its operating expense for the same period amounted to P28.10 million.

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

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

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

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

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THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 2013
(With Comparative Figures for March 31, 2013)
(Amounts in Philippine Pesos)

		December 31, 2013 (Unaudited)		*March 31, 2013* (Audited)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	P	361,467,466	P	338,059,095
Trade and other receivables - net		903,518,795		402,521,059
Investments in financial assets at fair value through profit or loss		18,629,900		18,629,900
Available-for-sale (AFS) financial assets		2,273,997,137		2,045,603,933
Real estate held-for-sale		129,293,559		94,837,617
Other current assets		93,913,352		47,165,034
Total Current Assets		3,780,820,209		2,946,816,638
NON-CURRENT ASSETS				
Trade and other receivables - net		-		98,226,853
AFS financial assets		484,014,669		367,039,668
Investments in an associate and a joint venture		6,846,596		6,846,595
Property and equipment - net		3,755,497,673		3,221,446,603
Investment property - net		362,981,515		366,291,755
Deferred tax assets		12,878,991		12,897,723
Other non-current assets		7,106,101		7,702,000
Total Non-current Assets		4,629,325,545		4,080,451,197
TOTAL ASSETS	P	8,410,145,754	P	7,027,267,835

		2013		2013
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	P	**655,690,041**	P	478,263,447
Interest-bearing loans		**1,232,186**		3,154,777
Deferred revenues		**661,106,557**		5,679,787
Income tax payable		**40,740,734**		10,204,672
Total Current Liabilities		**1,358,769,518**		497,302,683
NON-CURRENT LIABILITIES				
Interest-bearing loans		**807,523,204**		806,984,744
Deferred tax liabilities		**41,480,547**		41,480,547
Other non-current liabilities		**-**		16,953,803
Total Non-current Liabilities		**849,003,751**		865,419,094
Total Liabilities		**2,207,773,269**		1,362,721,777
EQUITY				
Equity attributable to owners of the parent company				
Capital stock		**1,376,863,400**		1,376,863,400
Treasury stock - at cost	(	**3,733,100)**	(	3,733,100)
Revaluation reserves		**107,575,245**		179,686,293
Retained earnings				
Appropriated		**1,628,733,100**		1,628,733,100
Unappropriated		**1,948,528,748**		1,630,315,875
Total equity attributable to owners of the parent comp		**5,057,967,393**		4,811,865,568
Non-controlling interest		**1,144,405,092**		852,680,490
Total Equity		**6,202,372,485**		5,664,546,058
TOTAL LIABILITIES AND EQUITY	**P**	**8,410,145,754**	P	7,027,267,835

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED DEC 31, 2013 AND 2012
(Amounts in Philippine Pesos)
(UNAUDITED)

	2013	2012
REVENUES		
Educational		
Tuition fees - net	P 1,592,344,602	P 1,531,781,515
Other school fees	36,058,611	36,500,694
	1,628,403,213	1,568,282,209
Sale of Real Estate	-	9,363,872
Rental	60,455,645	72,447,479
Management Fees	-	9,121,984
Other operating income	22,992,081	17,442,459
	1,711,850,939	1,676,658,003
COSTS AND OPERATING EXPENSES	1,055,008,078	(1,027,794,444)
OPERATING INCOME	656,842,861	648,863,559
OTHER INCOME (CHARGES)		
Finance income	164,904,383	144,687,289
Finance costs	(540,352)	(2,363,804)
Share in net losses of associate & joint venture	-	(37,481)
Miscellaneous - net	179,212	172,294
	164,543,243	142,458,298
INCOME BEFORE TAX	821,386,104	791,321,857
TAX EXPENSE	106,063,448	102,743,721
NET INCOME	715,322,656	688,578,136
OTHER COMPREHENSIVE INCOME		
Fair value gains on available-for-sale financial assets, net of tax	(72,111,048)	23,862,964
TOTAL COMPREHENSIVE INCOME	P 643,211,608	P 712,441,100
Net income attributable to:		
Owners of the parent company	P 688,598,054	P 659,260,304
Non-controlling interest	26,724,602	29,317,832
	P 715,322,656	P 688,578,136
Total comprehensive income attributable to:		
Owners of the parent company	P 616,487,006	P 683,123,268
Non-controlling interest	26,724,602	29,317,832
	P 643,211,608	P 712,441,100
Earnings Per Share		
Basic and Diluted	P 50.15	P 48.01

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED DEC 31, 2013 AND 2012
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company						
				Retained Earnings			
	Capital Stock	Treasury Stock	Revaluation Reserves	Appropriated	Unappropriated	Non-controlling Interest	Total Equity
Balance at April 1, 2013	P 1,376,863,400	(P 3,733,100)	P 179,686,293	P 1,628,733,100	P 1,630,315,875	P 852,680,490	P 5,664,546,058
Prior Period Adjustment	-	-	-	-	360,000	-	360,000
Comprehensive income							
Net profit for the year	-	-	-	-	688,598,054	26,724,602	715,322,656
Fair value gains for the year	-	-	(72,111,048)	-	-	-	(72,111,048)
Total comprehensive income	-	-	(72,111,048)	-	688,598,054	26,724,602	643,211,608
Transactions with owners							
Reversal of appropriations during the year	-	-	-	-	-	-	-
Appropriations for the year	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(370,745,181)	-	(370,745,181)
	-	-	-	-	(370,745,181)	-	(370,745,181)
Transactions with other owners							
Preferred stocks subscribed by a related party under common management	-	-	-	-	-	265,000,000	265,000,000
Balance at December 31, 2013	**P 1,376,863,400**	**(P 3,733,100)**	**P 107,575,245**	**P 1,628,733,100**	**P 1,948,528,748**	**P 1,144,405,092**	**P 6,202,372,485**
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
Comprehensive income							
Net profit for the period	-	-	-	-	659,260,304	29,317,832	688,578,136
Fair value gains for the year	-	-	23,862,964	-	-	-	23,862,964
Total comprehensive income	-	-	23,862,964	-	659,260,304	29,317,832	712,441,100
Transactions with owners							
Reversal of appropriations during the year	-	-	-		-	-	-
Appropriations for the year	-	-	-		-	-	-
Cash dividends	-	-	-	-	(329,551,272)	-	(329,551,272)
	-	-	-	-	(329,551,272)	-	(329,551,272)
Transaction with non-controlling interest							
Increase in non-controlling interest	-	-	-	-	-	145,750,000	145,750,000
Balance at December 31, 2012	P 1,376,863,400	(P 3,733,100)	P 107,412,462	P 1,718,503,100	P 1,399,577,954	P 656,370,388	P 5,254,994,204

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DEC 31, 2013 AND 2012
(Amounts in Philippine Pesos)
(UNAUDITED)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 821,386,104	P 791,321,857
Adjustments for:		
Interest income	(164,904,383)	(144,687,289)
Depreciation and amortization	106,747,111	83,895,979
Gain on sale of properties	-	(9,363,872)
Interest expense	540,352	2,363,804
Share in net losses of associate and joint venture	-	37,481
Operating profit before working capital changes	763,769,184	723,567,960
Decrease (increase) in trade and other receivables	(395,367,609)	(386,802,785)
Decrease (increase) in other assets	(46,748,318)	(11,130,824)
Decrease (increase) in other non-current assets	614,631	46,129
Decrease (increase) in real estate held for sale	(34,455,942)	-
Increase (decrease) in trade and other payables	177,426,594	41,246,914
Increase (decrease) in deferred revenues	655,426,770	597,013,402
Increase (decrease) in other non-current liabilities	(16,953,803)	(7,528,932)
Cash generated from operations	1,103,711,507	956,411,864
Income taxes paid	(75,527,386)	(74,560,961)
Net Cash From Operating Activities	1,028,184,121	881,850,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(613,739,870)	(1,300,832,502)
Acquisitions of investment property	(23,388,071)	(65,849,929)
Increase in available for sale investments	(417,479,253)	(80,993,778)
Interest Received	157,501,108	144,687,289
Cash Used in Investing Activities	(897,106,085)	(1,302,988,920)
Balance carried forward	P 131,078,035	(P 421,138,017)

	2013	2012
Balance brought forward	P 131,078,035	(P 421,138,017)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(370,745,181)	(164,775,636)
Proceeds from issuance of preferred stocks to related party	265,000,000	145,750,000
Proceeds from bank loan		800,000,000
Net increase (decrease) in interest bearing loans	(1,924,483)	(6,385,337)
Net Cash From (Used in) Financing Activities	(107,669,664)	774,589,027
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,408,371	353,451,010
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	338,059,095	486,095,989
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 361,467,466	P 839,546,999

See Notes to Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
SELECTED EXPLANATORY NOTES TO
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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. In 2010, the University established the FEU Makati Campus (the Branch) in Makati City. The Branch started operations in June 2010.

As of December 31 and March 30, 2013, the University holds interest in the following subsidiaries, associate, and joint venture which were all incorporated and operating in the Philippines:

	Percentage of Effective Ownership	
Company Name	**2013**	2012
Subsidiaries:		
East Asia Computer Center, Inc. (EACCI)	**100%**	100%
Far Eastern College-Silang, Inc. (FECSI)	**100%**	100%
FEU Alabang, Inc.	**100%**	-
Fern Realty Corporation (FRC)	**37.52%**	37.52%
TMC – FRC Sports Performance and Physical Medicine Center, Inc. (SPARC)	**22.51%**	22.51%
Associate –		
Juliana Management Co., Inc. (JMCI)	**49%**	49%

Joint Venture –		
ICF-CCE, Inc.	**50%**	50%

Similar to the University, FECSI and FEU Alabang, Inc. were established to operate as educational institutions offering general courses of study. As amended by EACCI's Board of Directors in 2007 and as approved by the SEC in 2008, EACCI's primary business purpose and now focuses on computer-related courses. FEU Alabang, Inc. is a newly-incorporated company.

EACCI and FEU Alabang, Inc. will start operating as educational institutions upon approval of permits with the Commission on Higher Education.

FRC, on the other hand, operates as a real estate company, leasing most of its investment properties to the University and other related parties. FRC acquired 60% equity ownership interest in SPARC in 2008. SPARC is engaged in the business of organizing, owning, operating, managing and maintaining a sports facility for the rehabilitation and sports performance enhancement in the Philippines.

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. Further, SPARC is also considered a subsidiary of the University which has 22.51% effective ownership interest over the former through FRC's 60% ownership interest over SPARC.

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, 2013.

The accompanying interim consolidated financial statements presented here consist of: interim consolidated statements of financial position for the nine- month period ended Dec. 31, 2013 and for the fiscal year ended March 31, 2013, and the related interim consolidated statements of comprehensive income, statements of changes in equity, and statements of cash flow for the nine-month period ended Dec. 31, 2013 and 2012, 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 2013 that are Relevant to the Group

In 2013, the Group adopted the following amendments to PFRS that are relevant to it and effective for consolidated financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

PFRS 7 (Amendment)	:	Financial Instruments: Disclosures – Transfer of Financial Assts
PAS 12 (Amendment)	:	Income Taxes – Deferred Taxes: Recovery of Underlying Assets

Below are the relevant information about these amended standards.

(i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets.* The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. The Group does not usually enter into this type of arrangement with regard to transfer of financial asset, hence, the amendment did not result in any significant change in the University's disclosures in its financial statements.

(ii) PAS 12 (Amendment), Income Taxes – Deferred Taxes: Recovery of Underlying Assets. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment properly measured at fair value under PAS 40, *Investment Property*, should reflect the tax consequences of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g. building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretations Committee 21, Income Taxes – Recovery of Revalued Non-

Depreciable Assets, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, Property, Plant and Equipment, should always be measured on a sale basis of the asset. The amendment has no significant impact on the Group's consolidated financial statements as the Group's investment properties and land classified as property and equipment are measured at cost.

(b) Effective in Fiscal Year 2013 that is no Relevant to the Group

PFRS 1, First-time Adoption of PFRS, was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to the Group's consolidated financial statements.

(c) Effective subsequent to Fiscal Year 2013 but not Adopted Early

There are new and amended PFRS that are effective for periods subsequent to 2013. Among those pronouncements, management has initially determined the following, which the Group will apply in accordance with their transitional provisions, to be relevant to its consolidated financial statements:

(i) PAS 1 (Amendment), Financial Statements Presentation – Presentation of Items of Other Comprehensive Income (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The Group's management expects that this will not affect the presentation of items in the other comprehensive income, since the Group's other comprehensive income only includes unrealized fair value gains on available-for-sale (AFS) financial assets which can be reclassified to profit or loss when specified conditions are met.

(ii) PFRS 7 (Amendment), Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosures of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32 and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the Group's financial position. The Group has initially assessed that the adoption of the amendment will not have a significant impact on its consolidated financial statements.

(iii) Consolidated Standards

The Group is currently reviewing the impact of the following consolidation standards on its consolidated financial statements which will be effective from January 1, 2013:

- PFRS 10, Consolidated Financial Statements. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- PFRS 11, Joint Arrangement. This standard provides a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. This standard replaces the three categories under PAS 31, Interest in Joint Ventures, mainly, jointly controlled entities, jointly controlled operations and jointly controlled assets, with two new categories – joint operations and joint ventures. Moreover, this also eliminates the option of using proportionate consolidation for joint ventures.
- PFRS 12, Disclosures of Interest in Other Entities. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
- PAS 27 (Amendment), Separate Financial Statements. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.
- PAS 28 (Amendment), Investment in Associate and Joint Venture. This revised standard included the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standard (IFRS) 10m IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provides similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structures entities for any period before the first annual period for which PFRS 12 is applied.

(iv) PAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business; in the event of default; and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and provided characteristics of a gross settlement system that would satisfy the criterion for net settlement. The Group does not expect this amendment to have a significant impact on its consolidated financial statements.

(v) PFRS 9, Financial Instruments: Classification and Measurement (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS39, Financial Statements: Recognition and Measurement, in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and its 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 arrangement, 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.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications IFRS 9's financial asset classification model to address certain application issues.

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 it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vi) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendment to a number of PPFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

(a) PAS 1 (Amendment), Presentation of Financial Statements – Clarification of the Requirements for Comparative Information. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

  If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS8, Accounting Policies, Changes in Accounting Estimates and Errors, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements.

  If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 16 (amendment), Property, Plant and Equipment – Classification of Servicing Equipment. The amendment addresses a perceived inconsistencies in the classification requirements for servicing equipment which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory.

(c) PAS32 (Amendment), Financial Instruments: Presentation – Tax Effect of Distributions to Holders of Equity Instruments. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.

2.3 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, 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 purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs 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 those 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 and 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 that are presented as Financial Assets at FVTP account in the consolidated statement of financial position.

The Group enters into a cross currency swap agreement to manage its risk 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 Group and as liabilities when the fair value is favorable to the counterparty.

The Group's derivative instruments provides 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. 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, Trade and Other Receivables (excluding advances to officers and employees) and Refundable deposits presented as part of Other Non-current Assets 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) 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 AFS Financial Assets account in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months from the end of the reporting period.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. When the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income.

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

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Income or Finance Costs in the 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 close of business on the reporting period. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how 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 risk 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, 2013.

4. SEGMENT INFORMATION

4.1 Business Segments

Management currently identifies the Group's three operating segments and is consistent with accounting policies described in 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 financial assets, real estate held-for-sale, investment property and property and equipment. 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.

Segment liabilities include all operating liabilities as presented in the consolidated statements of financial position, except for deferred tax liabilities.

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 nine month periods ended December 31 (in thousands):

	Education		Rental income		Sale of properties		Investments		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
REVENUES										
From external customers	**P 1,628,403**	P 1,568,282	**P 60,456**	P 72,447	**-**	-	**P 172,352**	P 144,861	**P 1,861,211**	P 1,785,590
Intersegment revenues	**-**	-	**63,799**	51,149	**-**	-	**-**	1,820	**63,799**	52,969
Total revenues	**1,628,403**	1,568,282	**124,255**	123,596	**-**	-	**172,352**	146,681	**1,925,010**	1,838,559
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**938,634**	916,259	**13,313**	-	**-**	-	**4,897**	-	**956,844**	916,259
Depreciation	**76,717**	69,648	**27,058**	12,384	**-**	-	**2,475**	-	**106,250**	82,032
Other expenses	**55,889**	60,204	**-**	13,265	**-**	-	**-**	-	**55,889**	73,469
	1,071,240	1,046,111	**40,371**	25,649	**-**	-	**7,372**	-	**1,118,983**	1,071,760
SEGMENT OPERATING INCOME	**P 557,163**	P 522,171	**P 83,884**	P 97,947	**-**	-	**P 164,980**	P 146,681	**P 806,027**	P 766,799
TOTAL ASSETS AND LIABILITIES										
Segment assets	**P 3,343,466**	P 3,744,592	**P 2,201,315**	P 767,955	**P 306,729**	P 165,064	**P 2,848,831**	P 2,681,732	**P 8,700,341**	P 7,359,343
Segment liabilities	**2,175,606**	2,136,749	**12,099**	9,492	**-**	-	**-**	-	**2,187,705**	2,146,241

The Group's geographical segment for the nine month period ended December 31 , 2013 and 2012 are as follows (in thousands).

2013

	Manila	Makati	Cavite	Total
Segment revenues				
From external customers	P 1,719,139	P 113,196	P 28,876	P 1,861,211
Intersegment revenues	57,897	5,902	-	63,799
Total revenues	1,777,036	119,098	28,876	1,925,010
Operating expenses	1,064,476	24,873	29,634	1,118,983
Segment operating profit (loss)	**P 712,560**	**P 94,225**	**(P 758)**	**P 806,027**
Total Segment Assets	**P 8,496,469**	**P 139,705**	**P 64,167**	**P 8,700,341**
Total Segment Liabilities	**P 2,149,253**	**P 8,539**	**P 29,913**	**P 2,187,705**

2012

	Manila	Makati	Cavite	Total
Segment revenues				
From external customers	P 1,665,153	P 95,694	P 24,743	P 1,785,590
Intersegment revenues	P 46,485	5,700	784	P 52,969
Total revenues	1,711,638	101,394	25,527	1,838,559
Operating expenses	1,025,803	28,102	17,855	1,071,760
Segment operating profit (loss)	**P 685,835**	**P 73,292**	**P 7,672**	**P 766,799**
Total Segment Assets	**P 7,180,729**	**P 132,238**	**P 46,376**	**P 7,359,343**
Total Segment Liabilities	**P 2,130,524**	**-**	**P 15,717**	**P 2,146,241**

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 December 31.

	2013	2012
Revenues		
Total segment revenues	**P 1,925,010**	P 1,838,559
Elimination of intersegment Revenues	**(63,799)**	(52,969)
Finance and other income	**(172,352)**	(144,860)
Revenue from non-reportable segments	**22,992**	(35,928)
Revenue as reported in profit or loss	**P 1,711,851**	P 1,676,658
Profit or loss		
Segment operating profit	**P 806,027**	P 766,799
Miscellaneous income	**15,899**	26,924
Finance Cost	**(540)**	(2,364)
Management fees		
Share in net loss of an associate and a joint venture	**-**	(37)
Tax expense	**(106,063)**	(102,744)
Group net profit as reported in profit or loss	**715,323**	688,578

	2013	2012
Assets		
Segment assets	**8,700,341**	7,359,343
Investment in an associated and a joint venture	**6,847**	189,663
Goodwill	**-**	12,353
Deferred tax assets	**12,879**	9,424
Elimination of intercompany accounts	**(309,921)**	(221,960)
Total Assets	**8,410,146**	7,348,823
Liabilities		
Segment liabilities	**2,187,705**	2,146,241
Deferred tax liabilities	**36,388**	6,931
Elimination of intercompany accounts	**(16,320)**	(59,343)
Total Liabilities	**2,207,773**	2,093,829

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.

In 2012, the University acquired and purchased a parcel of land from Philinvest Alabang, Inc.

On May 27, 2013, a parcel of land with an area of 1.6 hectares located at Biluso Silang, Cavite was purchased from Moldex Realty Incorporated for the full amount of Forty

Million Two Hundred Eighteen Million Six hundred Twenty Five Pesos (P40,218,625.00). Such parcel of land was acquired for future expansion.

6. LIABILITIES

A medium term loan amounting to P800M was secured for the acquisition and purchase of a parcel of lot for future school site.

7. EQUITY

7.1 Capital Stock

Capital stock as of December 31 and March 31, 2013 consists of:

	Shares		Amount	
	Dec 31 2013	March 31, 2013	**Dec 31 2013**	March 31, 2013
Common shares - P100 par value				
Authorized	**20,000,000**	20,000,000		
Issued and outstanding				
Balance at beginning of the year	**13,768,634**	13,768,634	**P 1,376,863,400**	P 1,376,863,400
Issued during the year	**-**	-	**-**	-
Balance at end of the year	**13,768,634**	13,768,634	**1,376,863,400**	1,376,863,400
Treasury stock - at cost	**(37,331)**	(37,331)	**(3,733,100)**	(3,733,100)
Total outstanding	**13,731,303**	13,731,303	**P 1,373,130,300**	P 1,373,130,300

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 December 31, 2013, there are 4,706,627 holders of the listed shares apart from the University and its related parties, equivalent to 34.28% of the total outstanding shares. Such listed shares closed at P1,104 per share as of December 26, 2013.

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 P 715,750,000 representing 48% of such increase, has been subscribed and 94% of such subscribed amount has been fully paid in cash the details are as follows:

7.2 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 December 31, 2013 and March 31, 2013 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 nine months period ended December 31, 2013.

(b) Dividend Declaration

The BOT approved the following dividend declaration in 2012, 2011.

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.

On June 18, 2013, a cash dividend of P15.00 per share has been declared to all stockholders on record as of July 2, 2013. There were 13,731,303 outstanding shares and a total of P205,969,545.00 was paid on July 17, 2013.

On December 10, 2013 a cash dividend of P12 per share has been declared to all stockholders on record as of December 26, 2013, to be paid on January 15, 2014. Total cash dividends amounts to P164,775,636.

Unpaid dividends as of December 31 and March 31, 2013 are presented as Dividends payable under Accounts Payable and Other Liabilities account in the consolidated statements of financial position.

8. EARNINGS PER SHARE

EPS amounts for December 31, 2013 and 2012 were computed as follows:

	2013	2012
Net profit attributable to owner of the parent company	**P 688,598,054**	P 659,260,304
Divided by weighted average number of shares outstanding net of treasury stock of 37,331 shares	**13,731,303**	13,731,303
	P 50.15	P 48.01

The University has no dilutive potential common shares as of **December 31, 2013** and **2012,** hence the diluted EPS is same as basic EPS in all the periods presented.

9. 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.

9.1 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.

9.2 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 to minimize risks of non-collection. 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 balances; thus, ensuring that collectability is reasonably assured. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through setting limits and monitoring closely said accounts.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the consolidated statements of financial position.

9.3 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 operation

10. 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.

11. OTHER INTERIM INFORMATION

11.1 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 nine months ended December 31, 2013 represented 74.12% (first nine months of fiscal year 2012: 75.96%) of the annual level of these revenues for the fiscal year ended March 31, 2013.

11.2 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 nine months ended December 31, 2013

11.3 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.

11.4 There were no changes in contingent liabilities or contingent assets since the end of the last annual reporting period.