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

   Sep 30, 2014

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	16,477,023

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.

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
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2014
Currency (indicate units, if applicable)	Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2014	Mar 31, 2014
Current Assets	3,426,093,788	3,046,212,408
Total Assets	8,863,095,208	8,053,448,592
Current Liabilities	1,068,378,738	634,269,481
Total Liabilities	1,946,255,238	1,515,188,863
Retained Earnings/(Deficit)	4,018,869,049	3,743,328,450
Stockholders' Equity	6,916,839,970	6,538,259,729
Stockholders' Equity - Parent	5,462,057,444	5,158,536,691
Book Value per Share	503.73	476.16

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	794,670,345	677,518,597	1,163,427,597	1,030,675,647
Other Revenue	10,790,648	65,882,562	66,068,286	139,784,896
Gross Revenue	805,460,993	743,401,159	1,229,495,883	1,170,460,543
Operating Expense	382,911,958	372,466,255	700,444,677	675,472,178
Other Expense	-	-	-	-
Gross Expense	382,911,958	372,466,255	700,444,677	675,472,178
Net Income/(Loss) Before Tax	422,549,035	370,934,904	529,051,206	494,988,365
Income Tax Expense	51,014,792	46,082,412	67,558,173	68,798,987
Net Income/(Loss) After Tax	371,534,243	324,852,492	461,493,033	426,189,378
Net Income Attributable to Parent Equity Holder	361,190,074	317,317,540	440,316,235	406,123,577
Earnings/(Loss) Per Share (Basic)	26.32	23.11	32.08	29.58
Earnings/(Loss) Per Share (Diluted)	26.32	23.11	32.08	29.58

Other Relevant Information
-

Filed on behalf by:

Name	MA. CRISTINA TALAMPAS
Designation	ADMINISTRATIVE ASSISTANT

FAR EASTERN UNIVERSITY

P.O. BOX 609 MANILA, PHILIPPINES

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

1.	For the Quarter period ended	**September 30, 2014**
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	**16,477,023**
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
November 14, 2014

Management's Discussion and Analysis or Plan of Operation

Consolidated Financial Position:

The Consolidated Financial Position of FEU Inc. as of September 30, 2014 is stronger than that of last year.

Total assets increased by P809.64 million to P8,863.09 million. Current assets went up by P379.88 million and non-current assets by P429.76 million.

Total liabilities on the other hand increased by P431.07 million to P1,946.26 million. Current liabilities increased by P434.11 million while non-current liabilities decreased by P3.04 million.

Stockholder's equity as of September 30, 2014 amounting to P6,916.84 million increased by P378.58 million compared to this year's beginning balance of P6,538.26 million in spite of the cash dividend paid during the same period.

Consolidated Results of Operation

The Consolidated Net Income of FEU Inc. for the first half of 2014-2015 is higher than that of the same period last year.

Consolidated net income after tax for the first half increased by 8.2% to P461.49 million mainly due to increase in net operating income.

A Look of What Lies Ahead

The Consolidated Financial Position and the Consolidated Results of Operations of FEU Inc. are expected to further improve this year.

Since the main source of operating revenues is tuition/school fees, enrollment will be a major factor in the group's consolidated results of operations.

For school year 2014-2015, the first semester/trimester enrollment of FEU Inc. grew by 6.7% to 31,740 students. The increase mainly came from EACCI, the newest technical school of FEU. With the increase in overall enrollment, FEU Inc. is confident to surpass its 2013-2014 consolidated net income and further improve its consolidated financial position.

Fully aware of the importance to maintain a satisfactory level of enrollment, FEU Inc. is committed to continue to uplift academic standards even more. This will be done through continuously updating curricula, developing faculty, improving services to students and providing the best educational facilities. With a reasonable tuition fee hike, the group is confident that it will maintain its market share in the industry.

Changes in Real Accounts as of September 30, 2014 compared to March 31, 2014

		September 30, 2014	March 31, 2014	Increase (Decrease)	%
1	Cash and cash equivalents	661,853,381.00	559,584,420.00	102,268,961.00	18%
2	Trade and other receivables - net	627,171,272.00	363,282,079.00	263,889,193.00	73%
3	Other current assets - net	240,206,091.00	226,482,865.00	13,723,226.00	6%
4	Available-for-sale financial assets	689,040,868.00	552,556,482.00	136,484,386.00	25%
5	Property and equipment - net	4,068,715,489.00	3,914,179,071.00	154,536,418.00	4%
6	Investment property - net	611,969,507.00	476,094,579.00	135,874,928.00	29%
7	Deferred tax assets	2,156,236.00	2,238,847.00	(82,611.00)	-4%
8	Other non-current assets	10,883,725.00	7,931,610.00	2,952,115.00	37%
9	Trade and other payables	755,965,395.00	579,407,538.00	176,557,857.00	30%
10	Interest-bearing loans (current)	7,566,853.00	12,763,501.00	(5,196,648.00)	-41%
11	Deferred revenues	248,200,876.00	14,569,321.00	233,631,555.00	1604%
12	Income tax payable	42,212,114.00	13,095,621.00	29,116,493.00	222%
13	Interest-bearing loans (non-current)	848,741,055.00	846,936,083.00	1,804,972.00	0%
14	Other non-current liabilities	8,782,564.00	13,630,418.00	(4,847,854.00)	-36%
15	Treasury stock - at cost	(11,518,270.00)	(3,733,100.00)	(7,785,170.00)	209%
16	Revaluation reserves	77,843,265.00	42,077,941.00	35,765,324.00	85%
17	Retained earnings	4,018,869,049.00	3,743,328,450.00	275,540,599.00	7%
18	Non-controlling interest	1,454,782,526.00	1,379,723,038.00	75,059,488.00	5%

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

	INCOME	Sept. 30, 2014	Sept. 30, 2013	Increase (Decrease)	%
1	Tuition Fees, net	1,053,999,233.00	958,327,107.00	95,672,126.00	10%
2	Other School Fees	55,222,839.00	21,889,214.00	33,333,625.00	152%
3	Rental	49,006,435.00	44,877,052.00	4,129,383.00	9%
4	Other Operating Income	5,199,090.00	5,582,274.00	(383,184.00)	-7%
5	Other Income	66,068,286.00	139,784,896.00	(73,716,610.00)	-53%

	EXPENSES	Sept. 30, 2014	Sept. 30, 2013	Increase (Decrease)	%
1	Salaries	367,698,607.00	363,181,795.00	4,516,812.00	1%
2	Employee benefits	75,902,418.00	75,105,183.00	797,235.00	1%
3	RLE	100,000.00	502,215.00	(402,215.00)	-80%
4	Affiliation	778,994.00	2,546,220.00	(1,767,226.00)	-69%
5	Other instructional and academic	46,536,870.00	43,411,439.00	3,125,431.00	7%
6	Rental	3,546,950.00	1,806,643.00	1,740,307.00	96%
7	Other administrative	6,497,000.00	13,083,514.00	(6,586,514.00)	-50%
8	Utilities	41,177,024.00	38,247,790.00	2,929,234.00	8%
9	Janitorial services	10,248,376.00	8,969,613.00	1,278,763.00	14%
10	Insurance	537,367.00	682,014.00	(144,647.00)	-21%
11	Repairs and maintenance	6,984,904.00	8,472,342.00	(1,487,438.00)	-18%
12	Other maintenance and university operations	6,909,170.00	6,645,078.00	264,092.00	4%
13	Security services	13,417,604.00	12,457,751.00	959,853.00	8%
14	Depreciation	93,900,501.00	71,353,949.00	22,546,552.00	32%
15	Publicity and promotions	4,881,817.00	3,725,609.00	1,156,208.00	31%
16	Professional fee	16,191,562.00	16,594,097.00	(402,535.00)	-2%
17	Taxes and licenses	3,236,929.00	6,419,349.00	(3,182,420.00)	-50%
18	Charitable contribution	545,067.00	375,386.00	169,681.00	45%
19	Other general expenses	1,353,517.00	1,892,191.00	(538,674.00)	-28%

Cause of Material Changes in Real Accounts as of September 30, 2014 compared to March 31, 2014

1. Cash and Cash Equivalents

Cash and cash equivalents increased by P102.27 million mainly due to collection of tuition fees and other receivables.

2. Trade and Other Receivables

Trade and other receivables increased by P263.89 million mainly due to additional tuition fee receivables from students.

3. Available-for-sale Financial Assets

Available-for-sale financial assets increased by P136.48 million primarily due to additional investments made in various securities during the period.

4. Other Current Assets

Other current assets increased by P13.72 million due to additional prepaid taxes.

5. Property and Equipment

Property and equipment increased by P154.54 million due to acquisitions of furniture, fixtures and equipment, capitalized repairs, renovations and on-going construction of building.

6. Investment Property

Investment property increased by P135.87 million due to various asset additions to existing investment properties.

7. Other Non-current Assets

Other non-current assets increased by P2.95 million due to additional refundable deposits made.

8. Trade and Other Payables

Trade and other payables increased by P176.56 million due to dividends payable, increased trust funds and accruals of various expenses.

9. Interest-bearing Loans

Interest-bearing Loans decreased by P3.39 million as a result of repayments made.

10. Deferred Revenue

Deferred revenues increased by P233.63 million as a result of tuition fee collections which were not yet earned for the remainder of the first semester.

11. Income Tax Payable

Income tax payable increased by P29.12 million due to additional income tax accruals by the Group.

12. Other Non-current Liabilities

Other non-current liabilities decreased by P4.85 million primarily due to decrease in deferred output VAT.

13. Treasury Stock

Treasury stock increased by P7.79 million due to Fern Realty's acquisition of FEU shares during the period.

14. Revaluation reserves

Revaluation reserves increased by P35.77 million due to the changes in fair value of various investments which are accounted for as Available-for-sale financial assets.

15. Retained Earnings

Retained Earnings increased by P275.54 million primarily due to the portion of net income attributable to the owners of the parent company. Such was partially offset, however, by the amount of cash dividends declared and paid during the period.

16. Non-controlling Interest (NCI)

NCI increased by P75.06 million primarily due to the share of NCI in the Group's net income and additional issuance of shares to NCI.

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

INCOME

1. **Tuition fees – net**

   Tuition fees – net increased by P95.67 million due to increase in student population and slight increase in tuition charges.

2. **Other school fees**

   Other school fees increased by P33.33 million as a result of increase in student enrolled and increase in charges.

3. **Rental income**

   Rental income increased by P4.13 million due to increase in rental rates.

4. **Finance income**

   Finance income decreased by P65.27 million due to the realized gain on sale of securities during the previous period.

5. **Miscellaneous income – net**

   Miscellaneous income decreased by P8.51 million as a result in the decline of various other income earned by the Group.

EXPENSES

1. **Salaries and employee benefit** expense increased due to increases in salary rates as provided for by the University's Collective Bargaining Agreement (CBA), results of employee evaluation and regularizations of certain administrative employees and faculty members.

2. **RLE** expense decreased due to the slide in the number of nursing students enrolled during the period.

3. **Affiliation** expense decreased as a result of lower amounts incurred for affiliation fees being paid to various medical institutions and hospitals. Such decrease is directly related with the continuous decline in the number of enrolled students in the Institute of Nursing.

4. **Other instructional and academic** expenses increased by P3.13 million as an effect of the net increases and decreases of the following specific expense items (amount in millions):

Conference and seminars	P	3.13
Supplies and materials	(	2.76)
Travel and transportation		1.14
Printing and binding	(	1.03)
Outside services	(	0.54)
Subscriptions		0.36
Others		2.83
	P	3.13

5. **Rental** expense increased as a result of the escalation in rental charges.

6. **Other administrative** expenses decreased by P6.59 million as a result of decline on the expense items under this category (amount in millions).

Outside services	(P	3.68)
Travel and transportation	(	0.50)
Supplies		0.45
Printing and binding		0.24
Subscriptions	(	0.10)
Others	(	3.00)
	(P	6.59)

7. **Utilities** expense increased as a result of higher rates for electricity and water during the period. Comparative power and water consumption levels were stable.

8. **Janitorial services** increased due to additional postings covering the new and expanded facilities.

9. **Repairs and maintenance** expense decreased as a result of major (capitalized) renovations of facilities which are evident on the significant increases in Property and Equipment and Investment Properties.

10. **Other maintenance and university operations** increased due to the rise of the expense items under this category (amount in millions).

Outside services	P	0.28
Communication	(	0.17)
Travel and transportation		0.15
Supplies		0.09
Gasoline and oil	(	0.07)
Others	(	0.02)
	P	0.26

11. **Security services** increased due to higher rates and increased coverage of new facilities.

12. **Depreciation** expense increased as a result of fixed asset additions which can be observed from the increase in Property and Equipment and Investment Property during the period and in the immediately preceding fiscal year.

13. **Publicity and promotions** expense increased due to greater advertising spend during the first half.

14. **Taxes and licenses** expense decreased due to the lower amounts incurred for various taxes during the period.

15. **Charitable contributions** increased due to more donations made to various recipients during the period.

16. **Other general expenses** decreased due to the net decrease in various other expenses incurred during the period.

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

I. Test of Liquidity

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

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

September 30, 2013	4.11:1
March 31, 2014	4.80:1
September 30, 2014	3.21:1

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

September 30, 2013	3.88:1
March 31, 2014	4.24:1
September 30, 2014	2.86:1

II. Test of Solvency

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

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

September 30, 2013	27%
March 31, 2014	23%
September 30, 2014	28%

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

September 30, 2013	21%
March 31, 2014	19%
September 30, 2014	22%

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)

September 30, 2013	79%
March 31, 2014	81%
September 30, 2014	78%

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).

September 30, 2013	6%	(first half)
March 31, 2014	11%	(one year)
September 30, 2014	5%	(first half)

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).

September 30, 2013	7%	(first half)
March 31, 2014	14%	(one year)
September 30, 2014	7%	(first half)

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

September 30, 2013	P 29.58	(first half)
March 31, 2014	62.27	(one year)
September 30, 2014	32.08	(first half)

IV. Product Standard

- **FEU Main**

1. Teaching performance is constantly being monitored to maintain a superior level of quality. Various incentives are given to our faculty for teaching excellence.
2. The Philippine Association of Colleges and Universities Commission on Accreditation has granted Certificates of Level III Reaccredited 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 Level III Reaccredited Status from April 2011 to April 2015 to:

Bachelor of Science in Accountancy
Bachelor of Science in Applied Math major in IT
Bachelor of Science in Biology
Bachelor of Science in Psychology

Bachelor of Elementary Education
Bachelor of Secondary Education

Also, PACUCOA has granted Level 1 status from June 2014 to 2017 to:

Master of Arts in Psychology
Master of Arts in Education
Doctor of Education

The Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) granted Level II Reaccredited Status to Bachelor of Nursing program until 2015.

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

Medical Technology, March 2014	4^{th} & 8^{th} Place
Education, August 2014	5^{th} Place

- **FECSI, EACCI and FEU Alabang**

All are established to operate as educational institutions and they shall have their distinct programs, offerings and services and managed according to FEU Inc. best practices.

V. Market Acceptability

The overall increase in enrollment despite difficult times and the number of valedictorians, salutatorians and entrance merit scholars joining the university are indications that FEU Inc. is an attractive option among the various colleges and universities.

Formula

1 Liquidity

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

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

2 Solvency

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

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

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

3 Profitability

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

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

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

Facts

	(In Million Pesos)		
	(1st Half) Sept. 30, 2013	(Whole Year) March 31, 2014	(1st Half) Sept. 30, 2014
Quick Assets	2,884.62	2,688.20	3,054.36
Current Assets	3,061.60	3,046.21	3,426.09
Non-Current Asset	4,463.73	5,007.24	5,437.00
Total Assets	7,525.33	8,053.45	8,863.09
Current Liabilities	744.21	634.27	1,068.38
Non-Current Liabilities	849.00	880.92	877.88
Total Liabilities	1,593.21	1,515.19	1,946.26
Stockholder's Equity	5,932.12	6,538.26	6,916.83
•Owners of Parent Company	4,959.37	5,158.54	5,462.06
•Non-controlling Interest	972.75	1,379.72	1,454.77
Operating Profit	355.20	829.30	462.98
Other Income	139.78	201.62	66.07
Net Profit before Tax	494.98	1,030.92	529.05
Net Profit or Profit after Tax	426.19	902.82	461.49
•Owners of Parent Company	406.12	855.02	440.31
•Non-controlling Interest	20.07	47.80	21.18
Other Comprehensive Income	(53.01)	(137.61)	35.77
Total Comprehensive Income	373.18	765.21	497.26

• Total Outstanding shares			
•Actual	13,731,303	13,731,303	13,725,078
•Earnings per share computation	13,731,303	13,731,303	13,725,078

Other Items

1. The current economic conditions remain stable for both the clientele and educational institutions.

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. The company does not foresee any cash flow or liquidity problem in the next 12 months. It can easily meet all its commitments with its present reserves and expected earnings.

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

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

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

   There are three school terms within a fiscal year: the summer (April to 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 lowest among the four quarters of the fiscal year.

9. The K-12 program to commence SY 2016-2017 shall have an adverse effect on our enrollment. To cushion its impact, the parent company formed another subsidiary (FEU High School, Incorporated) to offer and conduct enhanced basic education programs including junior and senior high school starting academic year 2016-2017. With EACCI also fully operating as an educational institution, FEU Inc. is confident of not only maintaining its product and service offerings, but continuing its development for academic excellence.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 31, 2014 AND MARCH 31, 2014
(Amounts in Philippine Pesos)

		September 30, 2014 (Unaudited)		March 31, 2014 (Audited)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**661,853,381**	P	559,584,420
Trade and other receivables - net		**627,171,272**		363,282,079
Available-for-sale financial assets		**1,765,336,184**		1,765,336,184
Real estate held-for-sale		**131,526,860**		131,526,860
Other current assets - net		**240,206,091**		226,482,865
Total Current Assets		**3,426,093,788**		3,046,212,408
NON-CURRENT ASSETS				
Trade and other receivables - net		**47,465,839**		47,465,839
Available-for-sale financial assets		**689,040,868**		552,556,482
Investments in associate and joint venture		**6,769,756**		6,769,756
Property and equipment - net		**4,068,715,489**		3,914,179,071
Investment property - net		**611,969,507**		476,094,579
Deferred tax assets		**2,156,236**		2,238,847
Other non-current assets		**10,883,725**		7,931,610
Total Non-current Assets		**5,437,001,420**		5,007,236,184
TOTAL ASSETS	**P**	**8,863,095,208**	P	8,053,448,592

		September 30, 2014 (Unaudited)		March 31, 2014 (Audited)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	**P**	**755,965,395**	P	579,407,538
Interest-bearing loans		**7,566,853**		12,763,501
Derivative liability		**14,433,500**		14,433,500
Deferred revenues		**248,200,876**		14,569,321
Income tax payable		**42,212,114**		13,095,621
Total Current Liabilities		**1,068,378,738**		634,269,481
NON-CURRENT LIABILITIES				
Interest-bearing loans		**848,741,055**		846,936,083
Deferred tax liabilities		**20,352,881**		20,352,881
Other non-current liabilities		**8,782,564**		13,630,418
Total Non-current Liabilities		**877,876,500**		880,919,382
Total Liabilities		**1,946,255,238**		1,515,188,863
EQUITY				
Equity attributable to owners of the parent company				
Capital stock		**1,376,863,400**		1,376,863,400
Treasury stock - at cost	**(**	**11,518,270)**	(	3,733,100)
Revaluation reserves		**77,843,265**		42,077,941
Retained earnings		**4,018,869,049**		3,743,328,450
Total equity attributable to owners of parent company		**5,462,057,444**		5,158,536,691
Non-controlling interest		**1,454,782,526**		1,379,723,038
Total Equity		**6,916,839,970**		6,538,259,729
TOTAL LIABILITIES AND EQUITY	**P**	**8,863,095,208**	P	8,053,448,592

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Philippine Pesos)
(UNAUDITED)

			July to September	
	2014	2013	2014	2013
REVENUES				
Educational				
Tuition fees - net	P 1,053,999,233	P 958,327,107	P 724,676,703	P 640,295,767
Other school fees	55,222,839	21,889,214	41,931,290	10,899,806
	1,109,222,072	980,216,321	766,607,993	651,195,573
Rental	49,006,435	44,877,052	22,863,262	20,740,750
Other operating income	5,199,090	5,582,274	5,199,090	5,582,274
	1,163,427,597	1,030,675,647	794,670,345	677,518,597
COSTS AND OPERATING EXPENSES	700,444,677	675,472,178	382,911,958	372,466,255
OPERATING INCOME	462,982,920	355,203,469	411,758,387	305,052,342
OTHER INCOME (CHARGES)				
Finance income	65,771,241	131,042,261	43,200,203	62,447,405
Finance costs	(363,022)	(432,025)	(173,692)	(302,164)
Miscellaneous - net	660,067	9,174,660	(32,235,863)	3,737,321
	66,068,286	139,784,896	10,790,648	65,882,562
PROFIT BEFORE TAX	529,051,206	494,988,365	422,549,035	370,934,904
TAX EXPENSE	67,558,173	68,798,987	51,014,792	46,082,412
NET PROFIT	461,493,033	426,189,378	371,534,243	324,852,492
OTHER COMPREHENSIVE LOSS				
Item that will be reclassified subsequently to profit or loss				
Fair value losses on available-for-sale financial assets - net of tax	35,765,324	(53,005,433)	46,081,857	(22,400,127)
TOTAL COMPREHENSIVE INCOME	P 497,258,357	P 373,183,945	P 417,616,100	P 302,452,365
Net income attributable to:				
Owners of the parent company	P 440,316,235	P 406,123,577	P 361,190,074	P 317,317,540
Non-controlling interest	21,176,798	20,065,801	10,344,169	7,534,952
	P 461,493,033	P 426,189,378	P 371,534,243	P 324,852,492
Total comprehensive income attributable to:				
Owners of the parent company	P 440,316,235	P 353,118,144	P 371,506,607	P 294,917,413
Non-controlling interest	21,176,798	20,065,801	10,344,169	7,534,952
	P 461,493,033	P 373,183,945	P 381,850,776	P 302,452,365
Earnings Per Share				
Basic and Diluted	P 32.08	P 29.58	P 26.32	P 23.11

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR SIX MONTHS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company							
				Retained Earnings				
	Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Appropriated	Unappropriated	Total	Non-controlling Interest	Total Equity
Balance at April 1, 2014	P 1,376,863,400	(P 3,733,100)	P 42,077,941	P 2,055,433,100	P 1,687,895,350	P 3,743,328,450	P 1,379,723,038	P 6,538,259,729
Transactions with owners								
Issuance of shares of stock	-	-	-	-	-	-	-	-
Acquisition of treasury stock	-	(7,785,170)	-	-	-	-	-	(7,785,170)
Appropriations for the period	-	-	-	(5,221,226)	5,221,226	-	-	-
Reversal of appropriations during the period	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(164,775,636)	(164,775,636)	(11,117,310)	(175,892,946)
	-	(7,785,170)	-	(5,221,226)	(159,554,410)	(164,775,636)	(11,117,310)	(183,678,116)
Total comprehensive income (loss)								
Net profit for the period	-	-	-	-	440,316,235	440,316,235	21,176,798	461,493,033
Other comprehensive income	-	-	35,765,324	-	-	-	-	35,765,324
	-	-	35,765,324	-	440,316,235	440,316,235	21,176,798	497,258,357
Preferred stocks subscribed by a related party under common ownership	-	-	-	-	-	-	65,000,000	65,000,000
Balance at September 30, 2014	**P 1,376,863,400**	**(P 11,518,270)**	**P 77,843,265**	**P 2,050,211,874**	**P 1,968,657,175**	**P 4,018,869,049**	**P 1,454,782,526**	**P 6,916,839,970**
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 3,259,048,975	P 852,680,490	P 5,664,546,058
Prior period adjustment	-	-	-	-	360,000	360,000	-	360,000
Transactions with owners								
Issuance of shares of stock	-	-	-	-	-	-	-	-
Appropriations for the period	-	-	-	-	-	-	-	-
Reversal of appropriations during the period	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(205,969,545)	(205,969,545)	-	(205,969,545)
	-	-	-	-	(205,609,545)	(205,609,545)	-	(205,609,545)
Total comprehensive income (loss)								
Net profit for the period	-	-	-	-	406,123,577	406,123,577	20,065,801	426,189,378
Other comprehensive loss	-	-	(53,005,433)	-	-	-	-	(53,005,433)
	-	-	(53,005,433)	-	406,123,577	406,123,577	20,065,801	373,183,945
Preferred stocks subscribed by a related party under common ownership	-	-	-	-	-	-	100,000,000	100,000,000
Balance at September 30, 2013	P 1,376,863,400	(P 3,733,100)	P 126,680,860	P 1,628,733,100	P 1,830,829,907	P 3,459,563,007	P 972,746,291	P 5,932,120,458

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR SIX MONTHS ENDED SEPTEMBER 30 2014 AND 2013
(Amounts in Philippine Pesos)
(UNAUDITED)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 529,051,206	P 494,988,365
Adjustments for:		
Depreciation and amortization	97,739,217	70,626,781
Interest income - net	(65,408,219)	(131,042,261)
Share in net losses of an associate and a joint venture	76,839	37,481
Operating profit before working capital changes	561,459,044	434,610,366
Increase in trade and other receivables	(265,138,578)	(73,897,315)
Increase in real estate held-for-sale	-	(17,697,079)
Increase in other current assets	(13,723,226)	(17,290,140)
Increase (decrease) in trade and other payables	139,199,982	(20,449,103)
Increase in deferred revenues	233,631,555	239,629,432
Cash generated from operations	655,428,777	544,906,161
Income taxes paid	(38,359,069)	(39,759,126)
Net Cash From Operating Activities	617,069,708	505,147,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(393,307,996)	(416,510,526)
Net investment on available-for-sale financial assets	(34,947,821)	(41,699,996)
Net proceeds from sale (acquisitions) of investment properties	5,157,433	(18,019,222)
Acquisition of other non-current assets	(3,028,954)	(300,641)
Interest received	1,249,385	123,834,521
Interest paid	(249,276)	-
Net Cash Used in Investing Activities	(425,127,229)	(352,695,864)
Balance carried forward	P 191,942,479	P 152,451,171

	2014	2013
Balance brought forward	**P 191,942,479**	P 152,451,171
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of preferred stocks to a related party under common management	**65,000,000**	100,000,000
Dividends paid	**(138,648,818)**	(205,969,545)
Acquisition of treasury shares	**(7,785,170)**	-
Repayments of other non-current liabilities	**(4,847,854)**	(16,953,803)
Repayments of interest-bearing loans	**(3,391,676)**	(777,715)
Net Cash Used in Financing Activities	**(89,673,518)**	(123,701,063)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**102,268,961**	28,750,108
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**559,584,420**	338,059,095
CASH AND CASH EQUIVALENTS AT END OF YEAR	**P 661,853,381**	P 366,809,203

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
SCHEDULE OF OPERATING EXPENSES
SEPTEMBER 30, 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	Three-month period (Q2) July to September		Three-month period (Q1) April to June	
	2014	2013	2014	2013
Salaries	P 189,563,211	P 186,017,062	P 178,135,396	P 177,164,733
Employee benefits	39,312,188	40,809,340	36,590,230	34,295,843
RLE and affiliation	625,504	2,031,418	253,490	1,017,017
Rental	3,209,234	1,806,643	337,716	-
Utilities	26,575,491	25,208,813	14,601,533	13,038,977
Janitorial services	6,515,329	5,807,599	3,733,047	3,162,014
Insurance	532,217	247,001	5,150	435,013
Repairs and maintenance	4,017,424	5,074,532	2,967,480	3,397,810
Security services	8,501,769	8,833,421	4,915,835	3,624,330
Depreciation	52,942,920	36,857,464	40,957,581	34,496,485
Publicity and promotions	3,633,528	2,013,886	1,248,289	1,711,723
Professional fee	8,693,974	8,952,813	7,497,588	7,641,284
Taxes and licenses	2,923,030	858,809	313,899	5,560,540
Charitable contribution	383,067	351,282	162,000	24,104
Total other expenses*	35,483,072	47,596,172	25,813,485	17,436,050
TOTALS	**P 382,911,958**	**P 372,466,255**	**P 317,532,719**	**P 303,005,923**

**Includes other academic, administrative, maintenance and operations, and general expenses.*

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
SCHEDULE OF AGING OF RECEIVABLES
SEPTEMBER 30, 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	One to Six Months	Seven Months to One Year	More than One Year	Past Due	Total
Non-trade Receivables:					
Official and Personal	P 6,871,752	P 82,875	P -	P -	P 6,954,627
SSS Sickness Benefit	344,789	-	-	-	344,789
FEU High School, Inc.	210,688	-	-	-	210,688
FEU Public Policy Foundation	1,153,880	-	-	-	1,153,880
Alphaland Corporation	510,000	-	-	-	510,000
MOLDEX Realty, Inc.	-	100,000	-	-	100,000
Others	-	23,928	1,722,204	-	1,746,132
TOTALS	**P 9,091,108**	**P 206,803**	**P 1,722,204**	**P -**	**P 11,020,115**

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014
(With Comparative Figures as of March 31, 2014)
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

1.1 Background of the University

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 Philippine Securities and Exchange Commission (SEC) on October 27, 1933. On October 27, 1983, the University extended its corporate life to another 50 years. The University became a listed corporation in the Philippine Stock Exchange (PSE) 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 Tourism and Hotel Management and Institute of Law.

Several programs of FEU, such as Liberal Arts, Commerce and Education, are accredited by the Philippine Association of Colleges and Universities Commission on Accreditation.

As of September 30 and March 31, 2014 the University holds interest in the following subsidiaries, associate, and joint venture which were all incorporated and operating in the Philippines:

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

Company Name	Percentage of Effective Ownership
Associate –	
Juliana Management Company, Inc. (JMCI)	49%
Joint Venture –	
ICF – CCE, Inc.	50%

Similar to the University, FECSI, EACCI and FEU Alabang, Inc. were established to operate as educational institutions offering general courses of study.

EACCI, which operates under the trade name FEU Institute of Technology, was granted by the Commission on Higher Education (CHED) the permission to offer various engineering courses. Accordingly, EACCI started its operations for the first term of school year 2014 – 2015. Classes for its engineering and computer studies programs started on July 2014.

FEU Alabang, Inc. will start operating as an educational institution upon approval by the CHED of its application for permit to operate as educational institution.

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 maintaining a sports facility for rehabilitation and sports performance enhancement purposes.

Although the University controls less than 50% of the voting shares of stock of FRC, it has control over FRC as it is exposed, or has right to, variable returns from its involvement with FRC and has the ability to affect those returns through its power over FRC. 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 through its 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 herein as the Group.

1.2 Other Corporate Information

The registered offices and principal places of business of the University and its subsidiaries, associate and joint-venture are as follows:

FEU and SPARC	-	Nicanor Reyes, Sr. Street, Sampaloc, Manila
EACCI	-	P. Paredes Street, Sampaloc, Manila
FECSI	-	Metrogate Silang Estates, Silang, Cavite
FEU Alabang, Inc.	-	Lot 1, Corporate Woods cor. South Corporate Avenues, Woods District, Filinvest City, Alabang, Muntinlupa City
FRC	-	Administration Building, FEU Compound, Nicanor Reyes, Sr. Street, Sampaloc, Manila
JMCI	-	E. Rodriguez Jr. Avenue corner Cpl. Cruz St., Bagong Ilog, Pasig City
ICF-CCE, Inc.	-	FEU Makati, Sen. Gil. J. Puyat Avenue corner Zuellig St., Makati City

1.3 Approval for Issuance of Interim Consolidated Financial Statements

The interim consolidated financial statements (ICFS) of the Group for the six months ended September 30, 2014 (including the comparatives for the years ended March 31, 2014 and for the six months ended September 30, 2013) were authorized for issue by the Board of Trustees (BOT) on November 12, 2014.

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 periods presented, unless otherwise stated.

2.1 Basis of Preparation of the Consolidated Financial Statements

(a) Statement of Compliance with Interim Financial Reporting Standards

These ICFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS), and should be read in conjunction with the Group's audited consolidated financial statements (ACFS) as of and for the fiscal year ended March 31, 2014.

(b) Application of PFRS

The significant accounting policies and methods of computation used in the preparation of these ICFS are consistent with those applied in the ACFS as of and for the fiscal year ended March 31, 2014.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2014 but were not adopted early for the preparation of the ICFS. The ICFS, therefore, do not reflect the impact of any adoption of these new PFRS, annual improvements and interpretations to existing standards effective for periods subsequent to 2014.

(c) Functional and Presentation Currency

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

Items included in the consolidated financial statements of the Group are measured using its functional currency (see Note 2.15). Functional currency is the currency of the primary economic environment in which the Group operates.

(d) Presentation of Interim Consolidated Financial Statements

The presentation of the ICFS is consistent with the most recent ACFS presentation. Regrouping of certain accounts in the comparative prior period presented was made to conform to the current period's presentation so that comparability is not impaired.

The Group presents all items of income and expense in a single consolidated statement of comprehensive income.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2015 that are Relevant to the Group

In 2015, the Group adopted the following amendments to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after January 1, 2014:

PAS 19 (Amendment)	:	Employee Benefits: Defined Benefit Plans – Employee Contributions
PAS 32 (Amendment)	:	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
PAS 36 (Amendment)	:	Impairment of Asset – Recoverable Amount Disclosures for Non-financial Assets
PAS 39 (Amendment)	:	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
PFRS 10, 12 and PAS 27 (Amendments)	:	Investment Entities

Discussed below are relevant information about these amended standards.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions* (effective from January 1, 2014). The amendment clarifies that if the amount of the contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. Management has determined that this amendment has no significant impact on the Group's ICFS.

(ii) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from 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 Group determined that the amendment has no significant impact on its ICFS as the Group does not offset financial assets and liabilities.

(iii) PAS 36 (Amendment), *Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets* (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. Management has determined that this amendment has no significant impact on the Group's ICFS as the Group already discloses the required information in its consolidated financial statements.

(iv) PAS 39 (Amendment), *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* (effective from January 1, 2014). The amendment provides some relief from the requirements on hedge accounting by allowing entities to continue the use of hedge accounting when a derivative is novated to a clearing counterparty resulting in termination or expiration of the original hedging instrument as a consequence of laws and regulations, or the introduction thereof. As the Group does not apply hedge accounting on its derivative transactions, hence the amendment does not impact the ICFS.

(v) PFRS 10, 12 and PAS 27 (Amendments) - *Investment Entities* (effective from January 1, 2014). The amendments define the term "investment entities," provide supporting guidance, and require investment entities to measure investments in the form of controlling interest in another entity, at fair value through profit or loss. Management assessed that these amendments have no material impact on the Group's ICFS.

(b) Effective in Fiscal Year 2015 that is not Relevant to the Group

The International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, which is mandatory for accounting periods beginning on or after January 1, 2014, is determined not relevant to the Group's ICFS.

(c) Effective Subsequent to Fiscal Year 2015 but not Adopted Early

There are new PFRS, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2014. Management has initially determined the following pronouncements to be relevant to its ICFS, and which the Group will apply in accordance with their transitional provisions:

(i) PFRS 9, *Financial Instruments: Clarification and Measurement* (effective January 1, 2018). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement*, in its entirety. The first phase of the standard was issued in November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

In November 2013, the International Accounting Standards Board (IASB) has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS 9 and PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The management is currently assessing the impact of PFRS 9 on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after July 1, 2014. Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's ICFS:

Annual Improvements to PFRS (2010-2012 Cycle)

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets* (effective July 1, 2014). The amendments clarify that when an item of property, plant and equipment, and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures* (effective July 1, 2014). The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also requires and clarifies that the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity should be disclosed in the consolidated financial statements and not the amounts of compensation paid or payable by the key management entity to its employees or directors.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment, though a revision only in the basis of conclusion of PFRS 13, clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9 and PAS 39 related to discounting of financial instruments, did not remove the ability to measure short-term receivables and payables with no stated interest rate on an undiscounted basis, when the effect of not discounting is immaterial.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of, and accounted for in accordance with, PAS 39 or PFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40, in determining the classification of property as an investment property or owner-occupied property, and explicitly requires entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset, or a business combination in reference to PFRS 3.

2.3 Basis of Consolidation

The Group's ICFS comprise the accounts of the University and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The University accounts for its investments in subsidiaries, associate, joint venture and non-controlling interests (NCIs) as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the University obtains control. The University reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries (see Note 2.4).

(b) Investment in an Associate

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

Acquired investment in an associate is also subject to purchase accounting. However, any goodwill or fair value adjustment attributable to the share in the associate is included in the amount recognized as investment in an associate. All subsequent changes to the share in the equity of the associate are recognized in the carrying amount of the Group's investment.

Changes resulting from the profit or loss generated by the associate, if any, are accounted for as share in net losses of an associate and a joint venture and presented as part of Miscellaneous – net in the Group's consolidated statement of comprehensive income and, therefore, affect the net results of operations of the Group.

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

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

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

(c) Investment in a Joint Venture (JV)

The Group's interest in a jointly controlled entity is recognized in the consolidated financial statements of the Group using the equity method. Under the equity method, the interest in a jointly controlled entity is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the JV after the date of acquisition. The Group's share in the profit or loss of the JV is adjusted for any unrealized gains arising from transactions with the JV against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred (see Note 2.16). The JV is carried at equity method until the date on which the Group ceases to have joint control over the JV.

(d) Transactions with NCIs

The Group's transactions with NCIs that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments in NCIs result in gains and losses which the Group also recognizes in equity.

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

For the purpose of impairment testing (see Note 2.16), goodwill (see Note 2.4) is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

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

2.4 Business Combinations

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed (see Note 2.16).

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

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37 either in profit or loss or as a charge to other comprehensive income.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2.5 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 available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date.
All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs 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 or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group enters into a cross currency swap agreement to manage its risks associated with fluctuations in foreign currency denominated instruments in corporate bonds. The host instruments are classified under AFS financial assets. 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, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. 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 future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable 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), Short-term investments presented as part of Other Current Assets 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 in the consolidated statements of financial position unless management intends to dispose of the investment within 12 months from the reporting period. The Group's AFS financial assets include listed equity securities, corporate and government bonds and unit investment trust funds (UITF).

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 fair value gains or losses 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 losses 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, except those arising from operating activities, 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.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

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

2.6 Real Estate Held-for-Sale

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

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

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

2.7 Other Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), these other assets are classified under the non-current category.

2.8 Property and Equipment

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

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

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

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

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.20) and other directly attributable costs of bringing the asset to working condition for its intended use. The account is not depreciated until such time that the assets are completed and available for use.

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.16).

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

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

2.9 Investment Property

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

Construction in progress includes condominiums that are purchased by FRC at a preselling state and to be turned over to the FRC upon completion of construction works by its respective third party developers. This includes installment payments and other direct charges. The account is not depreciated until such time that the assets are completed and available for use.

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

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

2.10 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (except tax-related liabilities), Interest-bearing Loans, Derivative Liability, and Other Non-current Liabilities, are recognized when the Group becomes a party to the contractual terms of the instrument.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables and other non-current liabilities are recognized initially at their fair values and subsequently measured at amortized cost, using the effective interest method for maturities beyond one year, less settlement payments.

Derivative liability is initially and subsequently recognized at fair value.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the University.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the reporting period, or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the resulting net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.12 Provisions and Contingencies

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

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

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

2.13 Revenue and Expense Recognition

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

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the Group; and, the costs incurred or to be incurred can be measured reliably.

In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Tuition and other school fees* – Revenue is recognized in profit or loss over the corresponding school term. Tuition fee received in advance and applicable to a school term after the reporting period is not recognized in profit or loss until the next reporting period; these are presented as part of Deferred Revenues in the consolidated statement of financial position. Revenues from National Service Training Program (NSTP) trust funds (see Note 2.19) are recognized upon fulfillment of conditions attached to the fund and/or up to the extent that the related expenses have been incurred. Restricted funds for which restrictions and conditions have not yet been met are recorded as NSTP Trust Fund under the Trade and Other Payables account in the consolidated statements of financial position.

(b) *Sale of real estate* – Revenue is recognized when the earnings process is virtually complete and collectability of the entire sales price is reasonably assured.

(c) *Rental* – Revenue is recognized in the consolidated statement of comprehensive income over the term of the lease using the straight-line method, and in certain cases, the amount determined using straight-line method or amount determined using a certain percentage of the lessee's gross annual revenue, whichever is higher. Rent received in advance is initially recorded as part of Deferred Revenues in the consolidated statement of financial position.

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

(e) *Income from sale of books and other educational-related merchandise* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer has acknowledged delivery of goods. The sale of this merchandise is made exclusively for the students of the University and FECSI. This auxiliary income is presented as part of Miscellaneous-net account under Other Income (Charges) in the consolidated statement of comprehensive income.

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

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date such cost and expenses are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.20).

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessee*

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

(b) *Group as Lessor*

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

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

2.15 Foreign Currency Transactions and Translation

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

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

Changes in the fair value of monetary financial assets denominated in foreign currency classified as AFS financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.16 Impairment of Non-financial Assets

The Group's investments in an associate and a joint venture, property and equipment, investment property and certain other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.17 Employee Benefits

The Group provides post-employment benefits to employees through a defined contribution plan subject to compliance to a minimum guaranty required by RA 7641, which is accounted for as a defined benefit plan, and various compensations mandated by law.

(a) Post-employment Benefits

The Group maintains a defined contribution plan that covers all regular full-time employees. Under its plan, the Group pays fixed contributions based on the employees' monthly salaries. The Group, however, is covered by RA 7641, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Group recognizes its post-employment benefit obligation based on the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Group determines the net interest expense (income) on the defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

The defined contribution, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or, (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. These are included in the Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.18 Deposits Payable

This represents funds collected from students or entities that are held by the Group. The Group has no control over its use and disburses the funds only upon instruction of the student or entity that made the deposit. This is presented as part of the Trade and Other Payables account under current liabilities as they are normally short-term in nature.

2.19 Trust Funds

This represents restricted funds of the University, FECSI and EACCI that are intended for student's NSTP and other specific educational purposes. The University, FECSI and EACCI administer the use of these NSTP trust fund based on the specific purpose for which such funds are identified with. This is presented as NSTP trust fund under the Trade and Other Payables account in the consolidated statement of financial position.

2.20 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income, if any, earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.21 Income Taxes

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Deferred tax assets and deferred tax liabilities are offset if the University or any of its subsidiaries has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.22 Related Party Relationships and Transactions

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) certain funded retirement plans administered by trustees.

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

2.23 Equity

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

Treasury stocks are stated at the cost of re-acquiring such shares and are deducted from equity attributable to the University's equity holders until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise gains arising from the revaluation of AFS financial assets.

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

NCI represents the interests not held by the Group in FRC and SPARC. It also includes the preferred shares of stock of EACCI issued to a stockholder outside of the Group but under the Group's common management.

2.24 Earnings Per Share

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

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

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

2.26 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic steering committee; its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 7, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

3. USE OF JUDGMENTS AND ESTIMATES

The preparation of the ICFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. There were no changes in estimates of amounts reported in prior financial years that have a material effect in the current interim period.

4. 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.

4.1 Interest Rate Risk

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. The Group's exposure to interest rate risk arises from financial instruments which are subject to variable interest rates.

The Group manages its interest risk by leveraging the fixed interest rate financial instruments over the floating interest rate financial instruments.

4.2 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.

4.3 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

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the interim consolidated statements of financial position are shown as follows.

	September 30, 2014 (Unaudited)		March 31, 2014 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables:				
Cash and cash equivalents	P 661,853,381	P 661,853,381	P 559,584,420	P 559,584,420
Trade and other receivables – net	667,363,404	667,363,404	404,552,152	404,552,152
Short-term investments*	200,202,951	200,202,951	134,944,032	134,944,032
Refundable deposits*	3,929,796	3,929,796	3,929,796	3,929,796
	1,533,349,532	1,533,349,532	1,103,010,400	1,103,010,400
AFS Financial Assets:				
Debt and equity securities	2,454,377,052	2,454,377,052	2,317,892,666	2,317,892,666
1,495,509,753				
Investment in golf club shares	2,050,000	2,050,000	2,050,000	2,050,000
	2,456,427,052	2,456,427,052	2,319,942,666	2,319,942,666
	P 3,989,776,584	P 3,989,776,584	P 3,422,953,066	P 3,422,953,066
Financial Liabilities				
FVTPL – Cross currency swaps	P 14,433,500	P 14,433,500	P 14,433,500	P 14,433,500
Financial liabilities at amortized cost:				
Trade and other payables	P 744,389,351	P 744,389,351	P 575,541,331	P 575,541,331
Interest-bearing loans	856,307,908	856,307,908	859,699,584	859,699,584
Other non-current liabilities	3,561,338	3,561,338	3,063,144	3,063,144
	1,604,258,597	1,604,258,597	1,483,304,059	1,483,304,059
	P 1,618,692,097	P 1,618,692,097	P 1,452,737,559	P 1,452,737,559

**Presented as part of Other Current Assets and Other Non-current Assets, respectively, in the consolidated statements of financial position.*

See Notes 2.5 and 2.10 for a description of the accounting policies for each category of financial instruments. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting of Financial Assets and Financial Liabilities

All financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) will have the option to settle all such amounts on a net basis in the event of default of the other party through approval by both parties' Board of Directors/BOT and stockholders. As such, the Group's outstanding receivables from and payables to the same related parties can be potentially offset to the extent of their corresponding outstanding balances.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurable date;

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

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

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

6.2 Financial Instruments Measurement at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of September 30 and March 31, 2014.

	Level 1	Level 2	Level 3	Total
September 30, 2014 (Unaudited)				
Debt securities and corporate shares	P 2,454,377,052	P -	P -	P 2,454,377,052
Investment in golf club shares	-	-	2,050,000	2,050,000
	P 2,454,377,052	**P -**	**P 2,050,000**	**P2,456,427,052**
Derivative liability – Cross currency swaps	**P -**	**(P 14,433,500)**	**P -**	**(P 14,433,500)**

	Level 1	Level 2	Level 3	Total
March 31, 2014 (Audited)				
Debt securities and corporate shares	P 2,317,892,666	P -	P -	P 2,317,892,666
Investment in golf club shares	-	-	2,050,000	2,050,000
	P 2,317,892,666	P -	P 2,050,000	P 2,319,942,666
Derivative liability – Cross currency swaps	P -	(P 14,433,500)	P -	(P 14,433,500)

There were neither transfers between levels nor changes in levels of classification of instruments in all the years presented.

Described below are the information about how the fair values of the Group's classes of financial assets and financial liabilities are determined.

a) Equity securities

As of September 30 and March 31, 2014, instruments included in Level 1 comprise of corporate shares and unit investment trust funds (UITF) which are classified as AFS financial assets. The corporate shares and UITF were valued based on their market prices quoted in the Philippine stock exchange at the end of each reporting period.

Golf club shares which are presented as part of Other Non-current Assets are included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

b) Debt securities

The fair value of the Group's debt securities which consist of government and corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

c) Derivatives

Derivatives classified as financial assets at FVTPL are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table on the succeeding page summarizes the fair value hierarchy of the Group's consolidated financial assets and financial liabilities which are not measured at fair value in the interim consolidated statement of financial position as of September 30, 2014 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 661,853,381	P -	P -	P 661,853,381
Trade and other receivables	-	-	667,363,404	667,363,404
Short-term investments	-	-	200,202,951	200,202,951
Refundable deposits	-	-	3,929,796	3,929,796
	P 661,853,381	**P -**	**P 871,496,151**	**P1,533,349,532**
Financial liabilities:				
Interest-bearing loans	P -	P -	P 856,307,908	P 856,307,908
Trade and other payables	-	-	744,389,351	744,389,351
Other non-current liabilities	-	-	3,561,338	3,561,338
	P -	**P -**	**P1,604,258,597**	**P1,604,258,597**

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values.

The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.4 Fair Value Measurement for Non-financial Assets

a) Determining Fair Value of Investment Properties

The table below shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of September 30, 2014.

	Level 1	Level 2	Level 3	Total
Land	P -	P 1,819,133,000	P -	P 1,819,133,000
Building and improvements	-	-	287,704,000	287,704,000
	P -	**P 1,819,133,000**	**P 287,704,000**	**P 2,106,837,000**

The fair value of the Group's investment properties, except for certain condominium units owned by FRC which are based on the prevailing selling prices of such properties, are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of these non-financial assets were determined based on the following approaches:

(i) *Fair Value Measurement for Land*

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

(ii) *Fair Value Measurement for Building and Improvements*

The Level 3 fair value of the buildings and improvements included under the Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

b) Other Fair Value Information

In 2014, the fair value of the investment property, except for certain condominium units owned by FRC which are based on the prevailing selling prices of such properties, is determined on the basis of the appraisals performed by an independent appraiser. There were no transfers into or out of Level 3 fair value hierarchy in during the six months ended September 30, 2014.

7. SEGMENT INFORMATION

7.1 Business Segments

The Group is organized into different business units based on its services or line of business for purposes of management assessment of each unit. In identifying its operating segments, management generally follow the Group's three major lines of business namely education, real estate and investment activities. These are the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

Also, the Group reports geographical segments in which FEU campuses are located.

7.2 Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, AFS financial assets, real estate held-for-sale, investment property, and property and equipment.

Segment assets do not include investments in associate and 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.

7.3 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.

7.4 Analysis of Segment Information

Segment information can be analyzed by business line as follows for the six months ended September 30, 2014 and 2013 (both years unaudited and presented in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
REVENUES										
From external customers	**P 1,114,421**	P 980,217	**P 49,007**	P 44,877	**P -**	P -	**P 65,771**	P 136,624	**P 1,229,199**	P 1,161,718
Intersegment revenues	**-**	-	**38,667**	41,581	**-**	-	**-**	-	**38,667**	41,581
Total revenues	**1,114,421**	980,217	**87,674**	86,458	**-**	-	**65,771**	136,624	**1,267,866**	1,203,299
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**552,024**	595,219	**8,742**	8,417	**-**	-	**-**	4,116	**560,766**	607,752
Depreciation	**81,209**	50,655	**12,692**	17,986	**-**	-	**-**	1,654	**93,901**	70,295
Other expenses	**45,755**	39,183	**-**	-	**-**	-	**22**	-	**45,777**	39,183
	678,988	685,057	**21,434**	26,403	**-**	-	**22**	5,770	**700,444**	717,230
SEGMENT OPERATING INCOME	**P 435,433**	P 295,160	**P 66,240**	P 60,055	**P -**	P -	**P 65,749**	P 130,854	**P 567,422**	P 486,069

The following presents the segment assets and liabilities of the Group as of September 30, 2014 (unaudited) and March 31, 2014 (audited):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	September 30, 2014	March 31, 2014	**September 30, 2014**	March 31, 2014	**September 30, 2014**	March 31, 2014	**September 30, 2014**	March 31, 2014	**September 30, 2014**	March 31, 2014
TOTAL ASSETS AND LIABILITIES										
Segment assets	**P 3,888,506**	P 3,122,937	**P 2,422,476**	P 2,306,682	**P 186,058**	P 195,071	**P 2,681,291**	P 2,740,788	**P 9,178,331**	P 8,365,478
Segment liabilities	**1,941,924**	1,510,012	**3,781**	10,044	**-**	**-**	**-**	-	**1,945,705**	1,520,056

The Group's geographical segment for the six months ended September 30, 2014 and 2013 (both years unaudited) and as of September 30, 2014 (unaudited) and March 31, 2014 (audited) follows (in thousands).

	Manila	Makati	Cavite	Total
September 30, 2014				
Segment revenues				
From external customers	P 1,050,542	P 153,950	P 24,707	P 1,229,199
Intersegment revenues	38,667	-	-	38,667
Total revenues	1,089,209	153,950	24,707	1,267,866
Operating expenses	(673,130)	(9,602)	(17,712)	(700,444)
Segment operating profit	**P 416,079**	**P 144,348**	**P 6,995**	**P 567,422**
Total Segment Assets	**P 9,021,396**	**P 78,416**	**P 78,519**	**P 9,178,331**
Total Segment Liabilities	**P 1,913,115**	**P 9,147**	**P 23,443**	**P 1,945,705**
September 30, 2013				
Segment revenues				
From external customers	P 1,078.004	P 66,890	P 16,824	P 1,161,718
Intersegment revenues	37,646	3,935	-	41,581
Total revenues	1,115,650	70,825	16,824	1,203,299
Operating expenses	(684,355)	(14,697)	(18,178)	(717,230)
Segment operating profit	P 431,295	P 56,128	(P 1,354)	P 486,069
March 31, 2014				
Total Segment Assets	P 8,245,543	P 65,546	P 54,389	P 8,365,478
Total Segment Liabilities	P 1,504,104	P 9,049	P 6,903	P 1,520,056

7.5 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).

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Revenues		
Total segment revenues	**P 1,267,866**	P 1,203,299
Finance income	**(65,771)**	(136,625)
Elimination of intersegment revenues	**(38,667)**	(41,581)
Revenue from non-reportable segments	**-**	5,582
Revenues as reported in interim consolidated profit or loss	**P 1,163,428**	P 1,030,675
Profit or loss		
Segment operating profit	**P 567,422**	P 486,069
Finance costs	**(363)**	(249)
Miscellaneous income – net*	**660**	9,175
Other unallocated expenses	**(38,668)**	(7)
Tax expense	**(67,558)**	(68,799)
Profit as reported in interim consolidated profit or loss	**P 461,493**	P 426,189

**This item includes Management Fee and Share in Net Loss of an Associate and Joint Venture.*

		September 30, 2014 (Unaudited)		March 31, 2014 (Audited)
Assets				
Segment assets	**P**	**9,178,331**	P	8,365,478
Investment in an associate and a joint venture		**6,770**		6,770
Deferred tax assets		**2,156**		2,239
Elimination of intercompany accounts		**(324,162)**		(321,038)
Total assets reported in the interim consolidated statements of financial position	**P**	**8,863,095**	P	8,053,449
Liabilities				
Segment liabilities	**P**	**1,945,705**	P	1,520,056
Deferred tax liabilities		**20,353**		20,353
Elimination of intercompany accounts		**(19,803)**		(25,220)
Total liabilities reported in the interim consolidated statements of financial position	**P**	**1,946,255**	P	1,515,189

8. PROPERTY AND EQUIPMENT

The Group's property and equipment includes land, buildings and improvements, buildings under construction and various furniture and equipment which are used by the Group in its business operations.

During the period, EACCI started to use the completed portion of the new FEU Institute of Technology (FIT) Building, located in P. Paredes St., Sampaloc, Manila, to accommodate its enrollees starting on the first term of school year 2014 – 2015. The FIT Building is in the process of completion which is expected by late 2014.

There was no significant individual acquisition or disposal of property and equipment for the six months ended September 30, 2014.

9. INVESTMENT PROPERTY

The Group's investment property includes land, buildings and improvements and buildings under construction which are held for investment purposes only, either to earn rental income or for capital appreciation or both.

There was no significant individual acquisition or disposal of investment property for the six months ended September 30, 2014.

10. INTEREST-BEARING LOANS

The Group has not obtained new loans for the six months ended September 30, 2014.

11. DIVIDENDS

The BOT, at its meeting held on June 17, 2014, declared a cash dividend of P12.0 per share to all stockholders on record as of July 1, 2014, payable on July 15, 2014. The total cash dividend amounts to P164.78 million.

The BOT, at its meeting held on July 15, 2014, also approved the declaration of 20% stock dividend, with the record date set on September 9, 2014. The said dividend declaration was ratified and confirmed by the stockholders holding more than 2/3 of the total issued and outstanding capital stock of the University at its annual stockholders meeting held on August 23, 2014. Payment date is on October 3, 2014.

As of September 30, 2014, however, the stock dividends has not yet been recognized pending the compliance of various SEC and PSE requirements for the listing and distribution of such stock dividend shares to the respective stockholder.

12. EQUITY

12.1 Capital Stock

	Shares		Amount	
	September 30, 2014 (Unaudited)	March 30, 2014 (Audited)	**September 30, 2014 (Unaudited)**	March 31, 2014 (Audited)
Common shares – P100 par value				
Authorized	**20,000,000**	20,000,000		
Issued and outstanding	**13,768,634**	13,768,634	**P 1,376,863,400**	P 1,376,863,400
Treasury stock – at cost	**(43,556)**	(37,331)	**(11,518,270)**	(3,733,100)
Net issued and outstanding	**13,725,078**	13,731,303	**P 1,365,345,130**	P 1,373,130,300

On July 11, 1986, the SEC approved the listing of the University's common shares, its only listed securities, at an offer price of P100 per share. As of September 30, 2014, there are 4,699,412 listed shares owned by the public, which is equivalent to 34.22% public ownership, 37,331 treasury shares held by the University and 9,031,891 shares owned by the University's related parties. The listed shares closed at P1,190 per share as of September 30, 2014.

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. Also 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.

12.2 Treasury Stock

FRC acquired a total of 6,225 FEU shares at various dates during the period, at a total cost of P7.79 million. As of September 30, 2014, FEU shares held by Group but not retired totaled to 43,556 shares at a total cost of P11.52 million.

12.3 Retained Earnings

Retained earnings is legally restricted at an amount equivalent to the cost of the University's treasury shares of P3.7 million.

Appropriated Retained Earnings consist of appropriations as of September 30 (unaudited) and March 31, 2014 (audited):

Property and investment acquisition	P	1,542,500,000
Expansion of facilities		294,200,000
Purchase of equipment and improvements		115,000,000
General retirement		90,000,000
Contingencies		10,000,000
Treasury shares		3,733,100
	P	2,055,433,100

There has been no change in the appropriated retained earnings for the six months ending September 30, 2014. The changes in the appropriated retained earnings for the year ended March 31, 2014 (audited) is shown below.

Balance at beginning of year	P	1,628,733,100
Appropriations during the year		432,500,000
Reversal of appropriations		(5,800,000)
	P	2,055,433,100

Breakdown of appropriations, which are expected to be utilized within one year from the end of the respective reporting period, is shown below.

Property acquisition and investment	P	392,500,000
Purchase of equipment and improvements		40,000,000
	P	432,500,000

The University reversed the previous appropriations for expansion of facilities amounting to P5.8 million in 2014 and for property and investment amounting to P170.0 million and P1.7 billion in 2013 and 2012, respectively; as the planned expansion of facilities was completed in 2014 while the investment and acquisition of property were completed in 2013 and 2012.

13. EARNINGS PER SHARE

EPS amounts were computed as follows:

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
Net profit attributable to owners of the parent company	**P 440,316,235**	P 406,123,577
Divided by weighted average number of shares outstanding, net of treasury stock	**13,725,078**	13,731,303
Basic and diluted EPS	**P 32.08**	P 29.58

The University has no dilutive potential common shares as of September 30, 2014 and 2013; hence, the diluted EPS is the same as the basic EPS in all the years presented.

14. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying interim consolidated financial statements. The management is of the opinion that losses, if any, from these items will not have any material impact on the interim consolidated financial statements.

In addition, there are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

15. 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, issue new shares or obtain debt financing.

The Group 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 Group's external environment and the risks underlying the Group's business, operation and industry.

The University monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Capital for the reporting period September 30 and March 31, 2014, under review is summarized as follows:

	September 30, 2014 (Unaudited)	March 31, 2014 (Audited)
Total liabilities	**P 1,946,255,238**	P 1,515,188,863
Total equity attributable to owners of the parent company (excluding treasury shares and revaluation reserves	**5,395,732,449**	5,120,191,850
Debt-to-equity ratio	**P 0.36 : 1.00**	P 0.30 : 1.00

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

16. SEASONAL FLUCTUATIONS

Tuition fee revenue is subject to seasonal fluctuations. Revenue from such source reaches its peak during the month of June and October, the enrollment months for the first and second semesters, respectively. Tuition fee revenues for six months ended September 30, 2014 represent 47.72% (44.81%, for six months ending September 30, 2013, of the annual tuition fee revenue for the fiscal year ended March 31, 2013) of the annual level of the said revenue for the fiscal year ended March 31, 2014.

17. SUBSEQUENT EVENTS

On various dates from October 1 to 16, 2014, FRC acquired a total of 6,842 shares of stock of FEU at a total cost of P8.16 million. As a result of the said acquisition, FEU shares held by FRC increased to 13,067 shares.