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

   Nov 30, 2016
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	Nov 30, 2016
Currency (indicate units, if applicable)	Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Nov 30, 2016	Mar 31, 2016
Current Assets	4,776,306,224	4,227,411,206
Total Assets	11,584,509,688	9,691,048,063
Current Liabilities	1,419,137,444	747,851,800
Total Liabilities	3,116,188,427	1,470,267,164
Retained Earnings/(Deficit)	4,886,294,014	4,906,624,398
Stockholders' Equity	8,468,321,261	8,220,780,899
Stockholders' Equity - Parent	6,472,741,952	6,569,201,503
Book Value per Share	393.69	399.37

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	799,952,298	858,409,492	1,180,013,401	1,663,078,983
Other Revenue	58,820,760	43,638,469	97,962,885	100,779,145
Gross Revenue	858,773,058	902,047,961	1,277,976,286	1,763,858,128
Operating Expense	501,613,311	513,588,074	856,923,526	899,198,386
Other Expense	5,238,802	7,174,576	9,451,817	14,810,521
Gross Expense	506,852,113	520,762,650	866,375,343	914,008,907
Net Income/(Loss) Before Tax	351,920,945	381,285,311	411,600,943	849,849,221
Income Tax Expense	31,765,822	35,326,523	46,309,094	86,513,117
Net Income/(Loss) After Tax	320,155,123	345,958,788	365,291,849	763,336,104
Net Income Attributable to Parent Equity Holder	310,815,847	333,712,320	342,107,750	741,650,571
Earnings/(Loss) Per Share (Basic)	18.91	20.29	20.81	45.09
Earnings/(Loss) Per Share (Diluted)	18.91	20.29	20.81	45.09

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	**November 30, 2016**
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	**1015**
9.	Registrant's Telephone Number including Area Code	**(632) 735-5621**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱100.00 par value	**16,477,023**
Bond with Non-Detachable Warrant, ₱1.00 per unit	**Not Applicable**

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

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

    a) Sections 17 of the Code and SRC Rule 17

       Yes [**x**] No [ ]

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

       Yes [**x**] No [ ]

Financial Information

Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY

ANGELINA P. JOSE
Corporate Secretary

GLENN Z. NAGAL
Comptroller

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
13 January 2017

Management's Discussion and Analysis or Plan of Operation

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

FEU 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) remain firm as of November 30, 2016.

Consolidated total assets of the Group increased by P769.72 million to P11,584.51 million as of the report date. Current and non-current assets grew by P620.42 million and P149.30 million, respectively.

Consolidated total liabilities also went up by P515.84 million to P3,116.19 million. Current and non-current liabilities increased by P376.01 million and P139.83 million, respectively.

Consolidated total equity as of November 30, 2016 amounting to P8,468.32 million increased by P253.88 million compared to the current period's beginning balance of P8,214.44 million mainly due to the net profit earned during the period.

Consolidated Results of Operation

The Group's consolidated net profit after tax amounts to P365.29 million for the six months ended November 30, 2016. The decline in net profit is affected by the implementation of K-12 program during the current School Year (S.Y.) coupled by the shift in FEU and FEU Institute of Technology's (FEU Tech) academic calendar. Classes for the first semester of the current S.Y. started in August while classes for the second semester starts on January. In the previous year classes starts in June and November for the first and second semesters, respectively.

Comprehensive income likewise went down due 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 system registered an enrollment increase of six percent (6 %) to open the S.Y. 2016-2017. Despite the drop in college freshmen enrollment, the start of operations of FEU High School, Inc. (FEU High) and the acquisition of Roosevelt College, Inc. (RCI) delivered a 36,342 student population for the first semester. Previously initiated actions in preparation for K-12, coupled with a continuous effort to attain operational cost efficiency, are expected to keep expenses within budgeted amounts. With a reasonable tuition fee hike, the Group is confident that it will maintain steady operations during the year.

The Group remains committed to the core values of an affordable and accessible quality education for students and a meaningful career for its faculty and employees.

Changes in real accounts as of November 30 compared to May 31, 2016
(Amounts in Philippine Peso)

		November 30	May 31	Increase (Decrease)	%
1	Cash and cash equivalents	**P 1,118,377,236**	P 1,213,350,580	(P 94,973,344)	-8%
2	Trade and other receivables – net	**883,296,402**	435,426,557	447,869,845	103%
3	Available-for-sale financial assets	**2,589,448,509**	2,615,080,586	(25,632,077)	-1%
4	Other current assets – net	**418,603,480**	230,681,788	187,921,692	81%
5	Property and equipment – net	**5,791,356,764**	5,710,321,561	81,035,203	1%
6	Investment property – net	**212,287,762**	203,682,720	8,605,042	4%
7	Goodwill	**302,465,355**	168,454,325	134,011,030	80%
8	Deferred tax assets	**32,128,239**	36,058,602	(3,930,363)	-11%
9	Other non-current assets	**108,275,331**	73,464,289	34,811,042	47%
10	Trade and other payables	**782,833,268**	844,740,933	(34,462,749)	-6%
11	Interest-bearing loans	**1,637,291,668**	1,492,333,334	144,958,334	10%
12	Deferred revenues	**580,988,181**	116,258,743	464,729,438	400%
13	Income tax payable	**27,504,327**	53,440,444	(25,936,117)	-49%
14	Other non-current liabilities	**62,690,848**	68,698,302	(6,007,454)	-9%
15	Treasury stock – at cost	**48,412,971**	38,655,641	9,757,330	25%
16	Revaluation reserves	**(16,574,491)**	64,154,878	(80,729,369)	-126%
17	Retained earnings	**4,886,294,014**	4,741,514,720	144,779,294	3%
18	Non-controlling interest	**1,995,579,309**	1,795,990,370	199,588,939	11%

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

			2016		2015		Increase (Decrease)	%
INCOME								
1	Tuition fees - net	**P**	**1,130,945,921**	P	1,571,397,607	(P	404,451,686)	-28%
2	Other school fees		**27,661,149**		30,273,800	(	2,612,651)	-9%
3	Rental		**21,406,331**		61,407,576	(	40,001,245)	-65%
4	Finance income – net		**71,128,512**		68,632,800		2,495,712	4%
5	Other income – net		**17,382,556**		17,335,824		46,732	0.27%
EXPENSES								
1.1	Salaries	**P**	**377,689,960**	P	389,571,453	(P	11,881,493)	-3%
1.2	Employee benefits		**110,622,732**		185,505,491	(	78,882,759)	-40%
2	Related Learning Experience (RLE), affiliation, linkages and research		**4,553,943**		3,605,137		948,806	26%
3	Rental		**3,769,662**		3,977,619	(	207,957)	-5%
4	Utilities		**37,382,486**		45,014,052	(	7,631,566)	-17%
5	Janitorial services		**16,631,121**		13,039,577		3,591,544	28%
6	Insurance		**764,064**		1,411,652	(	647,588)	-46%
7	Repairs and maintenance		**8,784,637**		7,240,756		1,543,881	21%
8	Security services		**18,050,811**		16,144,076		1,906,735	12%
9	Depreciation		**131,487,019**		130,275,492		1,211,527	1%
10	Publicity and promotions		**3,953,237**		3,660,890		292,347	8%
11	Professional fee		**32,262,510**		22,169,764		10,092,746	46%
12	Taxes and licenses		**6,055,393**		4,333,191		1,722,202	40%

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

			2016		2015		Increase (Decrease)	%
	EXPENSES							
13	Other instructional and academic	**P**	**59,791,961**	P	49,284,933	P	10,507,028	21%
14	Other administrative		**23,078,696**		12,209,203		10,869,493	89%
15	Other maintenance and university operations		**7,888,748**		5,978,257		1,910,491	32%
16	Other general expenses		**14,156,546**		5,776,842		8,379,704	145%

Causes of material changes in real accounts as of November 30, 2016 compared to May 31, 2016

TOTAL ASSETS

Consolidated total assets of the Group grew by P769.72 million due to the following significant movements in the accounts:

1. Cash and cash equivalents

Cash and cash equivalents had a net decrease of P94.97 million mainly due to dividend payments, acquisitions of property and equipment, additional investment in a subsidiary and other disbursements made during the period.

2. Trade and other receivables

Trade and other receivables grew by P447.87 million mainly due to tuition fee receivables from students for the first semester of the current S.Y.

3. Available-for-sale (AFS) financial assets

AFS financial assets posted a decrease in value by P25.63 million is mainly due to the decline in market value of various investments, net of additional investments/reinvestments of income.

4. Other current assets

Other current assets went up by P187.92 million mainly due to the short-term investments held by FEU-Alabang resulting from its increase in capitalization.

5. Property and equipment

Property and equipment increased by P81.04 million due to asset additions by FEU and RCI, and acquisition of information technology equipment by FEU High.

6. Investment property

Investment property increased by P8.61 million mainly due to FEU's additions to its investment property.

7. Goodwill
The amount of Goodwill arises from the University's acquisition of controlling interest in RCI. Additional amount is due to additional acquisitions during the period.

8. Deferred tax asset

Deferred tax asset went down by P3.93 million resulting from a reversal of previously recognized tax temporary differences.

9. Other non-current assets

Other non-current assets increased by P34.81 million mainly due FRC's additional advances to developers and long-term refundable deposit paid by FEU.

TOTAL LIABILITIES

Consolidated total liabilities of the Group increased by P515.84 million due to the following significant movements in the accounts:

10. Trade and other payables

Trade and other payables decreased by P61.91 million mainly due to a settlement of previously recognized dividends payable of FEU.

11. Interest-bearing loans

Interest-bearing loans went up by P144.96 million mainly due to the additional loan obtained by FEU from a local bank.

12. Deferred revenue

Deferred revenues grew by P464.73 million as a result of tuition fees collected and charged/billed which were not yet earned for the first semester/trimester of the current S.Y. The said increase was from FEU, East Asia Computer Center, Inc. (EACCI), Far Eastern College – Silang, Inc. (FECSI), FEU High and RCI. As of report date, only a portion of the total tuition fees collected and charged was recognized as income.

13. Income tax payable

Income tax payable decreased by P25.94 million resulting from payments of previously accrued income taxes.

14. Other non-current liabilities

Other non-current liabilities declined by P6.01 million primarily due to the settlement of long-term security deposits held by EACCI and FRC, and partial settlement of RCI's retirement benefit obligation.

EQUITY

Consolidated total equity of the Group grew by P253.88 million due to the following:

15. Treasury stock

Treasury stock increased by P9.8 million due to an acquisition of additional FEU shares by FRC. Such shares are accounted for as treasury stock in the consolidated financial statements.

16. Revaluation reserves

Revaluation reserves declined by P80.73 million which resulted from the decrease in fair value of various investments which are accounted for as AFS financial assets.

17. Retained Earnings

The net increase in Retained earnings, amounting to P144.78 million, is due to the net income attributable to the owners of the parent company which was earned during the period, amounting to P342.11 million, which was partially offset by the P197.33 million dividends declared during the period.

18. Non-controlling Interest (NCI)

NCI increased by P199.59 million mainly due to the net income earned which was attributable to NCI and due to FEU-Alabang's issuance of preferred shares to an entity under common management.

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

The Group's consolidated net profit (profit after tax) went down by P398.04 million mainly due to the following:

INCOME

1. Tuition fees – net

Tuition fees – net declined by P440.45 million primarily due to fewer enrollment of college students as an effect of K-12 implementation. The enrollment of FEU High and RCI only partially offset the decrease in college enrollment. Also contributed to the decrease in tuition revenues is the shift in the academic calendar of FEU and FEU Tech wherein first semester/trimester classes only start in August, thereby reducing the portion of tuition fees recognized as of the cut-off date; unrecognized tuition fees will be recognized in the succeeding quarter(s).

2. Other school fees

Other school fees likewise decreased by P2.61 million as this item directly relates to the recognition of income from tuition fees.

3. Rental income

Rental income dropped by P40.0 million due to the termination of the lease of a portion of EACCI's building to East Asia Educational Foundation, Inc. (EAEF). Also, portion of FEU's Technology Building previously leased EAEF now leased to EACCI. Rental income from EAEF forms part of consolidated profit or loss while rental income from EACCI is eliminated upon Group consolidation.

4. Finance income – net

Finance income – net was reduced by P2.5 million due to slightly lower performance of the Group's various investments.

5. Other income (charges) – net

Other charges grew by P0.05 million.

EXPENSES

1. **Salaries** expense declined by P11.88 million mainly due to the retirement a number of employees of FEU.

   Employee Benefits expense likewise decreased as a direct result of reduced number of employees of FEU.

2. **RLE, affiliation, linkages and research** expenses increased by an aggregate of P0.95 million. This expense pertains 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 the amounts incurred is attributable to the University's continuous thrust in maintaining academic excellence through student development and academic and industry partnerships despite the decline in college enrollment.

3. **Rental** expense decreased by P0.2 million due to reduced amounts incurred for rentals of event venue, transportation and other equipment.

4. **Utilities** expenses went down by P7.63 million resulting from cost saving measures.

5. **Janitorial service** expense increased by P3.59 million which is mainly attributable to the increase in amounts incurred by EACCI, and the amounts incurred by FEU High and RCI which were not present last year. FEU High no operations yet in 2015, while RCI consolidated starting 2016.

6. **Insurance** expense declined by P0.65 million due to lesser amounts incurred by EACCI.

7. **Repairs and maintenance** expense grew by P1.54 million as due to normal repairs undertaken mainly by EACCI and RCI.

8. **Security services** expense increased by P1.91 million which is primarily due to the additional expenses contributed by FEU High and RCI.

9. **Depreciation** expense went up by P1.21 million due to additional depreciation on asset additions of FEU. The increase also includes amounts not present last year coming from FEU High and RCI.

10. **Publicity and promotions** expense went up by P0.29 million which is mainly attributed to such expenses incurred by EACCI, FEU High and RCI.

11. **Professional fees** expense increased by P10.09 million mainly due to various professional services engaged in relation to the acquisition of RCI.

12. **Taxes and licenses** went up by P1.72 million mainly due to the amounts incurred by FEU-Alabang for filing and registration for the increase in its capitalization.

13. **Other instructional and academic** expenses increased by P10.51 million mainly due to the amounts incurred by RCI pertaining to students' and teachers' materials and training and development. This is consistent with the Group's continued efforts to strengthen the academic programs of its schools.

14. **Other administrative** expenses grew by P10.87 million mainly attributable to FEU's license and support expense, and such other expenses incurred during the period.

15. **Other maintenance and university operations** expense increased by P1.91 million mainly due to various outside services incurred by EACCI which was not encountered during the same period last year.

16. **Other general** expenses went up by P8.38 million mainly due to increase in EACCI's provision for doubtful accounts and such other expenses incurred during the period.

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)

November 30, 2016	March 31, 2016	November 30, 2015
3.37 : 1	5.65 : 1	2.40 : 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)

November 30, 2016	March 31, 2016	November 30, 2015
3.21 : 1	5.37 : 1	2.29 : 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 indicators as presented in the following page.

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)

November 30, 2016	March 31, 2016	November 30, 2015
37%	18%	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)

November 30, 2016	March 31, 2016	November 30, 2015
27%	15%	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)

November 30, 2016	March 31, 2016	November 30, 2015
73%	85%	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).

November 30, 2016 ***(Six Months)***	March 31, 2016 *(One Year)*	November 30, 2015 *(Six Months)*
3%*	13%	7%

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

November 30, 2016 ***(Six Months)***	March 31, 2016 *(One Year)*	November 30, 2015 *(Six Months)*
4%*	15%	10%

Decrease in net income also caused by fiscal and school year adjustment (see Note on **Tuition fees – net in page 7 and **Note 14 in page 20**)*

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

November 30, 2016 ***(Six Months)***	March 31, 2016 *(One Year)*	November 30, 2015 *(Six Months)*
P 20.81*	P 70.89	P 45.09

Decrease in net income also caused by fiscal and school year adjustment (see Note on* ***Tuition fees – net in page 7* *and* ***Note 14 in page 20****)*

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IV. Product Standard

- **FEU**

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

FEU was awarded **Autonomous Status** from April 1, 2016 to May 31, 2019.

The Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) has granted Certificates of Level IV Status from December 2015 to December 2020 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*
- ***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***

In November 2016, PACUCOA has conducted Level II accreditation visit for the following programs, results of which are still with PACUCOA:

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

Also, PACUCOA has granted Level I status 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 Architecture***
- ***Bachelor of Science in Hotel and Restaurant Management***
- ***Bachelor of Science in Medical Technology***
- ***Bachelor of Science in Tourism Management***
- ***Bachelor of Arts in International Studies***
- ***Bachelor of Fine Arts***

The Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) granted Level II Reaccredited Status to ***Bachelor of Nursing*** program until 2021.

Bachelor of Science in Business Administration was awarded **Center of Development** by the Commission on Higher Education until December 2018.

Teacher Education Program was awarded **Center of Excellence** by the Commission on Higher Education until December 2018.

The Institute of Tourism and Hotel Management programs: ***Bachelor of Science in Hotel and Restaurant Management*** and ***Bachelor of Science in Tourism Management*** were accredited as Associates by The International Centre of Excellence in Tourism and Hospitality Education (THE-ICE).

The Institute of Accounts, Business and Finance programs: ***Bachelor of Science in Accountancy, Bachelor of Science in Business Administration*** and ***Master in Business Administration*** were accredited as Members of The *Association to Advance Collegiate Schools of Business* from April 2016 to June 2017.

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.

- **8th Top Performing School in the August 2016 Licensure Examination for Medical Technologists**

- **6th Top Performing School in the October 2016 Certified Public Accountant (CPA) Licensure Examination**

Top Performance of Individual Graduates:

- ***Psychometrician, August 2016*** - ***4th, 7th 8th and 10th Place***
- ***Education, September 2016*** - ***10th Place***
- ***CPA, October 2016*** - ***5th and 6th Place***

- **FEU Tech** ***(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.

The PAASCU granted Level II Accredited Status to ***Information Technology*** and ***Computer Science*** programs until May 2020.

Moreover, Level I Accredited Status was granted by PAASCU to ***Civil Engineering*** and ***Computer Engineering*** programs until April 2018.

Graduates of FEU Tech showed 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:

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***
- ***Civil Engineering, May 2016*** - ***2nd, 3rd, 7th and 9th 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 Senior High School *(operated by FEU High)***

  FEU High was established to offer pre-school, grade school and high school education programs, and various technical and vocational education and training programs.

  In October 2015, FEU High has been granted by the Department of Education a Provisional Permit to Operate Academic Track, Technical-Vocational Track and Arts and Design Track for the Senior High School level as part of the K-12 program.

  Starting S.Y. 2016-2017, FEU High will be offering the following academic tracks:

  - ***Science, Technology, Engineering and Mathematics (STEM)***
  - ***Accounting, Business and Management (ABM)***
  - ***Humanities and Social Sciences (HUMSS)***
  - ***General Academic Strand (GAS)***

  Further, in May 2016, FEU High has been authorized by the Bureau of Immigration to accept foreign students in its Senior High School programs.

- **RCI**

  RCI is a private, non-sectarian college system which was incorporated in 1946 and has its flagship campus located in Cainta, Rizal. It also has campuses in Marikina City, Quezon City and San Mateo and Rodriguez, Rizal. RCI is presently engaged in the operation of educational institutions providing elementary, secondary collegiate and post-graduate studies in order to help and assist the Filipino youth in acquiring high academic standards of instruction, cultural, or otherwise in accordance with up-to-date and modern methods and practices of educational institutions in the Philippines and abroad.

  Following its acquisition by FEU, RCI is now under a new management. The new academic managers are aimed at exploring academic approaches and curriculum advancement that can be introduced to the RCI group of schools. Like any other entity within the Group, the management policies and principles are aligned in accordance with the core values of FEU, its quality standards and best practices.

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

  FEU Alabang, Inc. is 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 program 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)
2012 – 2013	30,040	-
2013 – 2014	29,742	(298)
2014 - 2015	31,869	2,127
2015 - 2016	34,163	2,294
2016 - 2017	36,342	2,179

The substantial enrollment despite difficult times, coupled with the effects of the K-12 program, is an indication that FEU remains one of the better choices among the various colleges and universities in the metropolis. Also, FEU continues to expand its reach in senior high school and basic education.

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)					
	As of and for the periods ended:					
	November 30, 2016 (Six Months)		March 31, 2016 (One Year)		November 30, 2015 (Six Months)	
FINANCIAL POSITION						
Assets:						
Quick assets*	**P**	**4,557.74**	P	4,014.83	P	4,502.03
Current assets		**4,776.31**		4,227.41		4,717.00
Non-current asset		**6,808.20**		5,463.64		5,511.19
Total assets		**11,584.51**		9,691.05		10,228.19
Liabilities:						
Current liabilities	**P**	**1,419.14**	P	747.85	P	1,966.69
Non-current liabilities		**1,697.05**		722.42		299.36
Total liabilities		**3,116.19**		1,470.27		2,266.05
Equity:						
Total equity	**P**	**8,468.32**	P	8,220.78	P	7,962.14
• Attributable to owners of the Parent Company		**6,472.74**		6,569.20		6,322.08
• Non-controlling interest		**1,995.58**		1,651.58		1,640.06
RESULTS OF OPERATIONS						
Net Profit:						
Operating income	**P**	**323.09**	P	1,151.02	P	763.88
Other income - net		**88.51**		232.22		85.97
Net profit before tax		**441.60**		1,383.24		849.85
Net profit or profit after tax		**365.29**		1,224.90		763.34
• Attributable to owners of the Parent Company		**342.11**		1,166.02		741.65
• Non-controlling interest		**23.18**		58.88		21.69
Other Comprehensive Income:						
Other comprehensive income	**(P**	**80.73)**	(P	92.08)	(P	5.70)
Total comprehensive income		**284.56**		1,132.82		757.64

Decrease in net income also caused by fiscal and school year adjustment (see Note on **Tuition fees – net in page 7 and **Note 14 in page 20**)*

	As of and for the periods ended:		
	November 30, 2016 (Six Months)	March 31, 2016 (One Year)	November 30, 2015 (Six Months)
Others:			
Weighted average number of shares outstanding	**16,443,437**	16,499,038	16,449,038

* *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.*

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. FEU Makati Campus, which was opened in June 2010 and strategically located at the heart of the Makati Central Business District, continues to offer undergraduate business courses. Further, FEU Makati offers graduate programs for business and also houses FEU's Institute of Law.

9. 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. In November 2015, FEU-Alabang, Inc. held the formal ground-breaking ceremony for the construction of the future FEU-Alabang campus.

   As of November 30, 2016, FEU-Alabang, Inc. has not yet commenced its normal operations and still in its pre-operating stage.

10. In fiscal year 2014-2015, EACCI, under the trade name FEU Institute of Technology, started its operations with 3,017 students for the first term of S.Y. 2014-2015. FEU Tech continuous be one of the preferred schools for engineering and information technology.

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

    For FEU and FEU – Cavite, there are three school terms within a fiscal year: Summer Term, First Semester and Second Semester. 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.

    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.

12. 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 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.

    The FEU Senior High School (which is operated by FEU High) started its operations in S.Y. 2016-2017 with a student population of 1,957.

13. On May 12, 2016, pursuant to the Share Purchase Agreement (SPA) entered into between FEU and the selling stockholders of RCI for the sale and purchase of 99.42% of RCI's issued and outstanding shares, the University acquired a total of 235,427 shares of stock of RCI. The acquired shares account for 79.72% of the total outstanding shares of RCI, thereby, making it a subsidiary of the University.

14. On March 15, 2016, the University's Board of Trustees (BOT) approved the amendment of its by-laws for the change in the University's current fiscal year from a fiscal year beginning on April 1 and ending on March 31, to a fiscal year beginning on June 1 and ending on May 31. The amended by-laws was approved by the SEC on June 29, 2016. The University's application for change in fiscal year was approved by the Bureau of Internal Revenue (BIR) on June 30, 2016. Such change became effective on June 1, 2016.

    Accordingly, the Group also presents its financial statements for the two months ended May 31, 2016 in connection with the University's change in fiscal year.

    Based on the new academic and fiscal year, the second quarter is from June to November. As classes now start on August instead of June in previous year, the resulting income for the first two quarters of this fiscal year is expected to be lower compared to that of last year.

    Moreover, the income for the first quarter is also expected to be the lowest among the four quarters of the fiscal year.

Overall, even with the impacts 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
NOVEMBER 30, 2016, MAY 31, 2016 AND MARCH 31, 2016
(Amounts in Philippine Pesos)

	November 30, 2016 (UNAUDITED)	May 31, 2016 (UNAUDITED)	March 31, 2016 (AUDITED)
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	**P 1,118,377,236**	P 1,213,350,580	P 1,089,584,537
Trade and other receivables - net	**883,296,402**	433,250,054	652,219,771
Available-for-sale financial assets	**2,234,415,230**	2,156,987,745	2,151,377,898
Real estate held-for-sale	**121,613,876**	121,613,876	121,613,876
Other current assets - net	**418,603,480**	230,681,788	212,615,124
Total Current Assets	**4,776,306,224**	4,155,884,043	4,227,411,206
NON-CURRENT ASSETS			
Trade and other receivables - net	**-**	2,176,503	-
Available-for-sale financial assets	**355,033,279**	458,092,841	450,192,695
Investment in an associate	**6,656,734**	6,656,734	6,656,734
Property and equipment - net	**5,791,356,764**	5,710,321,561	4,423,746,294
Investment property - net	**212,287,762**	203,682,720	563,137,344
Goodwill	**302,465,355**	168,454,325	-
Deferred tax assets - net	**32,128,239**	36,058,602	8,063,668
Other non-current assets	**108,275,331**	73,464,289	11,840,122
Total Non-current Assets	**6,808,203,464**	6,658,907,575	5,463,636,857
TOTAL ASSETS	**P 11,584,509,688**	P 10,814,791,618	P 9,691,048,063

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	November 30, 2016 (UNAUDITED)	May 31, 2016 (UNAUDITED)	March 31, 2016 (AUDITED)
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	**P 782,833,268**	P 844,740,933	P 602,275,911
Interest-bearing loans	**7,291,668**	8,166,667	9,575,440
Derivative liability	**20,520,000**	20,520,000	18,072,300
Deferred revenues	**580,988,181**	116,258,743	66,763,560
Income tax payable	**27,504,327**	53,440,444	51,164,589
Total Current Liabilities	**1,419,137,444**	1,043,126,787	747,851,800
NON-CURRENT LIABILITIES			
Interest-bearing loans	**1,630,000,000**	1,484,166,667	704,013,177
Deferred tax liabilities	**4,360,135**	4,360,135	4,360,135
Other non-current liabilities	**62,690,848**	68,698,302	14,042,052
Total Non-current Liabilities	**1,697,050,983**	1,557,225,104	722,415,364
Total Liabilities	**3,116,188,427**	2,600,351,891	1,470,267,164
EQUITY			
Equity attributable to owners of the parent company			
Capital stock	**1,651,435,400**	1,651,435,400	1,651,435,400
Treasury stock - at cost	**(48,412,971)**	(38,655,641)	(33,855,641)
Revaluation reserves	**(16,574,491)**	64,154,878	44,997,346
Retained earnings	**4,886,294,014**	4,741,514,720	4,906,624,398
Total equity attributable to owners of parent company	**6,472,741,952**	6,418,449,357	6,569,201,503
Non-controlling interest	**1,995,579,309**	1,795,990,370	1,651,579,396
Total Equity	**8,468,321,261**	8,214,439,727	8,220,780,899
TOTAL LIABILITIES AND EQUITY	**P 11,584,509,688**	P 10,814,791,618	P 9,691,048,063

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 NOVEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2016	2015	**2016**	2015
REVENUES				
Educational				
Tuition fees - net	**P 771,861,805**	P 806,204,466	**P 1,130,945,921**	P 1,571,397,607
Other school fees	**15,565,928**	14,679,988	**27,661,149**	30,273,800
	787,427,733	820,884,454	**1,158,607,070**	1,601,671,407
Rental	**12,524,565**	37,525,038	**21,406,331**	61,407,576
	799,952,298	858,409,492	**1,180,013,401**	1,663,078,983
COSTS AND OPERATING EXPENSES	**501,613,311**	513,588,074	**856,923,526**	899,198,386
OPERATING INCOME	**298,338,987**	344,821,418	**323,089,875**	763,880,597
FINANCE INCOME	**50,640,870**	38,728,966	**80,580,329**	83,443,321
FINANCE COSTS	**(5,238,802)**	(7,174,576)	**(9,451,817)**	(14,810,521)
OTHER INCOME - NET	**8,179,890**	4,909,503	**17,382,556**	17,335,824
PROFIT BEFORE TAX	**351,920,945**	381,285,311	**411,600,943**	849,849,221
TAX EXPENSE	**31,765,822**	35,326,523	**46,309,094**	86,513,117
NET PROFIT	**P 320,155,123**	P 345,958,788	**P 365,291,849**	P 763,336,104
Attributable to:				
Owners of the parent company	**P 310,815,847**	P 333,712,320	**P 342,107,750**	P 741,650,571
Non-controlling interests	**9,339,276**	12,246,468	**23,184,099**	21,685,533
	P 320,155,123	P 345,958,788	**P 365,291,849**	P 763,336,104
Earnings Per Share				
Basic and Diluted	**P 18.91**	P 20.29	**P 20.81**	P 45.09

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 NOVEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2016	2015	**2016**	2015
NET PROFIT	**P 320,155,123**	P 345,958,788	**P 365,291,849**	P 763,336,104
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on available-for-sale financial assets - net of tax	**(133,620,469)**	5,825,736	**(80,729,369)**	(5,698,066)
TOTAL COMPREHENSIVE INCOME	**P 186,534,654**	P 351,784,524	**P 284,562,480**	P 757,638,038
Attributable to:				
Owners of the parent company	**P 177,195,378**	P 339,538,056	**P 261,378,381**	P 735,952,505
Non-controlling interests	**9,339,276**	12,246,468	**23,184,099**	21,685,533
	P 186,534,654	P 351,784,524	**P 284,562,480**	P 757,638,038

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 NOVEMBER 30, 2016 AND 2015
(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 Interests	Total Equity
Balance at June 1, 2016	P 1,651,435,400	(P 38,655,641)	P 64,154,878	P 2,573,733,100	P 2,167,781,620	P 4,741,514,720	P 1,795,990,370	P 8,214,439,727
Transactions with owners								
Issuance of shares of stock	-	-	-	-	-	-	187,500,000	187,500,000
Acquisition of treasury stock	-	(9,757,330)	-	-	-	-	-	(9,757,330)
Cash dividends	-	-	-	-	(197,328,456)	(197,328,456)	(11,095,160)	(208,423,616)
	-	(9,757,330)	-	-	(197,328,456)	(197,328,456)	176,404,840	(30,680,946)
Total comprehensive income (loss)								
Net profit for the period	-	-	-	-	342,107,750	342,107,750	23,184,099	365,291,849
Other comprehensive loss	-	-	(80,729,369)	-	-	-	-	(80,729,369)
	-	-	(80,729,369)	-	342,107,750	342,107,750	23,184,099	284,562,480
Balance at November 30, 2016	**P 1,651,435,400**	**(P 48,412,971)**	**(P 16,574,491)**	**P 2,573,733,100**	**P 2,312,560,914**	**P 4,886,294,014**	**P 1,995,579,309**	**P 8,468,321,261**
Balance at June 1, 2015	P 1,651,435,400	(P 33,855,641)	P 96,097,294	P 2,034,503,100	P 2,035,272,591	P 4,069,775,691	P 1,629,470,847	P 7,412,923,591
Transactions with owners								
Cash dividends	-	-	-	-	(197,328,456)	(197,328,456)	(11,093,161)	(208,421,617)
Total comprehensive income (loss)								
Net profit for the period	-	-	-	-	741,650,571	741,650,571	21,685,533	763,336,104
Other comprehensive loss	-	-	(5,698,066)	-	-	-	-	(5,698,066)
	-	-	(5,698,066)	-	741,650,571	741,650,571	21,685,533	757,638,038.00
Balance at November 30, 2015	P 1,651,435,400	(P 33,855,641)	P 90,399,228	P 2,034,503,100	P 2,579,594,706	P 4,614,097,806	P 1,640,063,219	P 7,962,140,012

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 NOVEMBER 30, 2016 AND 2015
(Amounts in Philippine Pesos)
(UNAUDITED)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 411,600,943	P 849,849,221
Adjustments for:		
Depreciation and amortization	131,487,019	130,275,492
Finance income	(80,580,329)	(83,443,321)
Finance cost	9,451,817	14,810,521
Operating profit before working capital changes	471,959,450	911,491,913
Increase in trade and other receivables	(447,869,846)	(880,926,026)
Increase in real estate held-for-sale	-	(1,101,805)
Decrease (increase) in other current assets	(219,140,184)	3,872,913
Increase (decrease) in trade and other payables	36,108,597	(94,178,480)
Increase in deferred revenues	464,729,438	908,252,945
Decrease in other non-current liabilities	(6,007,454)	(1,985,875)
Cash generated from operations	299,780,001	845,425,585
Income taxes paid	(11,717,662)	(17,299,308)
Net Cash From Operating Activities	288,062,339	828,126,277
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	(206,731,353)	(157,864,640)
Additional investment in subsidiary	(137,603,580)	-
Acquisitions of investment properties	(14,395,911)	(34,212,780)
Interest received	62,047,968	82,465,311
Net investment on available-for-sale financial assets	(36,564,930)	(5,119,995)
Net Cash Used in Investing Activities	(333,247,806)	(114,732,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(363,037,064)	(211,091,347)
Proceeds from issuance of preferred stocks to a related party under common management	187,500,000	-
Proceeds of interest-bearing loans	150,000,000	680,000,000
Interest paid	(9,451,817)	(233,222)
Repayments of interest-bearing loans	(5,041,666)	(679,876,517)
Acquisition of treasury shares	(9,757,330)	-
Net Cash From Used in Financing Activities	(49,787,877)	(211,201,086)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(94,973,344)	502,193,087
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,213,350,580	807,916,445
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 1,118,377,236	P 1,310,109,532

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
NOVEMBER 30, 2016
(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:					
Official and Personal	P 9,307,003	-	P -	P -	P 9,307,003
SSS Sickness Benefit	435,889	-	-	-	435,889
Receivable from:					
East Asia Educational Foundation, Inc.	3,938,341	-	-	-	3,938,341
FEU Public Policy Foundation	1,199,289	-	-	-	1,199,289
Alphaland Corporation	510,000	-	-	-	510,000
MOLDEX Realty, Inc.	100,000	-	-	-	100,000
Others	575,866	2,453,877	1,781,913	-	4,811,656
TOTALS	**P 16,066,388**	**P 2,453,877**	**P 1,781,913**	**P -**	**P 20,302,178**

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(With Comparative Figures as of May 31, 2016)
(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 November 30, 2016 and May 31, 2016 the University holds interest in the following subsidiaries and associate which were all incorporated and operating in the Philippines:

	Percentage of Effective Ownership	
Company Name	**November 30**	May 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%
Roosevelt College, Inc. (RCI)	**79.72%**	79.72%
Roosevelt College Educational Enterprises (RCEE)	**79.72%**	79.72%
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. FRC, on the other hand, operates as a real estate company leasing most of its investment properties to the University and other related parties.

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

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 November 30, 2016, FEU Alabang, Inc. is the only subsidiary of the University that has not yet started commercial operations, and will be conferred as a school by the Department of Education and Commission on Higher Education only after the construction of its school building.

1.2 Acquisition of a New Subsidiary

On May 12, 2016, pursuant to the Share Purchase Agreement (SPA) entered into between FEU and the selling stockholders of RCI for the sale and purchase of 99.42% of RCI's issued and outstanding shares, the University acquired a total of 235,427 shares of stock of RCI for a total consideration of P808.3 million. The acquired shares account for 79.72% of the total outstanding shares of RCI, thereby, making it a subsidiary of the University as of May 31, 2016. Moreover, under the terms and conditions set forth in the SPA, the University is committed to purchase a total of 57,240 shares of stock from other selling stockholders of RCI, or an equivalent of 19.38% of the total outstanding shares of RCI, within one year from the date of the SPA.

As of the acquisition date, the fair value of the University's share in RCI's net identifiable assets amounted to P545.2 million; hence, the University recognized goodwill amounting to P263.1 million from which it had expected future economic benefits and synergies that will result from the operations of RCI.

Goodwill is subject to annual impairment testing and whenever there is an indication of impairment (see Note 2.4).

RCI is a private, non-sectarian college system with its flagship campus located in Cainta, Rizal. It also has campuses in Marikina City, Quezon City and San Mateo and Rodriguez, Rizal. RCI is presently engaged in the operation of educational institutions giving elementary, secondary collegiate and post-graduate studies in order to help and assist the Filipino youth in acquiring high academic standards of instruction, cultural, or otherwise in accordance with up-to-date and modern methods and practices of educational institutions in the Philippines and abroad.

As of November 30, 2016, RCI owns 100% ownership interest in RCEE which was incorporated in 1992 and is presently engaged in the business of buying and selling or distributing in wholesale and retail, all kinds of goods, commodities and merchandise of every kind of description.

1.3 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
RCI	-	No. 54 J. P. Rizal Street, Lamuan, Marikina City
RCEE	-	Roosevelt College Compound, Sumulong Highway Cainta, Rizal
JMCI	-	E. Rodriguez Jr. Avenue corner Cpl. Cruz St., Bagong Ilog, Pasig City

1.4 Change in Fiscal Year

On March 15, 2016, the University's Board of Trustees (BOT) approved the amendment of its by-laws for the change in the University's current fiscal year from a fiscal year beginning on April 1 and ending on March 31, to a fiscal year beginning on June 1 and ending on May 31. The amended by-laws was approved by the SEC on June 29, 2016. The University's application for change in fiscal year was approved by the Bureau of Internal Revenue (BIR) on June 30, 2016. Such change is effective on June 1, 2016.

Also, on April 7, 2016, EACCI's Board of Directors (BOD) approved the amendment of its by-laws for the change in its current fiscal year from a fiscal year beginning on May 1 and ending on April 30, to a fiscal year beginning on July 1 and ending on June 30. The amended by-laws were approved by the SEC on May 23, 2016 and is effective on July 1, 2016.

Based on the new fiscal year of the University, interim consolidated financial statements (ICFS) for the second quarter is prepared covering the six months ended November 30, 2016.

1.5 Approval for Issuance of Interim Consolidated Financial Statements

The ICFS of the Group for the six months ended November 30, 2016 (including the comparatives for the six months ended November 30, 2015) were authorized for issue by the Audit Committee of the BOT on January 12, 2017.

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, 2016.

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

(b) 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, 2016.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2017 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 2017.

(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 2017 that are Relevant to the Group

In 2017, the Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual period beginning on or after January 1, 2016:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Disclosure Initiative
PAS 16 and PAS 38 (Amendments)	:	Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
Annual Improvements to PFRS	:	Annual Improvements to PRFS (2012-2014 Cycle)

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

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative*. 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 nature 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*. 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) Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Group but management does not expect these to have material impact on the Group's consolidated financial statements:

- 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.

- 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.

- 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 purpose 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.

(b) *Effective in Fiscal Year 2017 that are not Relevant to the Group*

PFRS 10 (Amendment), *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other* Entities, and 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. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also 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.

(c) *Effective Subsequent to Fiscal Year 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2017 which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions, which are presented in the succeeding pages; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements.

(i) 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 date deferred indefinitely). 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 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 or 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. In December 2015, the IASB deferred the mandatory effective date of the amendment (i.e., January 1, 2016) indefinitely.

(ii) 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 outstanding principal. 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.

Management is currently assessing the impact of PFRS 9 (2014) 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.

2.3 Basis of Consolidation

The Group's consolidated financial statements 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. In addition, the shares of the parent company held by the subsidiaries are recognized as treasury stocks and are presented as deduction in the consolidated statement of changes in equity. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the following subsidiaries (and their annual reporting periods) are prepared using consistent accounting principles as that of the University.

March 31	-	FEU High, FECSI, FEU Alabang, Inc. and FRC
May 31	-	RCI and RCEE
June 30	-	EACCI

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. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets relevant to the Group is discussed in the below.

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

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 fair value through profit or loss) 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.

(ii) 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.

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), part of Other Current Assets, with respect to short-term investments, and part of Other Non-current Assets, with respect to refundable deposits, in the consolidated statements 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.

(iii) 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. 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, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses from changes in fair value of AFS financial assets are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation Reserves account in equity. Interest and dividend income, impairment losses and foreign exchange differences on monetary assets are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, 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 even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables has been incurred, 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 loss shall be recognized in 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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities, which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

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.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of 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 two to ten 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 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 statement 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, except RCI, provides post-employment benefits to employees through a defined contribution plan subject to compliance to a minimum guarantee required by Republic Act (RA) 7641, *The Retirement Pay Law,* which is accounted for as a defined benefit plan, and various compensations mandated by law. Such application of the minimum guarantee prescribed by RA 7641 is based on the interpretations issued by the Philippine Interpretations Committee (PIC) in its Question and Answer on PAS 19 – *Accounting for Employee Benefits Under a Defined Benefit Contribution Plan Subject to the Requirements of RA 7641.*

(a) Post-employment Benefits

The Group maintains defined contribution and defined benefit plans.

Under the defined contribution plan, the Group (except RCI) pays fixed contributions based on the employees' monthly salaries. On the other hand, RCI's defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the entity even if plan assets, if any, for funding the defined benefit plan have been acquired. 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, except RCI which does not have a formal post-employment benefit plan, 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. Accordingly, RCI accrues the estimated cost of post-employment defined benefits using the projected unit credit method as computed by an independent actuary covering all regular full-time employees (see Note 24).

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. Covered entities within the Group determine 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 consolidated statement of profit or loss.

For defined benefit plan, the liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds as published by Philippine Dealing & Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest expense and other expenses related to the defined benefit plan are recognized in consolidated statement of 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 consolidated 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 and FEU Alabang, Inc. 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.

	November 30, 2016 (Unaudited)		May 31, 2016 (Unaudited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
AFS financial assets:				
Debt and equity securities	**P 2,589,448,509**	**P 2,589,448,509**	P 2,615,080,586	P 2,615,080,586
Investment in golf club shares*	**2,830,000**	**2,830,000**	2,830,000	2,830,000
	P 2,592,278,509	**P 2,592,278,509**	P 2,617,910,586	P 2,617,910,586
Financial liabilities				
Derivative liability – Cross-currency swaps	**P 20,520,000**	**P 20,520,000**	P 20,520,000	P 20,520,000

**Presented as part of Other non-current assets*

Except for the financial assets presented above, the Group has no other financial assets and/or financial liabilities that are carried at fair value or that are not carried as fair value but are required to be disclosed at fair value (see Note 6.3). Management determined that the carrying amounts of these other financial instruments are equal to or approximate their fair values; hence, no further comparison between the carrying amounts and fair values is presented.

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 November 30, 2016 and May 31, 2016.

	Level 1	**Level 2**	**Level 3**	**Total**
November 30 *(Unaudited)*				
AFS financial assets:				
Debt securities and corporate shares	P2,589,448,509	P -	P -	P 2,589,448,509
Investment in golf club shares	-	2,830,000	-	2,830,000
	P2,589,448,509	**P 2,830,000**	**P -**	**P 2,592,278,509**
Derivative liability – Cross currency swaps	**P -**	**(P 20,520,000)**	**P -**	**(P 20,520,000)**

	Level 1	**Level 2**	**Level 3**	**Total**
May 31 *(Unaudited)*				
AFS financial assets:				
Debt securities and corporate shares	P2,615,080,586	P -	P -	P 2,615,080,586
Investment in golf club shares	-	2,830,000	-	2,830,000
	P2,615,080,586	P 2,830,000	P -	P 2,617,910,586
Derivative liability – Cross currency swaps	P -	(P 20,520,000)	P -	(P 20,520,000)

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 November 30, 2016 and May 31, 2016, 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.

AFS financial assets in proprietary golf club shares are classified under 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.

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 November 30, 2016 and May 31, 2016 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 November 30, 2016.

	Level 1	**Level 2**	**Level 3**	**Total**
Land	P -	P 306,761,920	P -	P 306,761,920
Building and improvements	-	-	266,712,015	266,712,015
	P -	**P 306,761,920**	**P 266,712,015**	**P 573,473,935**

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 November 30, 2016.

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 November 30, 2016 and 2015 (both periods unaudited and presented in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
REVENUES										
From external customers	**P 1,158,608**	P 1,601,671	**P 21,407**	P 61,408	**P -**	P -	**P 80,580**	P 83,444	**P 1,260,595**	P 1,746,523
Intersegment revenues	**-**	-	**64,705**	41,729	**-**	-	**-**	-	**64,705**	41,729
Total revenues	**1,158,608**	1,601,671	**86,112**	103,137	**-**	-	**80,580**	83,444	**1,325,300**	1,788,252
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**440,762**	504,886	**10,233**	9,335	**-**	-	**-**	-	**450,995**	514,221
Depreciation	**125,696**	110,693	**5,791**	19,582	**-**	-	**-**	-	**131,487**	130,275
Other expenses	**276,603**	255,369	**-**	-	**-**	-	**-**	-	**276,603**	255,369
	843,061	870,948	**16,024**	28,917	**-**	-	**-**	-	**859,085**	899,865
SEGMENT OPERATING INCOME	**P 315,547**	P 730,723	**P 70,088**	P 74,220	**P -**	P -	**P 80,580**	P 83,444	**P 466,215**	P 888,387

The following presents the segment assets and liabilities of the Group as of November 30, 2016 and May 31, 2016 (both periods unaudited and presented in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	November 30	May 31	**November 30**	May 31	**November 30**	May 31	**November 30**	May 31	**November 30**	May 31
TOTAL ASSETS AND LIABILITIES										
Segment assets	**P 6,459,454**	P 5,876,978	**P 2,086,982**	P 2,078,378	**P 121,614**	P 124,476	**P 3,818,444**	P 3,557,929	**P 12,486,494**	P 11,637,761
Segment liabilities	**3,336,102**	2,718,626	**37,039**	33,953	**-**	-	**2,846**	2,479	**3,375,987**	2,755,058

The Group's geographical segment for the three six months ended November 30, 2016 and 2015 and as of November 30, 2016 and May 31, 2016 follows (all periods unaudited and presented in thousands).

	Manila	Makati	Cavite	Quezon City, Marikina City and Rizal	Total
November 30, 2016					
Segment revenues					
From external customers	P 1,092,838	P 51,100	P 30,800	P 85,857	P 1,260,595
Intersegment revenues	60,150	4,555	-	-	64,705
Total revenues	1,152,988	55,655	30,800	85,857	1,325,300
Operating expenses	(753,583)	(9,112)	(21,654)	(74,736)	(859,085)
Segment operating profit	**P 399,405**	**P 46,543**	**P 9,146**	**P 11,121**	**P 466,215**
Total Segment Assets	**P 11,161,436**	**P 98,269**	**P 127,222**	**P 1,099,567**	**P 12,486,494**
Total Segment Liabilities	**P 2,971,001**	**P 65,113**	**P 31,623**	**P 308,250**	**P 3,375,987**
November 30, 2015					
Segment revenues					
From external customers	P 1,631,361	P 90,413	P 24,749	P -	P 1,746,523
Intersegment revenues	36,668	5,061	-	-	41,729
Total revenues	1,668,029	95,474	24,749	-	1,788,252
Operating expenses	(868,991)	(10,891)	(19,983)	-	(899,865)
Segment operating profit	P 799,038	P 84,583	P 4,766	P -	P 888,387
May 31, 2016					
Total Segment Assets	P 10,366,210	P 97,125	P 102,294	P 1,072,132	P 11,637,761
Total Segment Liabilities	P 2,289,516	P 67,202	P 15,725	P 382,615	P 2,755,058

7.5 Reconciliation

Presented below and in the succeeding page is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (in thousands) for the six months ended November 30, 2016 and 2015 and as of November 30, 2016 and May 31, 2016.

	2016 (Unaudited)	2015 (Unaudited)
Revenues		
Total segment revenues	**P 1,325,300**	P 1,788,252
Finance income	**(80,582)**	(83,444)
Elimination of intersegment revenues	**(64,705)**	(41,729)
Revenues as reported in interim consolidated statements of profit or loss	**P 1,180,013**	P 1,663,079

	2016 (Unaudited)	2015 (Unaudited)
Profit or loss		
Segment operating profit	**P 466,215**	P 888,387
Miscellaneous income (charges) – net	**17,383**	17,336
Finance costs	**(9,452)**	(14,811)
Other unallocated expenses	**(62,545)**	(41,063)
Tax expense	**(46,309)**	(86,513)
Profit as reported in interim consolidated statements of profit or loss	**P 365,292**	P 763,336

	November 30 (Unaudited)	May 31 (Unaudited)
Assets		
Segment assets	**P 12,486,494**	P 11,637,761
Goodwill	**302,465**	168,454,
Deferred tax assets	**32,128**	36,059
Investment in an associate	**6,657**	6,657
Elimination of intercompany accounts	**(1,243,234)**	(1,034,139)
Total assets reported in interim consolidated statements of financial position	**P 11,584,510**	P 10,814,792
Liabilities		
Segment liabilities	**P 3,375,987**	P 2,755,058
Deferred tax liabilities	**4,360**	4,360
Elimination of intercompany accounts	**(264,159)**	(159,066)
Total liabilities reported in interim consolidated statements of financial position	**P 3,116,188**	P 2,600,352

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of November 30, 2016 and May 31, 2016 are shown below.

	November 30 (Unaudited)	May 31 (Unaudited)
Cost	**P 7,262,257,355**	P 6,882,224,559
Accumulated depreciation and amortization	**(1,470,900,591)**	(1,171,902,998)
Net carrying amount	**P 5,791,356,764**	P 5,710,321,561

A reconciliation of the carrying amounts of property and equipment at the beginning and end of six months ended November 30, 2016 and two months ended May 31, 2016 are shown below.

	November 30 (Unaudited)	May 31 (Unaudited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 5,710,321,561**	P 4,423,746,294
Additions	**206,731,353**	45,509,395
Property and equipment of newly acquired subsidiary	**-**	1,018,958,841
Reclassifications – net	**-**	263,376,886
Depreciation and amortization charges for the period	**(125,696,150)**	(41,269,855)
Balance at end of period net of accumulated depreciation and amortization	**P 5,791,356,764**	P 5,710,321,561

In May 2016, the lease agreement with between EACCI and EAEFI was pre-terminated. Accordingly, certain portions of EACCI's school building which were previously classified as investment properties were transferred to Property and Equipment account. This represents the cost allocated to the portion of the building which was leased out to EAEFI.

The carrying value of property and equipment also includes the capitalized borrowing costs incurred on bank loans obtained to finance the purchase of land and the eventual construction of the school building which forms part of the qualifying asset to be leased out to FEU Alabang, Inc. During the fiscal year ended March 31, 2015, the University temporarily ceased the capitalization of borrowing costs due to the temporary suspension of active developments on the qualifying asset. The University continued the capitalization of borrowing costs starting fiscal year ended March 31, 2016 upon the formal ground-breaking for the full construction of the future FEU-Alabang campus (see Note 10).

As of November 30, 2016 and May 31, 2016, certain portion of RCI's land amounting to P177.19 million were used as collateral for its loans payable (see Note 10).

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 November 30, 2016 and May 31, 2016 are shown below.

		November 30 (Unaudited)		May 31 (Unaudited)
Cost	**P**	**360,651,635**	P	454,379,769
Accumulated depreciation and amortization	**(**	**152,363,873)**	(	250,697,049)
Net carrying amount	**P**	**212,287,762**	P	203,682,720

A reconciliation of the carrying amounts of investment property at the beginning and end of six months ended November 30, 2016 and two months ended May 31, 2016 is shown below.

		November 30 (Unaudited)		May 31 (Unaudited)
Balance at beginning of period net of accumulated depreciation and amortization	**P**	**203,682,720**	P	563,137,344
Additions		**14,395,911**		4,425,318
Reclassifications – net		**-**	(	360,316,554)
Depreciation and amortization charges for the period	**(**	**5,790,869)**	(	3,563,388)
Balance at end of period net of accumulated depreciation and amortization	**P**	**212,287,762**	P	203,682,720

Reclassifications include obligations related to condominium units bought by FRC at pre-selling stage and yet to be constructed which is initially recognized as part of Construction in progress account. Accordingly, these had been derecognized together with the entire amount of the corresponding Notes payable balance.

Information about the fair value measurement and disclosures related to investment properties are presented in Note 6.4.

There was no disposal of investment property during the six months ended November 30, 2016 and the two month ended May 31, 2016.

10. INTEREST-BEARING LOANS

The University's interest-bearing loans as of November 30, 2016 and May 31, 2016 are as follows:

Outstanding Principal Balance (in Million Pesos) November 30, 2016 (Unaudited)	May 31, 2016 (Unaudited)	Explanatory Notes	Interest Rate	Security	Maturity date
P 800.0	P 800.0	(a)	Base interest* plus 0.75% or prevailing rate on special deposit accounts	Unsecured	2023
680.0	680.0	(b)	Base interest* plus 0.75% or prevailing rate on special deposit accounts	Unsecured	2022
150.0	-	(c)	Annual interest of 2.5%	Unsecured	2023
7.3	8.3	(d)	Annual interest of 8.5%	Secured	2019
-	4.0	(e)	Annual interest of 11%	Secured	2017
P 1,637.3	P 1,492.3				

* *Base interest rate is determined from the Philippine Dealing System Treasury Reference three-month bid yields for Philippine government securities.*

(a) In May 2016, the University obtained a P800.0 million unsecured and interest-bearing loan from a local commercial bank. The proceeds of the loan will be used for the University's general capital expenditure requirements including acquisitions of business and general corporate funding requirements. Principal amount is payable over 21 quarterly payments to start after a two-year grace period from loan availment date. The loan is unsecured and interest-bearing and does not have any significant nor restrictive covenants.

(b) In June 2015, the University availed of a credit line facility with another local commercial bank amounting to P1.0 billion, which will be used to finance the acquisition of a real estate property and its related capital expenditure requirements (see Note 8). The University's initial loan drawdown amounted to P680.0 million and is payable within seven years, with the first principal payment to be made in June 2017. The loan is unsecured and interest-bearing and does not have any significant nor restrictive covenants.

(c) Loan availed from a local bank amounting to P150.0 million. The principal amount is payable in 21 quarterly payments starting at the end of the two-year grace period after initial availment date. The loan is unsecured and interest-bearing.

(d) In May 2011, RCI signed a financing agreement with Development Bank of the Philippines (DBP) in which the School availed of a P25.0 million loan secured by a mortgage involving certain portion of RCI's land situated in Rodriguez, Rizal (see Note 8). The proceeds of the loan were used to fund the day-to-day operations of RCI. The loan is payable in seven years with a grace period of one year, divided into 24 consecutive quarterly payments.

(e) In December 2013, RCI signed a promissory note with Rizal Commercial Banking Corporation (RCBC) in which RCI availed of a P4.0 million secured loan by a mortgage involving certain portion of RCI's land situated in Marikina (see Note 8). The proceeds of the loan were used for working capital of RCI. The loan is renewable every six months and bears an interest of 11% per annum. The loan was paid in full in June 2016.

(f) In April 2016, the University also obtained a P500.0 million unsecured and interest-bearing loan from the same local commercial bank to be used for strategic investments and working capital requirements. The total principal amount is covered by two separate loan agreements amounting to P380.0 million and P120.0 million. The loan is payable in 30 days, with a fixed annual interest of 3%. In May 2016, the University fully settled the principal amount of the loan.

11. DIVIDENDS

On June 21, 2016, the University's BOT approved the declaration of a cash dividend of P12 per share (or equivalent to P197.7 million) to all stockholders on record as of July 5, 2016, payable on July 19, 2016.

12. EQUITY

12.1 Capital Stock

As of November 30, 2016 and May 31, 2016, the University has 20,000,000 shares of authorized capital stock, of which 16,477,023 were issued and outstanding, with par value of P100 per share.

Also, the University's treasury stock acquired in prior years amounted to P3.7 million, or 37,331 shares, as of November 30, 2016 and May 31, 2016.

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 November 30, 2016 and May 31, 2016, 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 10,785,291 and 10,816,929 listed shares, which is equivalent to 65.60% and 65.64%, held by related parties as at November 30, 2016 and May 31, 2016, respectively, while there are 5,655,868 and 5,660,754 listed shares owned by the public which is equivalent to 34.40% and 34.36% of the total outstanding shares as at November 30, 2016 and May 31, 2016, respectively.

As of November 30, 2016 and May 31, 2016, the closing price of the University's listed shares were 954 and P970, respectively, per share.

12.2 Treasury Stock

This account also includes the University's common shares held and acquired by FRC in various dates during the year ended March 31, 2015 until the current period ended November 30, 2016. 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. Accordingly, the Group's treasury stocks amounted to P48.4 million and P38.7 million as of November 30, 2016 and May 31, 2016, respectively, which consist of 73,195 shares and 70,316 shares, respectively.

A portion of the University's retained earnings is restricted for dividend declaration up to the cost of treasury stocks, 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 November 30, 2016 and May 31, 2016 (both periods unaudited):

Property and investment acquisition	P	2,250,000,000
Expansion of facilities		187,000,000
General retirement		90,000,000
Purchase of equipment and improvements		33,000,000
Contingencies		10,000,000
Treasury shares		3,733,100
	P	**2,573,733,100**

There has been no changes in the appropriated retained earnings during the six months ended November 30, 2016 and during the two months ended May 31, 2016.

13. EARNINGS PER SHARE

EPS amounts were computed as follows:

		November 30, 2016 (Six Months - Unaudited)		November 30, 2015 (Six Months - Unaudited)
Net profit attributable to owners of the parent company	**P**	**342,107,750**	P	741,650,571
Divided by weighted average number of shares outstanding, net of treasury stock		**16,443,437**		16,449,038
Basic and diluted EPS	**P**	**20.81**	P	45.09

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 ICFS. The management is of the opinion that losses, if any, from these items will not have any material impact on the ICFS.

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 November 30, 2016 and May 31, 2016, under review is summarized as follows:

	November 30 (Unaudited)	May 31 (Unaudited)
Total liabilities	**P 3,116,188,427**	P 2,600,351,891
Total equity attributable to owners of the parent company (excluding treasury shares and revaluation reserves)	**6,537,729,414**	6,392,950,120
Debt-to-equity ratio	**0.48 : 1.00**	0.41 : 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. Starting the current fiscal year, revenue from such source started to be earned only in August, based on a new academic calendar. Accordingly, tuition revenue for the six months ended November 30, 2016 represents only 39.7% of the annual tuition revenue for the fiscal year ended March 31, 2016.