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, 2015

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
   1015

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

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, 2015
Currency (indicate units, if applicable)	Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2015	Mar 31, 2015
Current Assets	3,934,814,752	3,804,402,126
Total Assets	9,466,104,542	9,090,879,147
Current Liabilities	1,387,638,615	1,516,567,539
Total Liabilities	1,687,001,729	1,572,048,846
Retained Earnings/(Deficit)	4,436,886,342	4,135,378,155
Stockholders' Equity	7,779,102,813	7,518,830,301
Stockholders' Equity - Parent	6,139,039,593	5,889,359,454
Book Value per Share	472.92	457

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	858,471,070	754,329,108	1,253,880,572	1,158,228,507
Other Revenue	50,537,574	51,305,577	100,756,303	71,630,398
Gross Revenue	909,008,644	805,634,685	1,354,636,875	1,229,858,905
Operating Expense	395,793,115	382,911,958	761,595,450	700,444,677
Other Expense	2,162,006	173,692	2,287,519	363,022
Gross Expense	397,955,121	383,085,650	763,882,969	700,807,699
Net Income/(Loss) Before Tax	511,053,523	422,549,035	590,753,906	529,051,206
Income Tax Expense	53,678,673	51,014,792	70,171,729	67,558,173
Net Income/(Loss) After Tax	457,374,850	371,534,243	520,582,177	461,493,033
Net Income Attributable to Parent Equity Holder	445,128,382	361,190,074	498,896,644	440,316,235
Earnings/(Loss) Per Share (Basic)	27.07	21.93	30.33	26.73
Earnings/(Loss) Per Share (Diluted)	27.07	21.93	30.33	26.73

Other Relevant Information
-

Filed on behalf by:

Name	MA. CRISTINA TALAMPAS
Designation	ADMINISTRATIVE ASSISTANT

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1015
www.feu.edu.ph

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, 2015**
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/Compliance Officer

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
November 13, 2015

Management's Discussion and Analysis or Plan of Operation

As an academic institution, FEU is fully aware of the importance of education in nation building and of its students who benefit from the quality instruction, research and community extension.

The Group is committed to continuously uplift academic standards through updating of its curricula, developing the faculty, improving the services to students and providing the best educational facilities.

Consolidated Financial Position

The consolidated financial position of The Far Eastern University, Incorporated and subsidiaries (the Group) remains strong as of September 30, 2015.

Consolidated total assets of the Group increased by P375.23 million to P9,466.10 million as of the report date. Current and non-current assets went up by P130.41 million and P244.81 million, respectively.

Consolidated total liabilities, on the other hand, grew by P114.95 million to P1,687.00 million. Current liabilities decreased by P128.93 million, while non-current liabilities increased by P243.88 million.

Consolidated total equity as of September 30, 2015 amounting to P7,779.10 million increased by P260.27 million compared to the current period's beginning balance of P7,518.83 million mainly due to the net profit earned during the period.

Consolidated Results of Operation

The Group's consolidated net profit after tax grew by 13% to P520.58 million for the six-month period ended September 30, 2015, higher than last year's P461.49 million. The net profit growth is backed by increase in operating revenues while maintaining a modest increase in operating expenses.

Comprehensive income, on the other hand, dropped as affected by mark-to-market decline in available-for-sale investments.

A Look at What Lies Ahead

The consolidated financial position and the consolidated results of operations of the Group are expected to remain stable until year-end.

FEU schools started the school year (S.Y.) 2015-2016 with an increase in enrollment by 6%, from 31,871 to 33,804 students. With the upcoming start of the second semester, tuition revenues are expected to remain stable until the end of the fiscal year. With various improvements in technical and mechanical facilities, utilities consumption is expected to decrease. Coupled with a low inflation rate, total expenses of the Group are expected to be within budgeted amounts.

FEU High School, Inc. (FEU High) is expected to fully complete its facilities and premises for the senior high school program by the end of 2015. As of the report date, FEU High already started hiring administrative staff, employees and faculty. Likewise, student applications are opened and testing schedules are set starting October 2015, in time for the School's full operations starting S.Y. 2016-2017.

Moreover, the building plans for the FEU Alabang campus has been finalized and the ground-breaking for the actual construction is set to be held in November 2015.

Changes in real accounts as of September 30, 2015 compared to March 31, 2015
(Amounts in Philippine Peso)

		September 30, 2015	March 31, 2015	Increase (Decrease)	%
1	Cash and cash equivalents	**P 757,716,549**	P 887,447,257	(P 129,730,708)	-15%
2	Trade and other receivables – net	**758,181,123**	538,195,294	219,985,829	41%
3	Available-for-sale (AFS) financial assets	**2,553,231,774**	2,467,859,777	85,371,997	3%
4	Real estate held-for-sale	**132,628,665**	131,526,860	1,101,805	1%
5	Other current assets – net	**197,501,780**	201,672,695	(4,170,915)	-2%
6	Property and equipment – net	**4,389,790,971**	4,192,338,598	197,452,373	5%
7	Investment property – net	**654,474,001**	647,176,278	7,297,723	1%
8	Deferred tax assets	**5,942,049**	6,645,677	(703,628)	-11%
9	Other non-current assets	**9,569,991**	10,949,072	(1,379,081)	-13%
10	Trade and other payables	**656,183,910**	751,289,327	(95,105,417)	-13%
11	Interest-bearing loans	**722,670,143**	722,546,660	123,483	0.02%
12	Deferred revenues	**246,826,405**	46,510,369	200,316,036	431%
13	Income tax payable	**47,931,615**	29,812,454	18,119,161	61%
14	Deferred tax liabilities	**9,301,143**	8,097,018	1,204,125	15%
15	Other non-current liabilities	**4,088,513**	13,793,018	(9,704,505)	-70%
16	Revaluation reserves	**84,573,492**	136,401,540	(51,828,048)	-38%
17	Retained earnings	**4,436,886,342**	4,135,378,155	301,508,187	7%
18	Non-controlling interest	**1,640,063,220**	1,629,470,847	10,592,373	1%

Changes in income and expense items during the same period (six months ended September 30) this year and in prior year *(Amounts in Philippine Peso)*

	INCOME		**September 30, 2015**		September 30, 2014		Increase (Decrease)	%
1	Tuition fees - net	**P**	**1,107,158,668**	P	1,053,999,233	P	53,159,435	5%
2	Other school fees		**86,106,227**		55,222,839		30,883,388	56%
3	Rental		**60,615,677**		49,006,435		11,609,242	24%
4	Finance income – net		**91,364,968**		65,408,219		25,956,749	40%
5	Other income (charges) – net		**7,103,816**		5,859,157		1,244,659	21%

	EXPENSES		**September 30, 2015**		September 30, 2014		Increase (Decrease)	%
1.1	Salaries	**P**	**384,202,152**	P	367,698,607	P	16,503,545	4%
1.2	Employee benefits		**76,210,508**		75,902,418		308,090	0.4%
2	Related Learning Experience (RLE), affiliation and linkages		**1,837,627**		886,494		951,133	107%
3	Research		**2,243,743**		1,370,697		873,046	64%
4	Rental		**5,082,028**		3,546,950		1,535,078	43%
5	Utilities		**38,275,732**		41,177,024	(	2,901,292)	-7%
6	Janitorial services		**8,509,995**		10,248,376	(	1,738,381)	-17%
7	Insurance		**972,642**		537,367		435,275	81%
8	Repairs and maintenance		**8,176,258**		6,984,904		1,191,354	17%
9	Security services		**12,546,436**		13,417,604	(	871,168)	-6%
10	Depreciation		**127,687,657**		93,900,501		33,787,156	36%
11	Publicity and promotions		**5,166,786**		4,881,817		284,969	6%
12	Professional fee		**18,365,754**		16,191,562		2,174,192	13%
13	Taxes and licenses		**4,339,058**		3,236,929		1,102,129	34%
14	Charitable contribution		**343,579**		545,067	(	201,488)	-37%
15	Other expenses*		**67,635,495**		59,918,360		7,717,135	13%

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

Causes of material changes in real accounts as of September 30, 2015 compared to March 31, 2015

TOTAL ASSETS

Consolidated total assets of the Group improved by P375.23 million due to the following significant movements in the accounts:

1. **Cash and cash equivalents**

   Cash and cash equivalents decreased by P129.73 million mainly due to investments made in bonds and various payments particularly that of cash dividends.

2. **Trade and other receivables**

   Trade and other receivables grew by P219.99 million mainly due to tuition fee receivables from students, particularly that coming from FEU, EACCI and FECSI.

3. **Available-for-sale financial assets**

   Available-for-sale financial assets posted an increase of P85.37 million due to additional investments made in various securities during the period.

4. **Real estate held-for-sale**

   Real estate held-for-sale slightly increased by P1.10 million due to additional real estate properties acquired by FRC.

5. **Other current assets**

   Other current assets went down by P4.17 million primarily due to decrease in short-term investments held during the period.

6. **Property and equipment**

   Property and equipment increased by P197.45 million primarily due to major renovations on leasehold improvements and other various fixed asset additions during the period.

7. **Investment property**

   Investment property grew by P7.30 million primarily due to acquisitions of new properties and additions to existing investment properties.

8. **Deferred tax asset**

   Deferred tax asset dipped by P0.70 million.

9. Other non-current assets

Other non-current assets slightly went down by P1.38 million mainly due to decrease in long-term deposits.

TOTAL LIABILITIES

Consolidated total liabilities of the Group increased by P114.95 million due to the following significant movements in the accounts:

10. Trade and other payables

Trade and other payables decreased by P95.11 million mainly due to decreases in accounts payable, accrued expenses, salaries and employee benefits, withholding and other taxes payable and dividends payable. Most of the said liabilities were accrued and recognized as of March 31, 2015, while actual settlement of such liabilities fall within the current reporting period.

11. Interest-bearing loans

Interest-bearing Loans slightly went up by P0.12 million.

12. Deferred revenue

Deferred revenues increased by P200.32 million as a result of tuition fees collected and charged/billed which were not yet earned for the remainder of the first semester of the current S.Y. The said increase was from FEU and FECSI, as EACCI already recognized as income all its tuition fee charges.

13. Income tax payable

Income tax payable increased by P18.12 million due to income tax accruals made during the period. As of the fiscal year ended March 31, 2015, significant income tax payments were already made which resulted to lower payables as of the end of the said fiscal year.

14. Deferred tax liabilities

Deferred tax liabilities slightly increased by P1.20 million due to the effects of various temporary differences which was recognized by FRC.

15. Other non-current liabilities

Other non-current liabilities declined by P9.70 million primarily due to the settlement of long-term security deposits held by EACCI and FRC.

EQUITY

Consolidated total equity of the Group grew by P260.27 million due to the following:

16. Revaluation reserves

Revaluation reserves decreased by P51.83 million which resulted from changes in fair value of various investments which are accounted for as Available-for-sale financial assets.

17. Retained Earnings

Retained Earnings increased by P301.51 million due to the net income attributable to the owners of the parent company which was earned during the period amounting to P498.90 million; this was partially offset by the P197.72 million cash dividends declared during the period.

18. Non-controlling Interest (NCI)

NCI increased by P10.59 million due to the net income earned which was attributable to NCI.

Causes of material changes in income and expense items during the same period (six months ended September 30) this year and in prior year

The Group's consolidated net profit (profit after tax) has increased by P59.09 million mainly due to the following:

INCOME

1. Tuition fees – net

Tuition fees – net improved by P53.16 million which is primarily attributable to the increase in enrolled students, particularly that of EACCI. For the first semester of S.Y. 2015-2016, FEU schools has seen a growth in enrollment reaching 33,804 students from 31,871 students in the same semester of the previous S.Y. As of the report date, major portion of tuition fee charges have already been recognized as income by the Group.

2. Other school fees

Other school fees also increased by P30.88 million as this item directly relates with the recognition of income from tuition fees.

3. Rental income

Rental income improved by P11.61 million which is primarily attributable to EACCI's rental income from lease of certain floors of its new FIT Building. No rental income was recognized in the same period last year as the said building is still nearing full completion.

4. Finance income – net

Finance income increased by P25.96 million due to interest earned and foreign exchange gain from the Group's AFS investments.

5. Other income (charges) – net

Other charges grew by P1.24 million due to other incidental income earned during the period.

EXPENSES

1. **Salaries** expense increased by P16.50 million which is primarily attributable to EACCI with regard to FEU Tech's enrollment growth from 2,918 students for the first semester last S.Y. to 5,924 students for the same semester of the current S.Y. This is also coupled with the usual annual salary adjustments of regular employees of FEU and other subsidiaries. **Employee Benefits** expense increased by P0.31 million due to additional actual utilization of availment-based benefits.

2. **RLE, affiliation and linkages** expense increased by an aggregate of P0.95 million. This expense pertain to instructional software used by tourism and hotel management students and e-Learning services for nursing students; fees paid for affiliation with medical institutions (for nursing and medical technology students); and various expenses incurred for activities related to linkages and tie-ups with other foreign and local higher educational institutions. The increase in amounts incurred is attributable to the University's continuous thrust in maintaining academic excellence through student development and academic and industry partnerships.

3. **Research** expense increased by P0.87 million due to continuous improvement of the University's research initiatives which is mainly undertaken by FEU's University Research Center.

4. **Rental** expense went up by P1.54 million primarily due to additional rentals incurred for the lease of new gym, football field and certain rooms of a sports building in FEU Diliman (a non-consolidated entity under common management); this is coupled with the annual increases in rental rates for other lease arrangements.

5. **Utilities** expense decreased by P2.90 million which is mainly due to slide in the amount incurred by FEU resulting from its continuous cost saving measures particularly with the use of new mechanical and electrical facilities. The said decrease registered by the Group is despite the significant increase in utilities expenses incurred by EACCI due to its growing student population.

6. **Janitorial services** decreased by P1.74 million due to lesser services incurred; only EACCI's expense increased during the period as a result of its growing operations in terms of student population.

7. **Insurance** expense increased by P0.44 million.

8. **Repairs and maintenance** expense increased by P1.19 million due to additional non-capitalized repairs and continuous maintenance of school facilities.

9. **Security services** slightly decreased by P0.87 million.

10. **Depreciation** expense soared by P33.79 million due to additions in Property and Equipment and Investment Properties during the period and in the immediately preceding fiscal year. Significant portion of the said increase, amounting to an approximate of P17.0 million and P16.0 million, is contributed by FEU and EACCI, respectively.

11. **Publicity and promotions** expense slightly grew by P0.28 million which is mainly due to print advertisements by EACCI for the FEU Institute of Technology (FEU Tech). The increase in the Group's student population is mainly attributable to the new students of FEU Tech.

12. **Professional fees** increased by P2.17 million as a result of increase in charges for audit fees, legal fees and retainers' fee for in-house legal counsel.

13. **Taxes and licenses** expense increased by P1.10 million mainly due to documentary stamp tax paid by FEU for the new loan agreement it contracted during the period.

14. **Charitable contributions** pertain to amounts incurred during the period for the "Brigada Eskwela" project and other similar immersion projects. The amount slightly declined by P0.20 million due to the actual timing of projects. Nonetheless, the University has provided sufficient amounts for the current fiscal year to carry out its corporate social responsibility and community extension programs.

15. **Total other expenses** increased by P7.72 million mainly due to increase in other instructional and academic expenses particularly student training and development, tournament and competition expenses, student accident and foreign student medical insurance; and administrative and general expenses particularly printing and binding, interest and bank charges and various other expenses.

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

I. Test of Liquidity

Liquidity refers to the Group'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, 2015	March 31, 2015	September 30, 2014
2.84 : 1	2.51 : 1	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, 2015	March 31, 2015	September 30, 2014
2.66 : 1	2.36 : 1	2.99 : 1

II. Test of Solvency

Solvency refers to the Group'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, 2015	March 31, 2015	September 30, 2014
22%	21%	28%

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

September 30, 2015	March 31, 2015	September 30, 2014
18%	17%	22%

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

September 30, 2015	March 31, 2015	September 30, 2014
82%	83%	78%

III. Test of Profitability

Profitability refers to the Group's earning capacity. It also refers to the Group'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, 2015 ***(Six Months)***	March 31, 2015 *(One Year)*	September 30, 2014 *(Six Months)*
5%	12%	5%

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

September 30, 2015 ***(Six Months)***	March 31, 2015 *(One Year)*	September 30, 2014 *(Six Months)*
7%	14%	7%

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

September 30, 2015 ***(Six Months)***	March 31, 2015 *(One Year)*	September 30, 2014 *(Six Months)*
P 30.33	P 62.48*	P 26.73*

***** *As restated after giving retrospective effect on the stock dividend declared on July 15, 2014.*

IV. Product Standard

- **FEU – Manila (Main)**

Teaching performance is constantly being monitored to maintain superior level of quality. Various incentives are given to our faculty for teaching excellence.

The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) has granted Certificates of Level III Second Reaccredited Status from April 2011 to April 2016 to the following programs:

- ***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 the following programs:

- ***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 I status from June 2014 to 2017 to the following programs:

- ***Master of Arts in Psychology***
- ***Master of Arts in Education***
- ***Doctor of Education***

PACUCOA has granted Level I status from September 2015 to September 2018 to the following programs:

- ***Bachelor of Arts in English Language***
- ***Bachelor of Arts in Literature***
- ***Bachelor of Arts in Political Science***
- ***Bachelor of Science in Hotel and Restaurant Management***

PACUCOA has granted Candidate status from September 2015 to September 2018 to the ***Bachelor of Science in Architecture*** program.

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 Professional Licensure Examinations is generally better than national passing rates. The following are the highlights of FEU performance in the recent board examinations.

Top Performance of Individual Graduates:

- ***Psychometrician, July 2015*** - ***8th, 9th and 10th Place***
- ***Medical Technology, September 2015*** - ***4th, 8th and 10th Place***
- ***Architecture (Middle East), September 2015*** - ***3rd and 5th Place***

- **FEU Institute of Technology *(operated by EACCI)***

FEU Tech continuous to strive to remain as among the best educational institutions providing quality education in the fields of Engineering and Information Technology. As a testament to this, the Commission on Higher Education cited FEU Tech's ***Information Technology*** program as a Center of Development until December 2015.

Also, the PAASCU granted Level II Accredited Status to ***Information Technology*** and ***Computer Science*** programs until May 2020, while Level I Accredited Status is granted to ***Computer Engineering*** and ***Civil Engineering*** programs until May 2018.

Graduates of FEU Tech showcased impressive performances in their respective Professional Licensure Examinations as the results garnered are generally higher than national passing rates.

The following are the highlights of FEU Tech's performance in the recent board examinations:

Top Performance of Individual Graduates:

- ***Electronics Engineering, April 2015*** - ***10th Place***
- ***Electrical Engineering, April 2015*** - ***3th , 4th and 9th Places***
- ***Civil Engineering, May 2015*** - ***3th , 7th and 8th Places***

- **FEU – Cavite *(operated by FECSI)***

  FEU-Cavite has been granted the permit to offer pre-school, grade school and high school under its Basic Education Department and various college programs under its Higher Education Department. Over the past few years, it continuous to improve as among the most preferred school's in Cavite and nearby localities.

  Like any other schools of the Group, FEU-Cavite is operated and managed in line with FEU's quality standards and best practice.

- **FEU Alabang and FEU High School *(to be operated by FEU Alabang, Inc. and FEU High School, Inc.)***

  FEU Alabang, Inc. and FEU High School, Inc. are both established to operate as educational institutions and will start operations upon approval by the concerned government regulatory agencies of its applications for necessary permits and licenses to operate.

  Planned course offerings and services, and management of such entities are likewise aligned in accordance with FEU quality standards and best practices.

V. Market Acceptability

Below is a schedule of the Group's first semester enrollment for the past five years.

School Year	No. of Students	Increase / (Decrease)
2011 – 2012	27,246	-
2012 – 2013	30,040	2,794
2013 – 2014	29,742	(298)
2014 - 2015	31,871	2,129
2015 - 2016	33,804	1,933

The substantial enrollment despite difficult times is an indication that FEU remains one of the better choices among the various colleges and universities in the metropolis.

FORMULA USED:

I. Liquidity

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

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

II. Solvency

1 Debt to Equity ratio = $\frac{\text{Total liabilities}}{\text{Total equity}}$

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

3 Equity to Asset ratio = $\frac{\text{Total equity}}{\text{Total assets}}$

III. Profitability

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

2 Return on owner's equity = $\frac{\text{Net profit}}{\text{Total equity}}$

3 Earnings per share = $\frac{\text{Net profit}}{\text{Weighted average outstanding shares}}$

FACTS (Based on Consolidated Balances):

	(Amounts in Million Pesos)		
	September 30, 2015 (Six Months)	March 31, 2015 (One Year)	September 30, 2014 (Six Months)
FINANCIAL POSITION			
Assets:			
Quick assets*	**P 3,691.38**	P 3,575.68	P 3,189.30
Current assets	**3,934.81**	3,804.40	3,426.09
Non-current asset	**5,531.29**	5,286.48	5,437.00
Total assets	**9,466.10**	9,090.88	8,863.10
Liabilities:			
Current liabilities	**P 1,387.64**	P 1,516.57	P 1,068.38
Non-current liabilities	**299.36**	55.48	877.88
Total liabilities	**1,687.00**	1,572.05	1,946.26
Equity:			
Total equity	**P 7,779.10**	P 7,518.83	P 6,916.84
• Attributable to owners of the Parent Company	**6,139.04**	5,889.36	5,462.06
• Non-controlling interest	**1,640.06**	1,629.47	1,454.78
RESULTS OF OPERATIONS			
Net Profit:			
Operating income	**P 492.29**	P 1,005.59	P 457.78
Other income - net	**98.47**	222.65	71.27
Net profit before tax	**590.75**	1,228.24	529.05
Net profit or profit after tax	**520.58**	1,078.16	461.49
• Attributable to owners of the Parent Company	**498.90**	1,028.97	440.32
• Non-controlling interest	**21.68**	49.19	21.17
Other Comprehensive Income:			
Other comprehensive income	**(P 51.83)**	P 94.32	P 35.77
Total comprehensive income	**468.75**	1,172.49	497.26

	September 30, 2015 (Six Months)	March 31, 2015 (One Year)	September 30, 2014 (Six Months)
Others:			
Weighted average number of shares outstanding	**16,449,038**	16,468,304**	16,472,539**

* *Quick assets include Cash and Cash Equivalents, Trade and Other Receivables – net, Financial Assets at Fair Value Through Profit or Loss, Available-for-Sale Financial Assets (under Current Assets) and Short-term Investment which is included as part of Other Current Assets – net.*

****** *As restated after giving retrospective effect on the stock dividend declared on July 15, 2014. Retrospective adjustment is made to the earliest period presented on the Group's consolidated financial statements as of and for the period ended March 31, 2015.*

Other Items

1. The current economic condition remains stable but, certain economic factors are still expected to affect the Group's revenue from operations.

2. There are no known events that would result in any default or acceleration of an obligation.

3. There are no known events that will trigger direct or contingent financial obligation that may be material to the Group.

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

5. The Group does not foresee any cash flow or liquidity problem in the next 12 months immediately following the report date. The Group and each of the component entities 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. In January 2013, FEU established its new subsidiary FEU Alabang, Inc. The new subsidiary will operate as an educational institution and will serve its market within its vicinity and nearby communities. As of September 30, 2015, FEU Alabang, Inc. has not yet commenced its normal operations and still in its pre-operating stage.

9. In fiscal year 2014-2015, EACCI, under the trade name FEU Institute of Technology (FEU Tech), started its operations with 3,017 students for the first term of S.Y. 2014-2015. FEU Tech opened the S.Y. 2015-2016 with 5,924 students for its first term; a clear sign of its continued market acceptability. FEU Tech offers various engineering and computer courses.

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

    For FEU-Manila and FEU-Cavite, there are three school terms within a fiscal year: Summer Term (April to May), First Semester (June to October) and Second Semester (November to March). The first semester has the highest number of students enrolled. The second semester enrollment is approximately at 90% of the first semester's enrollment, while the summer term is the lowest at an approximate of 33%. The maximum load, in terms of subject units, of a student during the summer term is only nine units compared to 21 to 24 units during the first and second semesters.

    For the FEU Tech, there are three regular terms in a fiscal year: First Term (July to October), Second Term (October to February) and Third Term (February to June).

    The tuition fee increase, if any, usually takes effect during the first semester of a particular school year. Thus, old rates are followed during the summer term while new rates are applied 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.

11. The K-12 program of the government is anticipated to have an adverse effect on enrollment, particularly on S.Y. 2016-2017. With the enhancement of the current 10-year basic education program, high school graduates need to undergo the senior high school program for two years starting S.Y. 2016-2017 before being able to move on to the college level. With this, college enrollment is expected to decrease for the next five years especially from S.Y. 2017-2018 to S.Y. 2019-2020. Enrollment levels are expected to normalize only on S.Y. 2021-2022.

To cushion the expected impact of K-12, FEU had organized a new subsidiary to offer and conduct enhanced basic education programs, including junior and senior high school, starting on S.Y. 2016-2017. On June 2014, FEU High School, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission with the primary purpose of offering pre-school, grade school and high school education programs and various technical and vocational education and training programs.

Even with the effects of K-12, the Management is confident that the Group will maintain its financial stability. FEU will continuously uplift its academic standards and work to achieve all its aspirations.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30 AND MARCH 31, 2015
(Amounts in Philippine Pesos)

		September 30 ***(UNAUDITED)***		March 31 *(AUDITED)*
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**757,716,549**	P	887,447,257
Trade and other receivables - net		**758,181,123**		538,195,294
Financial asset at fair value through profit or loss		**340,800**		340,800
Available-for-sale financial assets		**2,088,445,835**		2,045,219,220
Real estate held-for-sale		**132,628,665**		131,526,860
Other current assets - net		**197,501,780**		201,672,695
Total Current Assets		**3,934,814,752**		3,804,402,126
NON-CURRENT ASSETS				
Available-for-sale financial assets		**464,785,939**		422,640,557
Investment in an associate		**6,726,839**		6,726,839
Property and equipment - net		**4,389,790,971**		4,192,338,598
Investment property - net		**654,474,001**		647,176,278
Deferred tax assets		**5,942,049**		6,645,677
Other non-current assets		**9,569,991**		10,949,072
Total Non-current Assets		**5,531,289,790**		5,286,477,021
TOTAL ASSETS	**P**	**9,466,104,542**	P	9,090,879,147

Forward

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	September 30 *(UNAUDITED)*	March 31 *(AUDITED)*
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	**P 656,183,910**	P 751,289,327
Interest-bearing loans	**436,696,685**	688,955,389
Deferred revenues	**246,826,405**	46,510,369
Income tax payable	**47,931,615**	29,812,454
Total Current Liabilities	**1,387,638,615**	1,516,567,539
NON-CURRENT LIABILITIES		
Interest-bearing loans	**285,973,458**	33,591,271
Deferred tax liabilities	**9,301,143**	8,097,018
Other non-current liabilities	**4,088,513**	13,793,018
Total Non-current Liabilities	**299,363,114**	55,481,307
Total Liabilities	**1,687,001,729**	1,572,048,846
EQUITY		
Equity attributable to owners of the parent company		
Capital stock	**1,651,435,400**	1,651,435,400
Treasury stock - at cost	**(33,855,641)**	(33,855,641)
Revaluation reserves	**84,573,492**	136,401,540
Retained earnings	**4,436,886,342**	4,135,378,155
Total equity attributable to owners of parent company	**6,139,039,593**	5,889,359,454
Non-controlling interest	**1,640,063,220**	1,629,470,847
Total Equity	**7,779,102,813**	7,518,830,301
TOTAL LIABILITIES AND EQUITY	**P 9,466,104,542**	P 9,090,879,147

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2015	2014	**2015**	2014
REVENUES				
Educational				
Tuition fees - net	**P 746,817,133**	P 689,534,556	**P 1,107,158,668**	P 1,053,999,233
Other school fees	**73,359,977**	41,931,290	**86,106,227**	55,222,839
	820,177,110	731,465,846	**1,193,264,895**	1,109,222,072
Rental	**38,293,960**	22,863,262	**60,615,677**	49,006,435
	858,471,070	754,329,108	**1,253,880,572**	1,158,228,507
COSTS AND OPERATING EXPENSES	**395,793,115**	382,911,958	**761,595,450**	700,444,677
OPERATING INCOME	**462,677,955**	P 371,417,150	**492,285,122**	457,783,830
FINANCE INCOME	**40,980,248**	43,200,203	**93,652,487**	65,771,241
FINANCE COSTS	**(2,162,006)**	(173,692)	**(2,287,519)**	(363,022)
OTHER INCOME - NET	**9,557,326**	8,105,374	**7,103,816**	5,859,157
PROFIT BEFORE TAX	**511,053,523**	422,549,035	**590,753,906**	529,051,206
TAX EXPENSE	**53,678,673**	51,014,792	**70,171,729**	67,558,173
NET PROFIT	**P 457,374,850**	P 371,534,243	**P 520,582,177**	P 461,493,033
Attributable to:				
Owners of the parent company	**P 445,128,382**	P 361,190,074	**P 498,896,644**	P 440,316,235
Non-controlling interest	**12,246,468**	10,344,169	**21,685,533**	21,176,798
	P 457,374,850	P 371,534,243	**P 520,582,177**	P 461,493,033
Earnings Per Share				
Basic and Diluted	**P 27.07**	P 21.93	**P 30.33**	P 26.73

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2015	2014	**2015**	2014
NET PROFIT	**P 457,374,850**	P 371,534,243	**P 520,582,177**	P 461,493,033
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Fair value loss on available-for-sale financial assets - net of tax	**(3,830,458)**	46,081,857	**(51,828,048)**	35,765,324
NET COMPREHENSIVE INCOME	**P 453,544,392**	P 417,616,100	**P 468,754,129**	P 497,258,357
Attributable to:				
Owners of the parent company	**P 441,297,924**	P 371,506,607	**P 447,068,596**	P 440,316,235
Non-controlling interest	**12,246,468**	10,344,169	**21,685,533**	21,176,798
	P 453,544,392	P 381,850,776	**P 468,754,129**	P 461,493,033

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(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, 2015	P 1,651,435,400	(P 33,855,641)	P 136,401,540	P 2,034,503,100	P 2,100,875,055	P 4,135,378,155	P 1,629,470,847	P 7,518,830,301
Transactions with owners								
Cash dividends	-	-	-	-	(197,388,457)	(197,388,457)	(11,093,160)	(208,481,617)
	-	-	-	-	(197,388,457)	(197,388,457)	(11,093,160)	(208,481,617)
Total comprehensive income (loss)								
Net profit for the period	-	-	-	-	498,896,644	498,896,644	21,685,533	520,582,177
Other comprehensive loss	-	-	(51,828,048)	-	-	-	-	(51,828,048)
	-	-	(51,828,048)	-	498,896,644	498,896,644	21,685,533	468,754,129
Balance at September 30, 2015	**P 1,651,435,400**	**(P 33,855,641)**	**P 84,573,492**	**P 2,034,503,100**	**P 2,402,383,242**	**P 4,436,886,342**	**P 1,640,063,220**	**P 7,779,102,813**
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								
Acquisition of treasury stock	-	(7,785,170)	-	-	-	-	-	(7,785,170)
Cash dividends	-	-	-	-	(164,775,636)	(164,775,636)	(11,117,310)	(175,892,946)
	-	(7,785,170)	-	-	(164,775,636)	(164,775,636)	(11,117,310)	(183,678,116)
Total comprehensive income								
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 2,055,433,100	P 1,963,435,949	P 4,018,869,049	P 1,454,782,526	P 6,916,839,970

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 590,753,906	P 529,051,206
Adjustments for:		
Depreciation and amortization	127,687,657	93,900,501
Interest income	(93,652,487)	(65,771,241)
Share in net loss of an associate	-	76,839
Interest expense	2,287,519	363,022
Operating profit before working capital changes	627,076,595	557,620,327
Increase in trade and other receivables	(203,280,771)	(265,138,578)
Increase in real estate held-for-sale	(1,101,805)	-
Decrease (increase) in other current assets	5,549,996	(16,752,180)
Increase (decrease) in trade and other payables	(128,568,566)	139,199,982
Increase in deferred revenues	200,316,036	233,631,555
Decrease in other non-current liabilities	(9,704,505)	(4,847,854)
Cash generated from operations	490,286,980	643,713,252
Income taxes paid	(14,014,185)	(38,359,069)
Net Cash From Operating Activities	476,272,794	605,354,183
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(303,961,049)	(236,160,031)
Net investment on available-for-sale financial assets	(139,254,343)	(99,147,086)
Interest received	76,947,431	65,448,651
Acquisitions of investment properties	(28,476,704)	(148,151,816)
Net Cash Used in Investing Activities	(P 394,744,665)	(P 418,010,282)

Forward

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	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(P 211,149,098)	(P 138,648,818)
Interest paid	(233,222)	(249,276)
Net proceeds (repayment) of interest-bearing loans	123,483	(3,391,676)
Proceeds from issuance of preferred stocks to a related party under common management	-	65,000,000
Acquisition of treasury shares	-	(7,785,170)
Net Cash Used in Financing Activities	(211,258,836)	(85,074,940)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(129,730,708)	102,268,961
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	887,447,257	559,584,420
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 757,716,549	P 661,853,381

Supplemental Information on Financing Activities:

During the six-month period ended September 30, 2015 and 2014, the University declared cash dividends totaling P197.7 million and P164.8 million, respectively, portion of which remains unpaid as of the end of the period.

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
SEPTEMBER 30, 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	Current				
	One to Six Months	**Seven Months to One Year**	**More than One Year**	**Past Due**	**Total**
Non-trade Receivables:					
Advances to employees:					
Official and Personal	P 7,603,105	P 47,127	P -	P -	P 7,650,232
SSS Sickness Benefit	316,039	-	-	-	316,039
Receivable from:					
Alveo Land Corporation	57,500,000	-	-	-	57,500,000
East Asia Educational Foundation, Inc.	35,203,317	-	-	-	35,203,317
FEU Public Policy Foundation, Inc.	1,195,389	-	-	-	1,195,389
Alphaland Corporation	510,000	-	-	-	510,000
MOLDEX Realty, Inc.	100,000	-	-	-	100,000
Others	185,855	2,641,245	-	-	2,827,100
TOTALS	**P 102,613,705**	**P 2,688,372**	**P -**	**P -**	**P 105,302,077**

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED SCHEDULE OF COSTS AND OPERATING EXPENSES
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 AND 2014
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter				Year-to-Date			
	2015		2014		**2015**		2014	
Salaries	**P**	**205,119,069**	P	189,563,211	**P**	**384,202,152**	P	367,698,607
Employee benefits		**40,307,191**		39,312,188		**76,210,508**		75,902,418
RLE, affiliation and linkages		**780,485**		533,004		**1,837,627**		886,494
Research		**600,861**		760,931		**2,243,743**		1,370,697
Rental		**3,467,091**		3,209,234		**5,082,028**		3,546,950
Utilities		**21,907,880**		26,575,491		**38,275,732**		41,177,024
Janitorial services		**5,078,132**		6,515,329		**8,509,995**		10,248,376
Insurance		**842,506**		532,217		**972,642**		537,367
Repairs and maintenance		**3,889,770**		4,017,424		**8,176,258**		6,984,904
Security services		**6,473,576**		8,501,769		**12,546,436**		13,417,604
Depreciation and amortization		**63,766,311**		52,942,920		**127,687,657**		93,900,501
Publicity and promotions		**2,263,612**		3,633,528		**5,166,786**		4,881,817
Professional fee		**9,800,237**		8,693,974		**18,365,754**		16,191,562
Taxes and licenses		**717,040**		2,923,030		**4,339,058**		3,236,929
Charitable contribution		**160,000**		383,067		**343,579**		545,067
Total other expenses*		**30,619,355**		34,814,641		**67,635,495**		59,918,360
TOTALS	**P**	**395,793,116**	P	382,911,958	**P**	**761,595,450**	P	700,444,677

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

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(With Comparative Figures as of March 31, 2015)
(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, incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on October 27, 1933. On October 27, 1983, the University extended its corporate life to another 50 years. It 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, Business Administration and Education, are accredited by the Philippine Association of Colleges and Universities Commission on Accreditation.

As of September 30 and March 31, 2015 the University holds interest in the following subsidiaries and associate which were all incorporated and operating in the Philippines:

Company Name	Percentage of Effective Ownership	
	September 30	March 31
Subsidiaries:		
East Asia Computer Center, Inc. (EACCI)	**100%**	100%
Far Eastern College – Silang, Inc. (FECSI)	**100%**	100%
FEU Alabang, Inc.	**100%**	100%
FEU High School, Inc. (FEU High)	**100%**	100%
Fern Realty Corporation (FRC)	**37.52%**	37.52%
Associate –		
Juliana Management Company, Inc. (JMCI)	**49%**	49%

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

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

On June 24, 2014, FEU High was established to offer and conduct enhanced basic education programs. Accordingly, the subsidiary will offer programs for senior high school in response to the implementation of the K-12 program.

FRC, on the other hand, operates as a real estate company leasing most of its investment properties to the University and other related parties.

Although the University holds less than 50% of the voting shares of stock of FRC, it has control over FRC because it is exposed or has right to variable returns from its involvement with FRC and it has the ability to affect those returns through its power over FRC. It is able to do this primarily because the University has the power to cast the majority of votes at meetings of the Board of Directors (BOD) and elect officers of FRC. Accordingly, FRC is recognized as a subsidiary of the University.

As of September 30, 2015, FEU Alabang, Inc. has not yet started commercial operations. It will start to operate upon approval by the Commission on Higher Education of its application for permits. Meanwhile, FEU High is currently in the process of staffing and completing its facilities and premises in time for its full operations starting school year 2016-2017.

The University also has a branch in Makati which offers Law, Accountancy, Business and Information Technology education.

1.2 Other Corporate Information

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

FEU and FEU High	-	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

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, 2015 (including the comparatives for the years ended March 31, 2015 and for the six months ended September 30, 2014) were authorized for issue by the Audit Committee of the Board of Trustees (BOT) on November 10, 2015.

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, 2015.

(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, 2015.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2015 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 2015.

(c) Presentation of the 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 the consolidated statement of comprehensive income separately from the consolidated statement of profit or loss as management deemed it as a more appropriate presentation of the statements of the Group.

(d) 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.

2.2 Adoption of New and Amended PFRS

(a) Effective in Fiscal Year 2016 that are Relevant to the Group

In 2016, the Group adopted the following amendment and annual improvements to PFRS that are relevant to the Group and effective for consolidated financial statements for the annual period beginning on or after July 1, 2014:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefits Plan (Employee Contributions)
Annual Improvements to PFRS	:	Annual Improvements to PRFS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below and in the succeeding page are relevant information about these amended standards.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. 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.

(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. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

(a) PAS 16 (Amendment), *Property*, *Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets.* 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.

(b) PAS 24 (Amendment), *Related Party Disclosures*. 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 clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

(c) PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

(d) PFRS 8 (Amendment), *Operating Segments*. The amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

(e) PFRS 13 (Amendment), *Fair Value Measurement*. The amendment in the basis of conclusion of PFRS 13 clarifies that issuing PFRS 13 and amending certain provisions of PFRS 9, *Financial Instruments* and PAS 39, *Financial Instruments: Recognition and Measurement* 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)

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

(b) PFRS 3 (Amendment), *Business Combination*s. It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangements,* in the consolidated financial statements of the joint arrangement itself.

(c) 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 definition of financial assets or financial liabilities as defined in PAS 32.

(b) *Effective Subsequent to Fiscal Year 2016 but not Adopted Early*

There are new PFRS, annual improvements and interpretation to existing standards that are effective for periods subsequent to 2016 which are issued by the FRSC, subject to the approval of the Board of Accountancy. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiaries and associates.

(iv) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective from January 1, 2016). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes.

In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new 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.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) 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.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, 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.

(vii) Annual Improvements to PFRS. Annual improvements to PFRS (2012-2014 Cycle) effective for annual periods beginning on or after July 1, 2016, made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but management does not expect those to have material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2012-2014 Cycle)

(a) PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

(b) PAS 34 (Amendment), *Interim Financial Reporting*. The amendment clarifies the meaning of disclosure of information "elsewhere in the interim financial report" and requires the inclusion of a cross-reference from the interim financial statements to the location of this referenced information. The amendment also specifies that this information must be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time, otherwise the interim financial statements will be incomplete.

(c) PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

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 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 reported as Other Charges in the Group's consolidated statement of profit or loss 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) 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.

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.

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

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

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, *Provisions, Contingent Liabilities and Contingent Assets*, 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 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 consistently recognized at fair value from the date on which the derivative contract is entered into and its subsequent remeasurements. 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 (see also Note 2.10). Thus, if derivate asset is recognized, it is presented as Financial Asset at FVTPL; otherwise, it is presented as Derivative Liability in the consolidated statement of financial position.

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.

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.

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 carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in consolidated profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated profit or loss.

(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 profit or loss.

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 to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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.

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.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying value at the date of change in use.

If an owner-occupied property becomes an investment property, the University accounts for such property in accordance with the policy stated under Property and Equipment up to the date of change in use (see Note 2.8).

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.

2.10 Financial Liabilities

Financial liabilities, which include trade and other payables [except tax-related liabilities and National Service Training Program (NSTP) trust fund], interest-bearing loans, derivative liability, and refundable deposits, which is presented under Other Non-current Liabilities account, 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.

Financial 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.

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 the Group currently has 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. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

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) *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.

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

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

(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 Other Income (Charges) – net account the consolidated statement of profit or loss.

(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 [see also Note 2.13(a)]. 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 statements 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. This also includes shares of the parent company held by a certain subsidiary (see Note 2.3).

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 statement. The appropriated portion represents the amount which is not available for distribution.

NCI represents the interests not held by the Group in FRC. 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 profit or loss.

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/or service lines as disclosed in Note 7, which represent the main products and/or 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 following paragraphs.

4.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from certain AFS debt securities which are denominated in U.S. dollars (USD) and Euro. The Group also holds USD-denominated cash and cash equivalents.

To mitigate the Group's exposure to foreign currency risk related to the foreign currency-denominated AFS debt securities, management entered into a cross-currency swap agreement. As to the dollar deposit, management keeps the amount of deposits at a low level.

(b) 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.

(c) Other Price Risk

The Group's exposure to price risk arises from its investments in equity securities, which are classified as part of the AFS Financial Assets in the consolidated statements of financial position. These consist of publicly-listed equity securities which are carried at fair value.

Based on the nature of the investments, management deemed that the risk on government and corporate bonds, and investments in UITF classified as AFS financial assets at the end of the period is not representative of a risk inherent in financial instruments.

The investments are considered medium to long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored to ensure returns of these equity instruments are timely utilized or reinvested in the Group's favor.

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.

The Group's management considers that all financial assets are not impaired and of good credit quality, except those specifically provided with allowance for impairment at the end of the reporting period.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements. These are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables

In respect of trade and other receivables, the Group has neither any significant exposure to any individual customer or counterparty nor does it have any other concentration of credit risk arising from counterparties in similar business activities, geographic region or economic parties. The Group classifies tuition and other fee receivables from students based on the number of semesters the receivables have been outstanding. Receivables from students that are outstanding for more than one semester are analyzed to determine whether they are impaired. Those that are not outstanding for more than one semester or are currently receivable are determined to be collectible, based on historical experience.

(c) Financial Assets at FVTPL and AFS Financial Assets

Financial assets at FVTPL and AFS financial assets are coursed through reputable financial institutions duly approved by the BOT.

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 operations.

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, 2015 (Unaudited)		March 31, 2015 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Financial asset at FVTPL –				
Cross-currency swaps	**340,800**	**340,800**	340,800	340,800
AFS financial assets:				
Debt and equity securities	**2,553,231,774**	**2,553,231,774**	2,467,859,777	2,467,859,777
Investment in golf club shares*	**2,050,000**	**2,050,000**	2,050,000	2,050,000
	2,555,281,774	**2,555,281,774**	2,469,909,777	2,469,909,777
	P 2,555,622,574	**P 2,555,622,574**	P 2,470,250,577	P 2,470,250,577

**Presented as part of Other Non-current Assets in the interim 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' BOD/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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market 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 relies 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.

6.2 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, 2015.

	Level 1	Level 2	Level 3	Total
September 30 *(Unaudited)*				
AFS financial assets:				
Debt securities and corporate shares	P2,553,231,774	P -	P -	P 2,553,231,774
Investment in golf club shares	-	-	2,050,000	2,050,000
Financial asset at FVTPL – Cross-currency swaps	-	340,800	-	340,800
	P2,553,231,774	**P 340,800**	**P 2,050,000**	**P 2,555,622,574**

	Level 1	Level 2	Level 3	Total
March 31 *(Audited)*				
AFS financial assets:				
Debt securities and corporate shares	P2,467,859,777	P -	P -	P 2,467,859,777
Investment in golf club shares	-	-	2,050,000	2,050,000
Financial asset at FVTPL – Cross-currency swaps	-	340,800	-	340,800
	P2,467,859,777	P 340,800	P 2,050,000	P 2,470,250,577

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

Described below is 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, 2015, instruments included in Level 1 comprise of corporate shares and UITF which are classified as AFS financial assets. The corporate shares were valued based on their market prices quoted in the PSE at the end of each reporting period, while the UITF is valued based on the Net Asset Value per unit (NAVPU) of the fund, as compared by the banks. NAVPU is computed by dividing the total fair value of the fund by the total number of units at the end of each reporting period.

Golf club shares, which are presented as part of Other Non-current Assets account in the consolidated statements of financial position, 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

Management considers that due to the short duration of the Group's financial assets and financial liabilities measured at amortized costs, as described in Notes 2.5 and 2.10, their fair values as at September 30 and March 31, 2015 approximate or equal their carrying amounts. Accordingly, the Group no longer presented their classification in their hierarchy.

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, 2015.

	Level 1	Level 2	Level 3	Total
Land	P -	P 407,100,000	P -	P 407,100,000
Building and improvements	-	-	776,203,371	776,203,371
	P -	**P 407,100,000**	**P 776,203,371**	**P1,183,303,371**

The fair value of the Group's investment property, except for certain investment property owned by FRC which were determined using the discounted cash flows technique since information on appraisal reports is not readily available, 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 inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

The fair value of FRC's investment property without appraisal report was determined by calculating the present value of the cash inflows anticipated until the end of the useful life of the asset using a discount rate based on bank lowest lending rate as of September 30, 2015.

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.

The Level 3 fair value of land was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses.

(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*

There were no transfers into or out of Level 3 fair value hierarchy during the period.

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.

The Group also 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, 2015 and 2014 (both years unaudited and presented in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
REVENUES										
From external customers	**P 1,193,264**	P 1,109,222	**P 60,616**	P 49,007	**P -**	P -	**P 93,653**	P 65,771	**P 1,347,533**	P 1,224,000
Intersegment revenues	**-**	-	**39,877**	38,667	**-**	-	**-**	-	**39,877**	38,667
Total revenues	**1,193,264**	1,109,222	**100,493**	87,674	**-**	-	**93,653**	65,771	**1,387,410**	1,262,667
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**547,778**	552,024	**9,335**	8,742	**-**	-	**-**	-	**557,113**	560,766
Depreciation	**105,729**	81,209	**21,958**	12,692	**-**	-	**-**	-	**127,687**	93,901
Other expenses	**76,214**	45,755	**-**	-	**-**	-	**582**	22	**76,796**	45,777
	729,721	678,988	**31,293**	21,434	**-**	-	**582**	22	**761,596**	700,444
SEGMENT OPERATING INCOME	**P 463,543**	P 430,234	**P 69,200**	P 66,240	**P -**	P -	**P 93,071**	P 65,749	**P 625,814**	P 562,223

The following presents the segment assets and liabilities of the Group as of September 30 (unaudited) and March 31, 2015 (audited):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	September 30	March 31	**September 30**	March 31	**September 30**	March 31	**September 30**	March 31	**September 30**	March 31
TOTAL ASSETS AND LIABILITIES										
Segment assets	**P 3,829,364**	P 3,597,320	**P 2,530,786**	P 2,523,488	**P 209,989**	P 194,334	**P 3,234,976**	P 3,101,145	**P 9,805,115**	P 9,416,287
Segment liabilities	**1,662,897**	1,536,648	**48,809**	55,035	**-**	-	**1,018**	857	**1,712,724**	1,592,540

The Group's geographical segment for the six months ended September 30, 2015 and 2014 (both years unaudited) and as of September 30 (unaudited) and March 31, 2015 (audited) follows (in thousands).

	Manila	Makati	Cavite	Total
September 30, 2015				
Segment revenues				
From external customers	P 1,253,158	P 69,626	P 24,749	P 1,347,533
Intersegment revenues	39,877	-	-	39,877
Total revenues	1,293,035	69,626	24,749	1,387,410
Operating expenses	(733,052)	(7,630)	(20,914)	(761,596)
Segment operating profit	**P 559,983**	**P 61,996**	**P 3,835**	**P 625,814**
Total Segment Assets	**P 9,609,664**	**P 97,014**	**P 98,437**	**P 9,805,115**
Total Segment Liabilities	**P 1,673,878**	**P 10,660**	**P 28,186**	**P 1,712,724**
September 30, 2014				
Segment revenues				
From external customers	P 1,050,542	P 153,950	P 19,508	P 1,224,000
Intersegment revenues	38,667	-	-	38,667
Total revenues	1,089,209	153,950	19,508	1,262,667
Operating expenses	(673,130)	(9,602)	(17,712)	(700,444)
Segment operating profit	P 416,079	P 144,348	P 1,796	P 562,223
March 31, 2015				
Total Segment Assets	P 9,274,542	P 72,719	P 69,026	P 9,416,287
Total Segment Liabilities	P 1,575,597	P 9,782	P 7,161	P 1,592,540

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, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Revenues		
Total segment revenues	**P 1,387,410**	P 1,262,667
Finance income	**(93,652)**	(65,771)
Elimination of intersegment revenues	**(39,877)**	(38,667)
Revenues as reported in interim consolidated statements of profit or loss	**P 1,253,881**	P 1,158,229

	September 30, 2015 (Unaudited)	September 30, 2014 (Unaudited)
Profit or loss		
Segment operating profit	**P 625,814**	P 562,223
Finance costs	**(2,288)**	(363)
Miscellaneous income (charges) – net	**7,104**	5,859
Other unallocated expenses	**(39,876)**	(38,668)
Tax expense	**(70,172)**	(67,558)
Profit as reported in interim consolidated statements of profit or loss	**P 520,582**	P 461,493

	September 30, 2015 (Unaudited)	March 31, 2015 (Audited)
Assets		
Segment assets	**P 9,805,115**	P 9,416,287
Investment in an associate	**6,727**	6,727
Deferred tax assets	**5,942**	6,646
Elimination of intercompany accounts	**(351,679)**	(338,781)
Total assets reported in interim consolidated statements of financial position	**P 9,466,105**	P 9,090,879
Liabilities		
Segment liabilities	**P 1,712,724**	P 1,592,540
Deferred tax liabilities	**9,301**	8,097
Elimination of intercompany accounts	**(35,023)**	(28,588)
Total liabilities reported in interim consolidated statements of financial position	**P 1,687,002**	P 1,572,049

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of September 30 and March 31, 2015 are shown below.

	September 30 (Unaudited)	March 31 (Audited)
Cost	**P 5,360,417,098**	P 5,056,456,049
Accumulated depreciation and amortization	**(970,626,127)**	(864,117,451)
Net carrying amount	**P 4,389,790,971**	P 4,192,338,598

A reconciliation of the carrying amounts of property and equipment at the beginning and end of six months ending September 30, 2015 and fiscal year ending March 31, 2015 are shown below.

	September 30 (Unaudited)	March 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 4,192,338,598**	P 3,914,179,071
Additions	**303,961,049**	600,066,483
Reclassifications – net	**-**	(154,830,445)
Reduction of carrying value due to deconsolidation	**-**	(5,255,380)
Depreciation and amortization charges for the period	**(106,508,676)**	(161,821,131)
Balance at end of period net of accumulated depreciation and amortization	**P 4,389,790,971**	P 4,192,338,598

During the fiscal year ended March 31, 2015, the construction of EACCI's school building has been fully completed. The portion being leased out by EACCI to East Asia Educational Foundation, Inc. (EAEF) has been transferred to Investment Property account.

Also during the fiscal year ended March 31, 2015, certain parcels of land, building and improvements and construction-in-progress which were recorded under the Investment Property account were reclassified to Property and Equipment account as a result of change in its intended use. There were no same transfers during the six-month period ended September 30, 2015.

9. INVESTMENT PROPERTY

The Group's investment property includes several parcels of 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. The gross carrying amounts and accumulated depreciation and amortization of investment property as of September 30 and March 31, 2015 are shown below.

	September 30 (Unaudited)	March 31 (Audited)
Cost	**P 916,687,063**	P 888,210,359
Accumulated depreciation and amortization	**(262,213,062)**	(241,034,081)
Net carrying amount	**P 654,474,001**	P 647,176,278

A reconciliation of the carrying amounts of investment property at the beginning and end of six months ending September 30, 2015 and fiscal year ending March 31, 2015 is shown below.

	September 30 (Unaudited)	March 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 647,176,278**	P 476,094,579
Additions	**28,476,704**	71,027,801
Reclassifications – net	**-**	154,830,445
Depreciation and amortization charges for the period	**(21,178,981)**	(54,776,547)
Balance at end of period net of accumulated depreciation and amortization	**P 654,474,001**	P 647,176,278

There was no disposal of investment property during the six months ended September 30, 2015.

10. INTEREST-BEARING LOANS

During the period, the University fully settled the outstanding balance of its loan amounting to P676.9 million. Such loan is originally payable in quarterly installments until 2017. Accordingly, the total carrying value of the outstanding loan payable as of March 31, 2015 is presented as part of current liabilities in the consolidated statement of financial position as of the said date. The full settlement of the loan did not give rise to any early payment penalties on the part of the University.

Also, during the period, the University's BOT approved the authority to avail of a financial credit accommodation of up to P1.0 billion to be used for facilities development of the FEU Alabang campus. Accordingly, the University obtained a P680.0 million loan from a local bank. The said loan is covered by such terms and conditions which the local bank may prescribe.

11. DIVIDENDS

On June 16, 2015, the University's BOT approved the declaration of a cash dividend of P12 per share to all stockholders on record as of June 30, 2015, payable on July 14, 2015. Total cash dividend declared amounts to P197.7 million.

12. EQUITY

12.1 Capital Stock

	Shares		Amount	
	September 30, 2015 (Unaudited)	March 30, 2015 (Audited)	**September 30, 2015 (Unaudited)**	March 31, 2015 (Audited)
Common shares – P100 par value				
Authorized	**20,000,000**	20,000,000		
Issued and outstanding:				
Balance at beginning of year	**16,514,354**	13,768,634	**P 1,651,435,400**	P 1,376,863,400
Issued during the year	**-**	2,745,720	**-**	274,572,000
Balance at end of year	**16,514,354**	16,514,354	**1,651,435,400**	1,651,435,400
Treasury stock – at cost	**(65,316)**	(65,316)	**(33,855,641)**	(33,855,641)
Net issued and outstanding	**16,449,038**	16,449,038	**P 1,617,579,759**	P 1,617,579,759

During the fiscal year ended March 31, 2015, the University's BOT approved the declaration of 20% stock dividends. Accordingly, additional 2,745,720 shares were listed in the PSE, which were taken from the University's unissued capital stock.

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 and March 31, 2015, there are 16,514,354 listed shares which include those held in treasury and shares held by the University's related parties. The University has a total of 10,896,908 and 10,863,517 listed shares, which is equivalent to 66.13% and 66.04%, respectively, which is held by the University's related parties as at September 30 and March 31, 2015, respectively, while there are 5,580,115 and 5,585,521 listed shares owned by the public which is equivalent to 33.87% and 33.96% of the total outstanding shares as at September 30 and March 31, 2015, respectively.

As of September 30 and March 31, 2015, the closing price of the University's listed shares were P950 and P1,000, respectively, per share.

12.2 Treasury Stock

This account also includes the University's common shares held and acquired by FRC amounting to P30.1 million as at September 30 and March 31, 2015. The changes in market values of these shares, recognized as fair value gains or losses by FRC, were eliminated in full and not recognized in the consolidated financial statements.

A portion of the University's retained earnings is restricted for dividend declaration up to the cost of treasury shares, excluding the amount acquired and held by FRC as this is considered as a cross-holding as of the end of the reporting period.

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, 2015 (audited):

Property and investment acquisition	P	1,542,500,000
Expansion of facilities		330,000,000
General retirement		90,000,000
Purchase of equipment and improvements		58,270,000
Contingencies		10,000,000
Treasury shares		3,733,100
	P	2,034,503,100

There has been no change in the appropriated retained earnings for the six months ended September 30, 2015. The changes in the appropriated retained earnings for the year ended March 31, 2015 (audited) is shown below.

Balance at beginning of year	P	2,055,433,100
Reversal of appropriations	(	56,730,000)
Appropriations during the year		35,800,000
	P	2,034,503,100

Appropriations which are expected to be utilized within one year from the end of the respective reporting period pertain to that set aside for the expansion of facilities amounting to P35.8 million.

The University reversed the previous appropriations for the purchase of equipment and improvements amounting to P56.7 million as the planned purchase of fixed assets was completed during the fiscal year ended March 31, 2015.

13. EARNINGS PER SHARE

EPS amounts were computed as follows (both unaudited):

	September 30, 2015	September 30, 2014 (As restated)
Net profit attributable to owners of the parent company	**P 498,896,644**	P 440,316,235
Divided by weighted average number of shares outstanding, net of treasury stock	**16,449,038**	16,472,539 *
Basic and diluted EPS	**P 30.33**	P 26.73

* *Restated after giving retrospective effect on the stock dividends declared on July 15, 2014.*

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, 2015, under review is summarized as follows:

	September 30 (Unaudited)	March 31 (Audited)
Total liabilities	**P 1,687,001,729**	P 1,572,048,846
Total equity attributable to owners of the parent company (excluding treasury shares and revaluation reserves)	**6,088,321,742**	5,786,813,555
Debt-to-equity ratio	**0.28 : 1.00**	0.27 : 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 usually starts to be earned 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, 2015 represent 44.68% (47.72%, for the six months ended September 30, 2014, of the annual tuition fee revenue for the fiscal year ended March 31, 2014) of the annual level of the said revenue for the fiscal year ended March 31, 2015.

17. SUBSEQUENT EVENTS

On October 20, 2015, the BOT authorized the University to pay for its unpaid subscription in FEU High in the amount of P7.5 million. The University's Executive Committee shall determine the amounts to be paid or disbursed until the full payment of the subscription balance.

On the same date, the BOT also authorized the University to pay for its subscription in FEU Alabang, Inc. in the aggregate amount of P18.8 million which will be utilized by FEU Alabang, Inc. to partially fund the design, site preparation and construction of its facilities. Further, the subscription amount shall be paid on a staggered basis in accordance with the construction schedule to be established for FEU Alabang. The University's Executive Committee shall have the authority to determine, based on the construction schedule, the amounts to be paid or disbursed periodically until the full payment of the subscription amount and the schedule of such payments.