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, 2018

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) 849-4000

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

   -

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	16,477,023

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

    ☑ Yes ☐ No

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

    Philippine Stock Exchange, Inc.

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

Far Eastern University, Incorporated
FEU

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

For the period ended	Nov 30, 2018
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Nov 30, 2018	May 31, 2018
Current Assets	3,958,769,012	4,990,263,830
Total Assets	14,373,887,673	13,187,394,408
Current Liabilities	3,551,126,506	2,742,460,623
Total Liabilities	4,774,994,435	4,145,997,280
Retained Earnings/(Deficit)	5,674,223,854	5,357,541,295
Stockholders' Equity	9,598,893,238	9,041,397,128
Stockholders' Equity - Parent	7,143,554,044	6,862,186,284
Book Value per Share	435	418

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,174,450,776	844,587,055	1,664,792,020	1,280,545,453
Gross Expense	650,432,718	550,143,403	1,134,109,271	990,507,713
Non-Operating Income	34,502,249	39,481,364	85,558,452	100,057,466
Non-Operating Expense	27,932,215	22,631,098	44,339,054	38,338,779
Income/(Loss) Before Tax	524,018,058	294,443,652	530,682,749	290,037,740
Income Tax Expense	45,134,768	25,853,180	53,121,049	42,083,745
Net Income/(Loss) After Tax	478,883,290	268,590,472	477,561,700	247,953,995
Net Income Attributable to Parent Equity Holder	462,631,979	256,069,284	454,257,235	227,717,420
Earnings/(Loss) Per Share (Basic)	28.17	15.59	27.66	13.86
Earnings/(Loss) Per Share (Diluted)	28.17	15.59	27.66	13.86

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	43.76	38.66
Earnings/(Loss) Per Share (Diluted)	43.76	38.66

Other Relevant Information
-

Filed on behalf by:

Name	Santiago Jr. Garcia
Designation	Corporate Secretary/Compliance Officer

FAR EASTERN UNIVERSITY

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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, 2018**
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) 849-4000**

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

SANTIAGO L. GARCIA, JR.
Corporate Secretary

GLENN Z. NAGAL
Comptroller

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

ARNUALDO B. MACAPAGAL
Chief Accountant

Manila
14 January 2019

Management's Discussion and Analysis or Plan of Operation

As an academic institution, the Far Eastern University (FEU or the University) 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 strong as of November 30, 2018.

Consolidated total assets of the Group increased by P1,186.49 million to P14,373.89 million as of the report date. Current assets was lower by P1,031.49 million, while non-current assets increased by P2,217.99 million.

The decline in current assets is mainly attributable to the decreased balances of other short-term investments and advances to suppliers, which are presented as part of other current assets. Also, there was a significant decrease in cash and cash equivalents, mainly due to the cash outflows used in investing and financing transactions. For the non-current assets, it grew mainly due to the additions in property and equipment during the period, particularly pertaining to construction costs recognized as construction-in-progress related to the ongoing construction of the FEU-Alabang campus and school building constructions and improvements in FEU-Manila, FEU-Diliman, FEU-Cavite and Roosevelt College, Inc. (RCI) campuses, and additional investments in financial assets at fair value through other comprehensive income (FVOCI) held by East Asia Computer Center, Inc. (EACCI or FEU Tech).

Consolidated total liabilities went up by P629.0 million to P4,774.99 million. Current liabilities increased by P808.67 million, while non-current liabilities went down by P179.67 million. The increase in total liabilities is primarily due to deferred tuition revenues pertaining to the first semester enrollment.

Consolidated total equity as of November 30, 2018 has grown to P9,598.89 million, higher by P557.50 million compared to the current period's beginning balance of P9,041.40 million. The growth in equity is mainly from the net income earned during the period and increase in Non-controlling Interest (NCI) as a result of the issuance of FEU Alabang, Inc.'s preferred shares.

Consolidated Results of Operation

The Group registered a net income after tax amounting to P447.56 million for the six months ended November 30, 2018, an improvement from the net income of P247.95 million covering the same period last year.

Total revenues registered a 34% increase, resulting mainly from educational revenues due to the return of freshmen enrollees in the tertiary schools. The current Academic Year (AY) marks the first batch of Senior High School graduates moving to college level.

Costs and other operating expenses rose by 15% due mainly to the increased student population during the current AY and the start of operations of FEU Alabang, Inc.

Other comprehensive income pertains to mark-to-market movement of financial assets at FVOCI.

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.

With the improvement in tertiary freshmen enrollment, resulting to a total of 39,892 first semester student population of the FEU system, completion of various facilities construction and improvements, and a continuous effort to attain operational cost efficiency, the Group is confident that it will maintain steady operations and meet its budget for the year.

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

Significant changes in real accounts as of November 30, 2018, compared to May 31, 2018
(Amounts in Philippine Peso)

			November 30		May 31		Increase (Decrease)	%
1	Cash and cash equivalents	**P**	**661,535,122**	P	855,331,501	(P | 193,796,379)	-23%
2	Trade and other receivables – net		**1,192,313,720**		543,281,650		649,032,070	120%
3	Financial assets at FVOCI		**2,310,975,629**		--		2,310,975,629	100%
3	Available-for-sale financial assets		**--**		2,296,015,480	(| 2,296,015,480)	-100%
4	Investments at amortized cost		**983,203,630**		--		983,203,630	100%
4	Held-to-maturity investments		**--**		297,284,616	(| 297,284,616)	-100%
5	Property and equipment – net		**8,139,559,571**		7,205,631,433		933,928,138	13%
6	Other current assets		**442,662,234**		1,351,564,894	(| 908,902,660)	-67%
7	Trade and other payables		**1,603,152,643**		1,305,696,027		297,456,616	23%
8	Interest-bearing loans		**2,332,857,143**		2,517,142,858	(| 184,285,715)	-7%
9	Deferred revenues		**689,968,258**		176,907,478		513,060,780	290%
10	Revaluation reserves	**(**	**58,640,848)**	(	25,739,204)	(	32,901,644)	-128%
11	Retained earnings		**5,674,223,854**		5,357,541,295		316,682,559	6%
12	Non-controlling interest		**2,455,339,194**		2,179,210,844		276,128,350	13%

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

			2018		2017		Increase (Decrease)	%
INCOME								
1	Educational revenues - net	**P**	**1,557,384,515**	P	1,160,805,327	P	396,579,188	34%
2	Finance income		**61,707,771**		78,798,284	(	17,090,513)	-22%
3	Rental		**21,258,873**		18,953,526		2,305,347	12%
4	Other income		**23,850,681**		21,259,182		2,591,499	12%
EXPENSES								
1	Salaries	**P**	**448,281,358**	P	423,408,073	P	24,873,285	6%
2	Employee benefits		**137,539,091**		122,040,443		15,498,648	13%
3	Books, subscriptions and academic materials		**14,158,297**		32,820,342	(	18,662,045)	-57%
4	Travel and business		**23,939,349**		17,755,135		6,184,214	35%
5	Supplies, materials and other non-capitalized assets		**36,714,672**		15,177,537		21,537,135	142%
6	Utilities		**66,944,049**		46,953,585		19,990,464	43%
7	Janitorial services		**24,776,429**		16,638,958		8,137,471	49%
8	Insurance		**1,785,774**		3,502,503	(	1,716,729)	-49%
9	Repairs and maintenance		**12,706,463**		9,816,132		2,890,331	29%
10	Security services		**22,860,443**		21,270,609		1,589,834	7%
11	Depreciation		**167,273,728**		146,589,297		20,684,431	14%
12	Publicity and promotions		**8,584,237**		4,132,573		4,451,664	108%
13	Professional fee		**33,374,114**		26,059,460		7,314,654	28%
14	Taxes and licenses		**4,656,831**		8,394,824	(	3,737,993)	-45%

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

EXPENSES

15	Provision for impairment loss	**25,827,716**	10,081,469	15,746,247	156%
16	Other instructional and academic	**16,586,508**	9,436,874	7,149,634	76%
17	Other maintenance and university operations	**9,925,780**	8,105,910	1,819,870	22%
18	Other administrative and general	**20,317,731**	17,129,490	3,188,241	19%
19	Finance cost	**44,339,054**	38,338,779	6,000,275	16%

Causes of material changes in real accounts as of November 30, 2018, compared to May 31, 2018

TOTAL ASSETS

Consolidated total assets of the Group grew by P1,186.49 million due to the following significant movements in the accounts:

1. Cash and cash equivalents

Cash and cash equivalents had a net decrease of P193.80 million mainly due to cash outflows resulting from fixed asset additions, loan payments, net additional investment in financial assets at FVOCI and dividend payments. The decrease in cash is partially offset by cash inflow from additional issuance of preferred shares to NCI and net cash inflow from operations.

2. Trade and other receivables

Trade and other receivables grew by P649.03 million mainly due to tuition fee receivables from students pertaining to first semester enrollments.

3. Financial assets at FVOCI

Balance in the account pertains to the reclassified investments from Available-for-sale (AFS) Financial Assets account, due to the application of *Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments.*

AFS financial assets

The account has zero balance as of the report date due to reclassification to Financial Assets at FVOCI and Investments at Amortized Cost classifications due to the application of *PFRS 9, Financial Instruments*.

4. Investments at amortized cost

Balance in the account pertains to the reclassified investments from Held-to-maturity Investments account, due to the application of *Philippine Financial Reporting Standards (PFRS) 9, Financial Instruments.*

HTM Investments

The account has zero balance as of the report date due to reclassification to Investments at Amortized Cost account, due to the application of *PFRS 9, Financial Instruments*.

For Items 3 and 4, the Groups total investments increased by P700.88 million due to additional investments made during the period by EACCI.

5. Property and equipment

Property and equipment increased by P933.93 million mainly due to the construction costs recognized as construction-in-progress pertaining to the construction of the FEU-Alabang campus, school building in FEU-Manila campus (Lerma property), EACCI's construction costs for a school building in Diliman campus, and building improvements of RCI and Far Eastern College-Silang, Inc. (FECSI or FEU-Cavite).

6. Other current assets

Other current assets went down by P908.90 million mainly due to the decrease in other short-term investments of FEU and EACCI, and in the balance of Advances to Suppliers account of FEU Alabang, Inc.

TOTAL LIABILITIES

Consolidated total liabilities of the Group increased by P629.0 million due to the following significant movements in the accounts:

7. Trade and other payables

Trade and other payables grew by P297.46 million which is mainly attributable to the increase in FEU's accounts payable to suppliers, EACCI's payable to a related party and FEU Alabang, Inc.'s retention payable.

8. Interest-bearing loans

The outstanding balance of interest-bearing loans dropped by P184.29 million mainly due to partial principal repayments made by FEU.

9. Deferred revenue

Deferred revenues grew by P513.06 million arising from tuition fees collected and charged/billed which were not yet earned as of the report date. As of the end of the six-month report period, only a portion of the total tuition fees collected and charged for the first semester/trimester was recognized as income by the University, FEU Tech, FEU-Cavite, FEU Senior High School and RCI. Moreover, portion of the increase pertains to that of FEU-Alabang, which started operations during the year.

EQUITY

Consolidated total equity of the Group increased by P557.50 million. Significant movements in equity were as follows:

10. Revaluation reserves

Revaluation reserves went down by P32.90 million due to the net downward fluctuations in the fair value of various investments which are accounted for as Financial Assets at FVOCI.

11. Retained Earnings

The increase in Retained Earnings, amounting to P316.68 million, is mainly due to the current period net income attributable to the owners of the parent company, which is partially offset by dividend declaration.

12. Non-controlling Interest (NCI)

NCI increased by P276.13 million due to the issuance of preferred shares by FEU Alabang, Inc. and share of NCI in the income of Fern Realty Corporation (FRC) and RCI.

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

The Group's consolidated net income (income after tax) increased by P229.61 million mainly due to the following:

INCOME

1. Educational revenues-net

Educational revenues – net improved by P396.58 million primarily due to increased enrollment for the first semester of AY 2018-2019. System-wide enrollment reached the 40,000 level compared to last year's 33,000. Student enrollment increased, particularly in the tertiary level, due to the first batch of senior high school students moving up to the college level during the current AY. Moreover, the start of operations of FEU-Alabang also contributed to the improvement in educational revenues.

2. Finance income

Finance income was lower by P17.09 million, which is mainly contributed by FEU due to slower market performance of investments.

3. Rental income

Rental income grew by P2.31 million, which is mainly from FRC operations.

4. Other income – net

Other income increased by P2.59 million which is mainly from FEU's income on the sale of books and merchandise to students.

EXPENSES

1. **Salaries** expense increased by P24.87 million as the expense item increased in all entities within the Group due to the increase in student population, except for RCI due to lower employee headcount for the period. Significant portion of the increase comes from EACCI, due to additional teaching positions for the Diliman campus, and FEU Alabang, Inc. for its initial year of operations.

2. **Employee Benefits** expense increased by P15.50 million. The increase is evident in all entities within the Group; significant portion comes from RCI due to actual retirement payouts for certain employees, and EACCI, related to additional teaching positions

3. **Books, subscriptions and academic materials** expenses dropped by P18.66 million which mainly pertain to RCI's expense incurred for students' and teachers' materials. During the period, the "Genyo" learning platform used by RCI was taken out and was replaced with the more cost-efficient Canvas learning management system.

4. **Travel and business** expenses was higher by P6.18 million which is mainly attributable to FEU's expenditures for increased attendance to various academic conferences and seminars, and the other incidental expenses.

5. **Supplies, materials and other non-capitalized assets** expense increased by P21.54 million mainly due to FEU's increased office supplies usage, and FEU Alabang, Inc.'s expense in its first year of operations.

6. **Utilities** expense is higher by P19.99 million mainly attributable to FEU, due to the increase in consumption and usage resulting from more students served during the period, and FEU Alabang, Inc., resulting in its first year of operations.

7. **Janitorial services** expense grew by P8.14 million due to an increase in contracted services resulting from more students served during the period.

8. **Insurance** expense declined by P1.72 million. For the same period last year FEU Alabang, Inc. incurred certain basic engineering insurance related to the construction of its school campus; no same expense was incurred for the current year.

9. **Repairs and maintenance** expense increased by P2.89 million due to normal facilities repairs and improvements.

10. **Security services** expense increased by P1.59 million mainly due to increase in contracted services resulting from more students served during the period.

11. **Depreciation** expense went up by P20.68 million mainly due to the commencement of depreciation of the portion of FEU-Alabang building which is already in use.

12. **Publicity and promotions** expense was higher by P4.45 million mainly due to the increased advertising expenses incurred by FEU, EACCI and RCI.

13. **Professional fees** expense grew by P7.31 million which is mainly due to the amounts incurred by FEU, EACCI and RCI for various honoraria for student research advisers, panel judges and consultants, and for review classes.

14. **Taxes and licenses** expense was reduced by P3.74 million. During the same period last year, FEU Alabang, Inc. paid for documentary stamp taxes related to the increase in its capitalization; no same expense was incurred during the period.

15. **Provision for impairment loss** increased by P15.75 million mainly due to FEU's recognition of an additional allowance for doubtful student accounts during the period; no same expense was recognized during the same period last year.

16. **Other instructional and academic** expense went up by P7.15 million mainly due to the academic-related expenditures incurred by FEU and FECSI including membership fees for various local and international educational and sports organizations; increased academic service-related expenses including other outside services, photocopy, printing and binding, and incentives among others; and FEU High for fieldtrips and related student activities.

17. **Other maintenance and university operations** expense increased by P1.82 million mainly due to other maintenance-related outside services engaged by FEU.

18. **Other administrative and general** expenses pertain to various miscellaneous expenses of the Group. The amount grew by P3.19 million due to increased amounts incurred for these items during the period.

19. **Finance cost** pertains mainly to the interests incurred on loans payable. The amount increased by P6.0 million mainly due to repricing of interest rates on short-term loans of FEU.

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. The 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, 2018	May 31, 2018	November 30, 2017
1.11 : 1	1.82 : 1	2.63 : 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, 2018	May 31, 2018	November 30, 2017
1.0 : 1	1.62 : 1	2.80 : 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 below and on the following page.

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

November 30, 2018	May 31, 2018	November 30, 2017
50%	46%	41%

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, 2018	May 31, 2018	November 30, 2017
33%	31%	29%

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

November 30, 2018	May 31, 2018	November 30, 2017
67%	69%	71%

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, 2018 ***(Six Months)***	May 31, 2018 *(One Year)*	November 30, 2017 *(Six Months)*
3%	4%*	2%*

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, 2018 ***(Six Months)***	May 31, 2018 *(One Year)*	November 30, 2017 *(Six Months)*
5%	6%*	3%*

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

November 30, 2018 ***(Six Months)***	May 31, 2018 *(One Year)*	November 30, 2017 *(Six Months)*
P 27.66	P 29.96*	P 13.86*

Decrease in net income due to the implementation of K-12. There were lesser college freshmen and sophomore students (see* ***Note 12* *on* ***Page 24****)*

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IV. Product/Service Standard

- **FEU**

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

FEU gained the **ASEAN University Network Membership** last August 10, 2017.

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 Communication***
- ***Bachelor of Science in Business Administration major in:***
  - *Business Economics*
  - *Financial Management*
  - *Marketing Management*
  - *Human Resource Development Management*
  - *Business Management*
  - *Internal Auditing*
  - *Legal Management*
- ***Bachelor of Science in Accountancy***
- ***Bachelor of Science in Applied Mathematics with Information Technology***
- ***Bachelor of Science in Biology***
- ***Bachelor of Science in Psychology***
- ***Bachelor of Elementary Education***
- ***Bachelor of Secondary Education***

PACUCOA has granted Level II Reaccredited status to the following programs from February 2017 to February 2022:

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

PACUCOA has granted Level II Reaccredited Status to the following programs from May 2018 to May 2023:

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

PACUCOA has granted Level I Status from February 2017 to February 2022 to ***Bachelor of Science in Architecture*** program.

PACUCOA has granted Level I Status from November 2016 to November 2019 for the following programs:

- ***Bachelor of Arts in International Studies***
- ***Bachelor of Science in Medical Technology***
- ***Bachelor of Science in Tourism Management***
- ***Bachelor of Fine Arts in Advertising Arts***
- ***Bachelor of Fine Arts in Painting***

Moreover, PACUCOA has granted Candidate status from May 2018 to May 2020 to the following programs:

- ***Master of Arts in Biology***
- ***Master of Arts in Communication***

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

Bachelor of Science in Business Administration was awarded **Center of Development** by the Commission on Higher Education (CHED) from April 1, 2016 to December 31, 2018.

Teacher Education Program was awarded **Center of Excellence** by the CHED until December 31, 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 *Associate* by *The International Centre of Excellence in Tourism and Hospitality Education (THE-ICE)* from February 2017 to February 2021.

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

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:

- **Individual placers in the September 2018 Medical Technologist Licensure Examination – 4th, 5th , 6th and 9th Placers**

- **Individual placer in the October 2018 Certified Public Accountant Licensure Examination – 5th Placer**

- **Individual placer in the October 2018 Psychometrician Licensure Examination – 5th Placer**

- **FEU Tech *(operated by EACCI)***

  Although incorporated in 1992, EACCI, started doing business under the name and style FEU Institute of Technology (or "FIT" or "FEU Tech") only in 2014. In March 2018, it began to use the name and style FEU Diliman as well. It continues to strive to remain among the best educational institutions providing quality education in the fields of Engineering and Information Technology.

  FEU Tech's ***BS Information Technology*** program has Level II accreditation from PAASCU, while it's ***BS Civil Engineering*** and ***BS Computer Engineering*** programs have Level I accreditation.

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

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

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

  FEU Cavite achieved significant milestones that brought it closer to its aspirations of achieving regulatory excellence, referring to compliance with government requirements and standards; matched excellence, or having graduates who are equipped with the right knowledge, skills, and behaviors needed in moving to the next level of learning and in being employed in fields of endeavor where they can best contribute; and adaptive excellence, or having students equipped with critical thinking skills that will help them face local and global demands.

  FEU Cavite continued its pursuit of quality education through various faculty training programs and student development activities that made work and educational experiences more fulfilling and enriching. Industry linkages and organizational partnerships were also continuously strengthened through benchmarking on evidenced-based best practices for curriculum improvement, program development, and other collaborative activities.

Overall, FEU Cavite has embarked on curricular and infrastructure projects to advance its program offering. The projects include curriculum mapping, preparation for use of Canvas as a new learning management system, alignment of syllabi to outcomes-based education, curriculum revision, and program reviews. Additional personnel was also hired in key non-academic service units alongside high-quality teachers to serve the expanded population of senior high school.

- **FEU Senior High School *(operated by FEU High School, Inc.)***

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

The FEU Senior High School offers four strands under the Academic Track of the Department of Education two-year senior high school program:

- ***Science, Technology, Engineering and Mathematics (STEM)***
- ***Accounting, Business and Management (ABM)***
- ***Humanities and Social Sciences (HUMSS)***
- ***General Academic Strand (GAS) – with sub-specializations of Tourism, Arts and Design, and Sports and Health***

The academic offerings are complemented with the following special programs that foster experiential learning and development of leadership, social skills, and service among the students:

- *FEU HS Integrated Enhancement and Reinforcement Classroom Experience (FIERCE) – Summer Program;*
- *Student Training on Responsible Individuality and Development Enhancement Sessions (STRIDES);*
- *Multiple Intelligence Learning Enhancement Sessions (MILES) – Club Program;*
- *Student Alternative Integrated Learnings Sessions (SAILS) – Alternative Classes;and,*
- *Student Academic Intervention Program (SAiVE)*

FEU Senior High School aims at solidifying its ground as a premier senior high school, true to the FEU brand of excellence but having its own distinct identity.

- **Roosevelt College *(operated by RCI)***

  Roosevelt College lays claim to a long history of establishing good-quality nonsectarian private high schools, first as Marikina Academy in 1933 and as RCI starting 1946. Soon after its founding, the academy ranked among the top 20 of the 70 private high schools in the Philippines. As it became a member of the FEU group of schools in 2016, RCI is expected to carry forward FEU's mark of offering quality educational programs and facilities, while improving its accessibility to more Filipino families.

  The previous academic year marked by the outstanding performance of students from different grade levels. Notable student accomplishments include the following: Center for Educational Management (CEM) post-tests, RCI students obtained scores that are equal to or higher than the population mean of all CEM clients; a student from RCI Cainta placed third in a national quiz contest, and a student from Rodriguez campus was named one of the Ten Outstanding Boy Scouts of the Philippines.

  In terms of accreditation, RCI campuses maintain evidence of continuous growth. The Rodriguez campus was granted Level II accreditation by PAASCU and is slated for an interim visit this school year. The Marikina and Cubao campuses were recertified by the Private Education Assistance Committee (PEAC) in February 2018, while the Cainta campus is due for PEAC visit in AY 2018-2019.

  Roosevelt College Inc. offers the following degree programs and short programs:

  - **Basic Education Program: K-12**
  - **Developmental Kindergarten for 4-year olds** *(RCI Cainta and RCI Rodriguez)*
  - **Special Science Program for Junior High School students with high aptitude in Science, Math, and English** *(RCI Cainta)*
  - **Senior High School**
    - *Academic Track: ABM, HUMSS, and STEM strands*
    - *Tech-Vocational: Home Economics strand (RCI Rodriguez only)*

- **Tertiary Education** *(RCI Cainta only, except if otherwise indicated)*

  Undergraduate Programs

  - *AB Broadcasting*
  - *AB Psychology (RCI Marikina)*
  - *Bachelor of Elementary Education with Specialization in Early Childhood Education*
  - *Bachelor of Elementary Education with Specialization in Special Education*
  - *Bachelor of Secondary Education Major in English*
  - *Bachelor of Secondary Education Major in Mathematics*
  - *Bachelor of Secondary Education Major in Music, Arts, Physical Education and Health*
  - *BS Information Technology (RCI Marikina)*
  - *BSBA Human Resources Management (RCI Marikina)*
  - *BSBA Operations Management (RCI Marikina)*
  - *BS Hotel and Restaurant Management*

  Graduate Program

  - *MA in Education Major in Educational Management*
  - *MA in Education Major in Educational Technology*
  - *MA in Education Major in Teaching in the Early Grades*
  - *MA in Education Major in Social Studies*
  - *MA in Education Major in Filipino Education*
  - *MA in Education Major in Mathematics Education*
  - *MA in Education Major in Science Education*
  - *MA in Education Major in English Studies & Instruction*
  - *MA in Education Major in Guidance & Counselling*
  - *MA in Education Major in Special Education*
  - *Teacher Certificate Program*

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

  FEU Alabang strengthens the Group's commitment to giving students a complete academic experience. Being the sixth campus of FEU, it serves as the continuing realization of Dr. Nicanor Reyes Sr.'s aspiration that all graduates of the FEU community build rewarding careers in professions that will be beneficial to the country's growth.

  Set to become one of the pioneering academic institutions in the area, FEU Alabang offers the following programs:

  Senior High School

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

  College of Engineering

  - *Bachelor of Science in Civil Engineering*
  - *Bachelor of Science in Computer Engineering*
  - *Bachelor of Science in Electronics Engineering*
  - *Bachelor of Science in Electrical Engineering*
  - *Bachelor of Science in Mechanical Engineering*
  - *Bachelor of Science in Manufacturing Engineering*

  College of Computer Studies and Multimedia Arts

  - *Bachelor of Arts in Multimedia Arts*
  - *Bachelor of Science in Computer Science*
  - *Bachelor of Science in Entertainment and Multimedia Computing*

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)
2014 - 2015	31,869	-
2015 - 2016	34,163	2,294
2016 - 2017	36,839	2,676
2017 - 2018	33,256	(3,583)
2018 - 2019	39,892	6,636

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, 2018 (Six Months)	May 31, 2018 (One Year)	November 30, 2018 (Six Months)
FINANCIAL POSITION			
Assets:			
Quick assets*	**P 3,526.67**	P 4,432.67	P 5,761.34
Current assets	**3,958.77**	4,990.26	5,416.02
Non-current asset	**10,415.12**	8,197.13	7,214.97
Total assets	**14,373.89**	13,187.39	12,630.99
Liabilities:			
Current liabilities	**P 3,551.13**	P 2,742.46	P 2,061.27
Non-current liabilities	**1,223.87**	1,403.54	1,637.81
Total liabilities	**4,774.99**	4,146.00	3,699.08
Equity:			
Total equity	**P 9,598.89**	P 9,041.40	P 8,931.91
• Attributable to owners of the Parent Company	**7,143.55**	6,862.19	6,819.62
• Non-controlling interest	**2,455.34**	2,179.21	2,112.29
RESULTS OF OPERATIONS*			
Net Profit:			
Operating income	**P 489.46**	P 483.91	P 228.32
Other income - net	**41.22**	156.23	61.72
Net profit before tax	**530.68**	640.14	290.04
Profit after tax	**477.56**	547.63	247.95
• Attributable to owners of the Parent Company	**454.26**	492.23	227.71
• Non-controlling interest	**23.30**	55.40	20.24
Other Comprehensive Income:			
Other comprehensive income (loss)	**(P 38.66)**	(P 64.80)	P 16.96
Total comprehensive income	**438.90**	482.83	264.91

	For the periods ended:		
	November 30, 2018 (Six Months)	May 31, 2018 (One Year)	November 30, 2017 (Six Months)
Others:			
Weighted average number of shares outstanding	**16,425,387**	16,430,700	16,428,549

* *Quick assets include Cash and Cash Equivalents, Trade and Other Receivables – net, Available-for-Sale Financial Assets (under Current Assets), HTM Investments (under Current Assets) and Short-term Investment which is included as part of Other Current Assets – net.*

** *Decrease in net income due to the implementation of K-12. There were lesser college freshmen and sophomore students (see* ***Note 12 in page 24****)*

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.

   As of November 30, 2018, portion of its campus has been substantially completed. Its operations have started for the AY 2018-2019 with an initial enrollment of 1,124 senior high school, and 578 college students.

10. EACCI, under the trade name FEU Institute of Technology (FEU Tech), started its operations in 2015. FEU Tech is now in full operations. It offers various engineering and information technology courses.

    FEU Tech continuous to be one of the preferred schools for engineering and information technology as it opened its AY 2018-2019 with 7,704 students.

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

    For FEU-Manila and FEU-Cavite, there are three school terms within a fiscal year: Summer Term (June to July for FEU-Manila, while April to May for FEU-Cavite,), First Semester (August to December for FEU-Manila, while June to October for FEU-Cavite) and Second Semester (January to May for FEU-Manila and November to March for FEU-Cavite).

    The first semester has the highest number of students enrolled. The second semester enrollment is approximately 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 FEU Tech, there are three regular terms in a fiscal year: First Term (August to November), Second Term (November to March) and Third Term (March to June).

    The tuition fee increase, if any, usually takes effect during the first semester of a particular school year. Thus, old rates are followed during the summer term while new rates are applied during the first and second semesters. ***Since the first quarter is from June to August, the resulting income for the first quarter is at the lowest among the four quarters of the fiscal year.***

12. The K-12 program of the government is anticipated to have an adverse effect on enrollment, particularly on AY 2017-2018. 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 AY 2016-2017 before being able to move on to the college level. With this, there have been no (or minimal) college freshmen enrollees for the AY 2016-2017 and AY 2017-2018.

In response to the K-12, FEU High School, Inc. (FEU High) was incorporated on June 2014, and was 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. FEU High started its operations beginning AY 2016-2017.

13. On May 12, 2016, pursuant to the Share Purchase Agreement 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.

    During the fiscal year ended May 31, 2017, the University acquired additional 52,349 shares of stock of RCI from various selling stockholders of RCI. The additional shares are equivalent to 17.71% of the total outstanding shares of RCI. As of November 30, 2018, the University owns 97.43% of RCI's total outstanding shares.

14. On March 15, 2016, the University's Board of Trustees 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 on June 30, 2016. Such change became effective on June 1, 2016.

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 AND MAY 31, 2018
(Amounts in Philippine Pesos)

		November 30, 2018 (UNAUDITED)		May 31, 2018 (AUDITED)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**661,535,122**	P	855,331,501
Trade and other receivables - net		**1,189,581,369**		540,342,199
Financial asset at fair value through other comprehensive income		**1,269,566,902**		-
Available-for-sale financial assets		**-**		2,119,491,677
Investments at amortized cost		**271,889,826**		-
Real estate held-for-sale		**123,533,559**		123,533,559
Other current assets - net		**442,662,234**		1,351,564,894
Total Current Assets		**3,958,769,012**		4,990,263,830
NON-CURRENT ASSETS				
Trade and other receivables - net		**2,732,351**		2,939,451
Financial asset at fair value through other comprehensive income		**1,041,408,727**		-
Available-for-sale financial assets		**-**		176,523,803
Investments at amortized cost		**711,313,804**		-
Held-to-maturity investments		**-**		297,284,616
Investment in an associate - net		**6,490,925**		6,490,925
Property and equipment - net		**8,139,559,571**		7,205,631,433
Investment properties - net		**143,919,421**		150,919,929
Goodwill		**186,487,019**		186,487,019
Deferred tax assets - net		**20,795,443**		18,135,377
Other non-current assets		**162,411,400**		152,718,025
Total Non-current Assets		**10,415,118,661**		8,197,130,578
TOTAL ASSETS	**P**	**14,373,887,673**	P	13,187,394,408

	November 30, 2018 (UNAUDITED)	May 31, 2018 (AUDITED)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	**P 1,603,152,643**	P 1,305,696,027
Interest-bearing loans	**1,183,571,429**	1,183,571,429
Derivative liability	**37,972,433**	38,255,313
Deferred revenues	**689,968,258**	176,907,478
Provisions	**18,835,408**	20,076,543
Income tax payable	**17,626,335**	17,953,833
Total Current Liabilities	**3,551,126,506**	2,742,460,623
NON-CURRENT LIABILITIES		
Interest-bearing loans	**1,149,285,714**	1,333,571,429
Post-employment benefit obligation	**49,143,090**	46,138,632
Deferred tax liabilities	**19,489,685**	19,489,685
Other non-current liabilities	**5,949,440**	4,336,911
Total Non-current Liabilities	**1,223,867,929**	1,403,536,657
Total Liabilities	**4,774,994,435**	4,145,997,280
EQUITY		
Equity attributable to owners of the parent company		
Capital stock	**1,651,435,400**	1,651,435,400
Treasury stock - at cost	**(65,678,910)**	(63,265,755)
Revaluation reserves	**(58,640,848)**	(25,739,204)
Other reserves	**(57,785,452)**	(57,785,452)
Retained earnings	**5,674,223,854**	5,357,541,295
Total equity attributable to owners of parent company	**7,143,554,044**	6,862,186,284
Non-controlling interest	**2,455,339,194**	2,179,210,844
Total Equity	**9,598,893,238**	9,041,397,128
TOTAL LIABILITIES AND EQUITY	**P 14,373,887,673**	P 13,187,394,408

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, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2018	2017	**2018**	2017
REVENUES				
Educational				
Tuition fees - net	**P 1,067,430,425**	P 756,690,841	**P 1,484,332,480**	P 1,098,521,235
Other school fees	**59,951,706**	37,202,031	**73,052,035**	62,284,092
	1,127,382,131	793,892,872	**1,557,384,515**	1,160,805,327
Rental	**12,532,985**	10,532,005	**21,258,873**	18,953,526
	1,139,915,116	804,424,877	**1,578,643,388**	1,179,758,853
COSTS AND OPERATING EXPENSES	**(622,500,503)**	(527,512,305)	**(1,089,770,217)**	(952,168,934)
OTHER OPERATING INCOME	**33,411**	680,814	**590,180**	729,134
OPERATING INCOME	**517,448,024**	277,593,386	**489,463,351**	228,319,053
FINANCE INCOME	**24,436,819**	37,941,845	**61,707,771**	78,798,284
FINANCE COSTS	**(27,932,215)**	(22,631,098)	**(44,339,054)**	(38,338,779)
OTHER INCOME	**10,065,430**	1,539,519	**23,850,681**	21,259,182
PROFIT BEFORE TAX	**524,018,058**	294,443,652	**530,682,749**	290,037,740
TAX EXPENSE	**45,134,768**	25,853,180	**53,121,049**	42,083,745
NET PROFIT	**P 478,883,290**	P 268,590,472	**P 477,561,700**	P 247,953,995
Net Profit Attributable to:				
Owners of the parent company	**P 462,631,979**	P 256,069,284	**P 454,257,235**	P 227,717,420
Non-controlling interests	**16,251,311**	12,521,188	**23,304,465**	20,236,575
	P 478,883,290	P 268,590,472	**P 477,561,700**	P 247,953,995
Loss Per Share				
Basic and Diluted	**P 28.17**	P 15.59	**P 27.66**	P 13.86

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, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2018	2017	**2018**	2017
NET INCOME	**P 478,883,290**	P 268,590,472	**P 477,561,700**	P 247,953,995
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Fair value gain (loss) on financial assets at fair value through other comprehensive income				
Fair value gain (loss) during the period	**(49,756,659)**	6,808,816	**(38,012,801)**	16,961,304
TOTAL COMPREHENSIVE INCOME	**P 429,126,631**	P 275,399,288	**P 439,548,899**	P 264,915,299
Total Comprehensive Income Attributable to:				
Owners of the parent company	**P 412,227,985**	P 262,878,100	**P 415,597,099**	P 244,678,724
Non-controlling interests	**16,898,646**	12,521,188	**23,951,800**	20,236,575
	P 429,126,631	P 275,399,288	**P 439,548,899**	P 264,915,299

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, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company								
					Retained Earnings				
	Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Appropriated	Unappropriated	Total	Non-controlling Interests	Total Equity
Balance at June 1, 2018	P 1,651,435,400	(P 63,265,755)	(P 25,739,204)	(P 57,785,452)	P 2,843,733,100	P 2,513,808,195	P 5,357,541,295	P 2,179,210,844	P 9,041,397,128
Reclassifications	-	-	5,758,492	-	-	(5,758,492)	(5,758,492)	-	-
Transactions with owners									
Issuance of shares of stock		-	-	-	-	-	-	260,500,000	260,500,000
Acquisition of treasury stock	-	(2,413,155)	-	-	-	-	-	-	(2,413,155)
Cash dividends	-	-	-	-	-	(131,816,184)	(131,816,184)	(8,323,450)	(140,139,634)
	-	(2,413,155)	-	-	-	(131,816,184)	(131,816,184)	252,176,550	117,947,211
Appropriations of retained earnings									
Reversal of appropriations during the year	-	-	-	-	(673,000,000)	673,000,000	-	-	-
Total comprehensive income (loss)									
Net profit for the period	-	-	-	-	-	454,257,235	454,257,235	23,304,465	477,561,700
Other comprehensive income (loss)	-	-	(38,660,136)	-	-	-	-	647,335	(38,012,801)
	-	-	(38,660,136)	-	-	454,257,235	454,257,235	23,951,800	439,548,899
Balance at November 30, 2018	**P 1,651,435,400**	**(P 65,678,910)**	**(P 58,640,848)**	**(P 57,785,452)**	**P 2,170,733,100**	**P 3,503,490,754**	**P 5,674,223,854**	**P 2,455,339,194**	**P 9,598,893,238**
Balance at June 1, 2017	P 1,651,435,400	(P 49,362,563)	P 39,707,565	(P 57,785,452)	P 2,573,733,100	P 2,554,390,227	P 5,128,123,327	P 2,110,507,070	P 8,822,625,347
Transactions with owners									
Acquisition of treasury stock	-	(5,360,122)	-	-	-	-	-	(7,060,000)	(12,420,122)
Cash dividends	-	-	-	-	-	(131,816,184)	(131,816,184)	(11,395,159)	(143,211,343)
	-	(5,360,122)	-	-	-	(131,816,184)	(131,816,184)	(18,455,159)	(155,631,465)
Appropriations of retained earnings									
Appropriations for the year	-	-	-	-	520,000,000	(520,000,000)	-	-	-
Reversal of appropriations during the year	-	-	-	-	(250,000,000)	250,000,000	-	-	-
	-	-	-	-	270,000,000	(270,000,000)	-	-	-
Total comprehensive income									
Net income for the period	-	-	-	-	-	227,717,420	227,717,420	20,236,575	247,953,995
Other comprehensive income	-	-	16,961,304	-	-	-	-	-	16,961,304
	-	-	16,961,304	-	-	227,717,420	227,717,420	20,236,575	264,915,299
Balance at November 30, 2017	P 1,651,435,400	(P 54,722,685)	P 56,668,869	(P 57,785,452)	P 2,843,733,100	P 2,380,291,463	P 5,224,024,563	P 2,112,288,486	P 8,931,909,181

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, 2018 AND 2017
(Amounts in Philippine Pesos)
(UNAUDITED)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**P 530,682,749**	P 290,037,740
Adjustments for:		
Depreciation and amortization	**167,273,728**	146,589,297
Finance income	**(61,707,771)**	(78,798,284)
Finance cost	**44,339,054**	38,338,779
Operating profit before working capital changes	**680,587,760**	396,167,532
Increase in trade and other receivables	**(649,032,071)**	(282,317,238)
Decrease (increase) in other assets	**910,619,892**	(63,759,847)
Increase (decrease) in trade and other payables	**278,135,891**	(32,990,211)
Increase in deferred revenues	**513,060,780**	314,006,910
Increase (decrease) in provisions	**(1,241,135)**	1,502,648
Increase in post-employment benefit obligation	**3,004,458**	4,049,382
Increase (decrease) in other non-current liabilities	**1,612,529**	(4,525,106)
Cash generated from operations	**1,736,748,104**	332,134,070
Income taxes paid	**(53,448,547)**	(48,994,626)
Net Cash From Operating Activities	**1,683,299,557**	283,139,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	**(1,086,736,588)**	(428,250,724)
Net acquisitions of financial assets at fair value through other comprehensive income	**(726,724,774)**	(56,216,958)
Interest received	**61,424,892**	74,781,422
Acquisition of investments at amortized cost	**(18,807,661)**	(52,500,099)
Advance payment to developers	**(14,070,673)**	(25,180,165)
Additions to investment properties	**(7,464,770)**	(8,851,404)
Proceeds from redemption of investments at amortized cost	**5,931,004**	79,533,831
Net Cash Used in Investing Activities	**(1,786,448,570)**	(416,684,097)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of preferred shares to a related party under common management	**260,500,000**	-
Repayments of interest-bearing loans	**(184,285,715)**	(83,809,524)
Dividends paid	**(120,818,909)**	(194,162,804)
Interest paid	**(43,629,587)**	(35,875,738)
Acquisition of treasury shares	**(2,413,155)**	(12,420,122)
Proceeds from interest-bearing loans	-	470,000,000
Net Cash From (Used in) Financing Activities	**(90,647,366)**	143,731,812
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(193,796,379)**	10,187,159
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**855,331,501**	1,526,201,248
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 661,535,122**	P 1,536,388,407

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
NOVEMBER 30, 2018
(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 16,359,116	P 449,779	P 441,245	P -	P 17,250,140
SSS Sickness Benefit	445,976	-	3,679	-	449,655
Receivable from:					
East Asia Educational Foundation, Inc.	88,429,805	-	-	-	88,429,805
FEU Public Policy Foundation	4,114,957	-	-	-	4,114,957
Alphaland Corporation	510,000	-	-	-	510,000
MOLDEX Realty, Inc.	100,000	-	-	-	100,000
Others	2,385,724	77,806	4,674,273	-	7,137,803
TOTALS	**P 112,345,578**	**P 527,585**	**P 5,119,197**	**P -**	**P 117,992,360**

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2018
(With Comparative Figures as of May 31, 2018)
(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 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, Applied Mathematics, Biology, Accountancy, Business Administration, Tourism, Fine Arts, and Education, are accredited by the Philippine Association of Colleges and Universities Commission on Accreditation.

As at November 30 and May 31, 2018, the University holds interest in the following subsidiaries and associate which were all incorporated and are 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. (FEUAI)	**100%**	100%
FEU High School, Inc. (FEU High)	**100%**	100%
Roosevelt College, Inc. (RCI)	**97.43%**	97.43%
Roosevelt College Educational Enterprises (RCEE)*	**97.43%**	97.43%
Fern Realty Corporation (FRC)	**37.52%**	37.52%
Associate –		
Juliana Management Company, Inc. (JMCI)	**49%**	49%

**Indirectly through the University's ownership of RCI which owns 100% ownership interest in RCEE (see Note 1.2)*

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

Similar to the University, EACCI, FECSI, FEUAI and RCI 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, while RCEE is presently engaged in selling educational school supplies and snacks in the campuses of RCI.

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

As at May 31, 2018, FEUAI 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 (see Note 8). As of November 30, 2018, however, FEUAI already started its operations.

1.2 Acquisition of New Subsidiaries

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 as of May 31, 2016.

During the year ended May 31, 2017, the University acquired additional 52,349 shares of stock of RCI from various selling stockholders of RCI. The additional shares are equivalent to 17.71% of the total outstanding shares of RCI. As of November 30 and May 31, 2018, the University already owns 97.43% of RCI's total outstanding shares.

As of November 30 and May 31, 2018, RCI owns 100% ownership interest in RCEE which was incorporated in 1992.

As at the acquisition date, the fair value of the University's share in RCI's net identifiable assets amounts to P621.8 million resulting in the recognition of goodwill amounting to P186.5 million. The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the University and RCI. The goodwill recognized is subject to annual impairment testing (see Notes 2.4 and 2.16).

Pursuant to the SPA, portion of the cash consideration given is retained by the University to ensure compliance by the selling shareholders of RCI to certain terms of the SPA.

1.3 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 were 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 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. EACCI's application for change in fiscal year was approved by the BIR on April 22, 2016. Such change is effective on July 1, 2016.

1.4 Other Corporate Information

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

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
FEUAI	-	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

1.5 Approval for Issuance of Consolidated Financial Statements

The Interim Consolidated Financial Statements (ICFS) of the Group for the six months ended November 30, 2018 (including the comparatives for the six months ended November 30, 2017) were authorized for issue by the Audit Committee of the BOT on January 10, 2019.

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 and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of the Interim 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 May 31, 2018.

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 May 31, 2018.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2019 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 2019.

(c) Presentation of the 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 Currency 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 Amended PFRS

(a) Effective in Fiscal Year 2019 that are Relevant to the Group

The Group adopted the following amendments and annual improvements to PFRS, which are mandatorily effective for the annual periods beginning on or after January 1, 2018:

PAS 40 (Amendments)	:	Investment Property – Reclassification to and from Investment Property
PFRS 9 (2014)	:	Financial Instruments
PFRS 15	:	Revenue from Contracts with Customers
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28	:	Investment in Associates – Clarification on Fair Value through Profit or Loss Classification

Discussed as follows are relevant information about these amendments and improvements.

(i) PAS 40 (Amendments), *Investment Property – Reclassification to and from Investment Property*. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment also provided a non-exhaustive list of examples constituting change in use. The application of these amendments has no significant impact on the Group's consolidated financial statements.

(ii) PFRS 9 (2014), *Financial Instruments*. This new standard on financial instruments will replace PAS 39 (*Financial Instruments: Recognition and Measurement*) and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

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

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

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

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

Based on an assessment of the Group's financial assets and liabilities as at May 31, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Group's financial assets, management holds most financial assets to collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects that all of the Group's financial assets currently classified as loans and receivables and held-to-maturity (HTM) investments will continue to be classified and accounted for at amortized cost.

- The Group's equity securities, including those investments in unit investment trust funds (UITF) whose underlying assets are in equity securities, currently classified as available-for-sale (AFS) financial assets will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

- Government securities and corporate bonds currently classified as AFS financial assets have fixed interest rates and defined maturity dates. The Group initially assessed that the contractual cash flows of these debt securities qualify under the SPPI test and under held-to-collect and sell business model. Thus, these debt securities will continue to be measured at fair value, with mark-to-market fluctuations recognized in OCI subject to recycling upon disposal of these securities.

- The ECL model will apply to the Group's certain receivables and debt securities under AFS financial assets and held-to-maturity investments. For tuition and other school fees receivables and other financial assets, the Group will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The existing financial liabilities of the Group is measured at amortized cost, except for its derivative liability which is measured at fair value. Upon adoption of PFRS 9 (2014), management has assessed that the classifications for the financial liabilities will be retained.

As of November 30, 2018, the Group is still in the process of assessing its financial assets and liabilities to comply with the requirements of the application of PFRS 9 (2014)

(iii) PFRS 15, *Revenue from Contracts with Customers*. This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on the Group's initial assessment of its revenue streams, which has been limited to the facts and circumstances existing at the report dates, management determined that its significant source of revenue pertains to educational revenues, which will be in scope of PFRS 15.

(iv) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendments), *Investment in Associates – Clarification on Fair Value through Profit or Loss Classification*. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture.

Management has initially assessed that these amendments have no material impact on the Group's consolidated financial statements.

(b) Effective Subsequent to Fiscal Year 2019 but not Adopted Early

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to fiscal year 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 28 (Amendments), *Investment in Associates – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of these amendments on the Group's consolidated financial statements.

(ii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of these amendments on the Group's consolidated financial statements.

(iii) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to a financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard on the Group's consolidated financial statements.

(iv) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

Management is currently assessing the impact of this interpretation on the Group's consolidated financial statements.

(v) Annual Improvements to PFRS 2015-2017 Cycle (effective from January 1, 2019). Among the improvements, the following amendments are relevant to the Group but had no material impact on its consolidated financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization.* The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

- PFRS 3 (Amendments), *Business Combinations*, and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.* The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

(vi) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations,* between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have 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.

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 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, shares of stock 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 following subsidiaries prepare their financial statements for their respective reporting periods using consistent accounting principles as that of the University:

March 31	-	FEU High, FECSI and FRC
May 31	-	RCI and RCEE
June 30	-	EACCI and FEUAI

These subsidiaries follow their respective academic years (i.e., trimestral and semestral), hence, the use of different reporting dates (non-coterminous year-ends) as compared with that of the University.

The University accounts for its investments in subsidiaries, an associate and NCIs as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Group obtains control. The Group 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

An associate is an entity over which the University 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 University's investment.

Changes resulting from the profit or loss generated by the associate, if any, are reported as Other Income or Other Charges, respectively, 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 consolidated other comprehensive income or equity of the Group, as applicable. However, when the University'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 (e.g., dividends) are accounted for as a reduction of the carrying value of the investment.

In computing the University's share in net profit or loss of the associate, unrealized gains or losses on transactions between the University and its associate are eliminated to the extent of the University'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 consolidated profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in consolidated 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 consolidated statement of other comprehensive income are reclassified to consolidated 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 consolidated 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).

Gain on bargain purchase, 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, goodwill is allocated to cash-generating units (CGU) or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (see Note 2.16). 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 consolidated profit or loss or consolidated 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 consolidated profit or loss or as a charge to consolidated 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, *Financial Instruments: Presentation*. 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, HTM investments 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 consolidated profit or loss.

A more detailed description of the categories of financial assets that are relevant to the Group follows:

(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. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in consolidated 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.

The Group entered into a cross-currency swap agreement to manage its risks associated with fluctuations in foreign currency-denominated investments in corporate bonds. The host instruments were classified as AFS financial assets as of May 31, 2016, which were subsequently reclassified to HTM investments during the year ended May 31, 2017. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is favorable to the Group and as liabilities when the fair value is favorable to the counterparty (see Note 2.10). Thus, if derivative asset is recognized, it is presented as Financial Asset at FVTPL; otherwise, it is presented as Derivative Liability in the consolidated statements of financial position.

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

(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. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (excluding advances to officers and employees), as part of Other Current Assets (with respect to short-term investments) and as part of Other Non-current Assets (with respect to refundable deposits) in the consolidated statement of financial position.

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Group were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets. The Group currently holds corporate bonds designated into this category.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any.

(iv) 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 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 consolidated 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 consolidated 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 consolidated other comprehensive income is reclassified from equity to consolidated profit or loss and is presented as reclassification adjustment within consolidated 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 and HTM Investments*

If there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost 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 consolidated profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The 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 consolidated 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 consolidated 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 consolidated statements of profit or loss – is reclassified from Revaluation Reserves to consolidated profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

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

(iii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(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 consolidated 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 consolidated 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 the normal operating cycle of FRC.

2.7 Prepayments and Other Assets

Prepayments and other 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 Group 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, 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, borrowing costs and other direct costs (see Note 2.18). The account is not depreciated until such time that the assets are completed and available for use.

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, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

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 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 consolidated profit or loss in the period the item is derecognized.

2.9 Investment Properties

Investment properties are measured initially at acquisition cost. Subsequently, investment properties, except land, are carried at cost less accumulated depreciation and amortization and impairment in value, if any. Depreciation of investment properties, 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.

Investment properties include construction in progress which represents condominium units of FRC that are still under construction and are stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.18) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Transfers are made to and from investment property when, and only when, there is a change in use, evidenced by the end or commencement of owner-managed, commencement of an operating lease to another party, by the end of construction or development, 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 Group 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 consolidated profit or loss in the year of retirement or disposal.

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).

2.10 Financial Liabilities

Financial liabilities, which include trade and other payables [except tax-related liabilities, Deposits payable and National Service Training Program (NSTP) trust fund], interest-bearing loans, derivative liability and refundable deposits (presented under Other Non-current Liabilities) are recognized when the Group becomes a party to the contractual terms of the instrument.

Trade and other payables account include deposits payable which represents funds collected from students or entities and 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 account also includes Trust funds which represent 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 funds based on the specific purpose for which such funds are identified with.

Interest-bearing loans are availed for capital expenditures and to provide general corporate funding requirements.

Financial liabilities are recognized initially at their fair values and subsequently measured at amortized cost, except derivative liability which is consistently measured at fair value, 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 Group's BOD or BOT.

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 12 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 financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. 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 consolidated 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 consolidated profit or loss until the next reporting period and are presented as part of the Deferred Revenues account in the consolidated statement of financial position. Revenues from NSTP trust funds (see Note 2.10) 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 profit or loss 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 the Deferred Revenues account 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 collectibility of the entire sales price is reasonably assured. This is presented as Other Operating Income in the consolidated statement of profit or loss.

(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 in the consolidated statements 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 consolidated 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 the consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis (see Note 2.18).

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 the consolidated statement of profit or loss 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 the consolidated statement of profit or loss 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 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 consolidated profit or loss, and other changes in the carrying amount are recognized in consolidated other comprehensive income.

2.16 Impairment of Non-financial Assets

The Group's investment in an associate, property and equipment, investment properties, 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. Goodwill, as indicated in Note 2.4, is tested for impairment annually.

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

An impairment loss is recognized in the consolidated profit or loss for the amount by which the asset's or CGU's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flows. In determining value in use, management estimates the expected future cash flows from each CGU 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 CGU and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors. Impairment loss is charged pro-rata to the other assets in the CGU.

All assets, except goodwill for which impairment loss is not reversed (see Note 2.4), 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 CGU'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) No. 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 No. 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.

RCI, which does not have a formal post-employment benefit plan, bases its determination of post-employment benefit obligation on RA No. 7641, which is considered a defined benefit plan. RA No. 7641 provides for a qualified employee 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 No. 7641. 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 whole Group, however, is covered by RA No. 7641. Accordingly, the Group, except RCI, recognizes its post-employment benefit obligation based on the higher of the defined benefit obligation relating to the minimum guarantee required by RA No. 7641 and the obligation arising from the defined contribution plan. RCI accrues its post-employment benefit obligation solely based on minimum guarantee requirement of RA No. 7641.

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 Corp., 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 consolidated 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 the 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) Bonuses

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) 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 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.

2.19 Income Taxes

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

Current tax assets or current tax 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 using 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 deferred tax liabilities are measured at the tax rates that are expected to apply to 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 deferred tax 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 deferred tax liabilities are recognized as a component of tax expense in the consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in the consolidated other comprehensive income or directly in equity are recognized in the consolidated other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset only 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 taxation authority.

2.20 Related Party Transactions and Relationships

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 an organization, through its Retirement Board.

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

2.21 Equity

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

Treasury stocks are stated at the cost of reacquiring 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 accumulated gains or losses arising from the revaluation of AFS financial assets and remeasurement of post-employment benefit plan.

Other reserves refer to the amount attributable to the parent company arising from the changes in the ownership of the NCI in the Group.

Retained earnings, both restricted and available for dividend declaration, represent all current and prior period results of operations as reported in the consolidated statement of profit or loss. The appropriated portion represents the amount which is not available for distribution.

NCI represents the interests not held by the Group in FRC and RCI. It also includes the preferred shares of stock of EACCI and FEUAI issued to a stockholder outside of the Group but under the Group's common management (see Note 11.4).

2.22 Earnings (Loss) Per Share

Basic earnings (loss) per share (EPS) is determined by dividing net profit or loss attributable to equity holders of the University by the weighted average number of shares subscribed and issued during the period 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 EPS in the consolidated statement of profit or loss.

2.23 Segment Reporting

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

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

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

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, 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.

2.24 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated 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.

3. USE OF ACCOUNTING 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. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 periods 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 the overall responsibility for the establishment and oversight of the Group's risk management framework. It has a risk management committee headed by an independent trustee that is responsible for developing and monitoring the Group's policies, which address risk management areas. Management is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of these policies in relation to the risks faced by the Group.

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

4.1 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 risk arise from certain cash and cash equivalents, AFS financial assets and HTM investments which are denominated in United States (US) dollars.

To mitigate the Group's exposure to foreign currency risk, the Group entered in a cross-currency swap agreement and keeps the amount of its US dollar deposit at a minimum level.

(b) Interest Rate Risk

The Group's interest risk management policy is to minimize interest rate cash flow risk exposures arising from interest-bearing financial instruments which are subject to variable interest rates which includes portion of the cash and cash equivalents, AFS financial assets, short-term investments, long-term investments and interest-bearing loans.

All other financial assets and financial liabilities have fixed 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 account in the consolidated statements of financial position. These consist of publicly-listed equity securities which are carried at fair value.

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

For government and corporate bonds, and investments in UITF classified as AFS financial assets, management deemed that the risk 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, except in connection with its investment in certain foreign currency denominated corporate debt instruments which are also subject to a cross-currency swap agreement. The investments are continuously monitored to ensure that returns of these equity instruments are timely utilized or reinvested in the Group's favor.

4.2 Credit Risk

Credit risk represents the loss that the Group would incur if the counterparty fails to perform its contractual obligations. The credit risk for cash and cash equivalents, short-term investments (presented as part of Other Current Assets), AFS financial assets and HTM investments is considered negligible, since the counterparties are reputable financial institutions and private companies 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.

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 close account monitoring and setting limits.

The Group has no significant exposure to any individual customer or counterparty nor it has any other concentration of credit risk arising from counterparties in similar business activities, geographic region or economic parties. Also, none of the Group's financial assets are secured by collateral or other credit enhancements; except for cash and cash equivalents as described above.

With respect to credit risk arising from its financial assets, the Group's maximum exposure is equal to the carrying amount of these instruments. Other than the exposure to credit risk on the Group's receivables from students, the risk is minimal as these financial assets and investments are with reputable corporations, financial institutions and/or with related parties.

The Group has no past due but unimpaired financial assets at end of each year.

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

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as follows.

(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 due are determined to be collectible, based on historical experience.

(c) AFS Financial Assets and HTM Investments

AFS financial assets and HTM investments are coursed through reputable financial institutions and private corporations duly approved by the BOT of the University and BOD of the subsidiaries.

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 short-term 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 financial assets and financial liabilities measured at fair value and an investment carried at amortized cost but whose fair value is required to be disclosed are shown below.

	November 30 (Unaudited)		May 31 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Financial Assets at FVTOCI –				
Debt and equity securities	**P 2,310,975,629**	**P 2,310,975,629**	P -	P -
AFS financial assets –				
Debt and equity securities	-	-	2,296,015,480	2,296,015,480
Investments at amortized cost	**983,203,630**	**976,705,234**	-	-
HTM investments	-	-	297,284,480	301,671,306
Other non-current asset –				
Investment in golf club shares	**2,830,000**	**2,830,000**	2,830,000	2,830,000
	P 3,297,009,259	**P 3,290,510,863**	P 2,596,130,096	P 2,600,516,786
Financial liabilities				
At amortized cost –				
Interest-bearing loans	**P 2,332,857,143**	**P 2,332,857,143**	P 2,517,142,858	P 2,430,240,097
Derivative liability –				
Cross-currency swaps	**37,972,433**	**37,972,433**	38,255,313	38,255,313
	P 2,370,829,576	**P 2,370,829,576**	P 2,555,398,171	P 2,468,495,410

Except for the financial assets and financial liability presented above and in the preceding page, the Group has no other financial assets and/or financial liabilities that are carried at fair value or that are not carried at fair value but are required to be disclosed at fair value (see Note 6.3).

Management determined that the carrying amounts of the other financial instruments are equal to or approximate their fair values; hence, no further comparison between their 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 other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (i.e., related parties) will have the option to settle all such amounts on a net basis through the approval by both parties' BOT or BOD. As such, the Group's outstanding receivables from and payables to the same related parties, if any, can potentially be 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, *Fair Value Measurement,* 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 foregoing tables show 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:

	Level 1	Level 2	Level 3	Total
November 30 (Unaudited)				
AFS financial assets –				
Debt and equity securities	P1,934,521,877	P 376,453,752	P -	P 2,310,975,629
Other non-current asset –				
Investment in				
golf club shares	-	2,830,000	-	2,830,000
	P1,934,521,877	**P 379,283,752**	**P -**	**P 2,313,805,629**
Derivative liability –				
Cross currency swaps	**P -**	**(P 37,972,433)**	**P -**	**(P 37,972,433)**
May 31 (Audited)				
AFS financial assets –				
Debt and equity securities	P1,876,902,856	P 419,112,624	P -	P 2,296,015,480
Other non-current asset –				
Investment in				
golf club shares	-	2,830,000	-	2.830,000
	P1,876,902,856	P 421,942,624	P -	P 2,298,845,480
Derivative liability –				
Cross currency swaps	P -	(P 38,255,313)	P -	(P 38,255,313)

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

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

a) Equity Securities

As of November 30 and May 31, 2018, 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. On the other hand, certain underlying assets of the UITF are in equity securities. Thus, UITF is included in Level 2 and valued based on the Net Asset Value per unit (NAVPU) of the fund, as computed by the banks. NAVPU is computed by dividing the total fair value of the fund by the total number of units at the end of each reporting period.

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

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 asset at FVTPL or as derivative liability 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

As of November 30 and May 31, 2018, the fair value of debt securities categorized as investments at amortized cost amounted to P976.7 million and P301.7 million, respectively, which is Level 1 in the hierarchy of fair values (see Note 5.1).

Other than the HTM investments and interest-bearing loans, management determined that due to the short-term duration of the other financial assets and financial liabilities measured at amortized costs of the Group, as described in Notes 2.5 and 2.10, their fair values as at November 30 and May 31, 2018 equal or approximate their carrying amounts. Accordingly, the Group did not anymore present a comparison of their fair values with their carrying amounts and correspondingly, their level in the fair value hierarchy. Nevertheless, if presented in the hierarchy, only cash and cash equivalents and short-term investments would fall under Level 1 and the rest would be under Level 3.

6.4 Fair Value Measurement for Non-financial Assets

(a) Determining Fair Value of Investment Properties

The following tables show the Levels within the hierarchy of non-financial assets measured at fair value as of November 30 and May 31, 2018.

	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 736,027,523	P 736,027,523
Building and improvements	-	-	138,865,461	138,865,461
	P -	**P -**	**P 874,892,984**	**P 874,892,984**

The fair value of the Group's investment properties, except for certain investment properties 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.

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's 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 3 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, the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

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

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

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of the different levels of the fair value hierarchy as of November 30 and May 31, 2018.

The carrying amount of investment properties included in Level 3 is presented in Note 9.

(b) Other Fair Value Information

There were no transfers into or out of Level 3 fair value hierarchy during the periods ended November 30 and May 31, 2018.

7. SEGMENT INFORMATION

7.1 Business Segments

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

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

7.2 Segment Assets and Liabilities

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

Segment assets do not include investments in an associate, deferred tax assets 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, 2018 and 2017 (both periods unaudited and amounts in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
REVENUES										
From external customers	**P 1,557,384**	P 1,160,805	**P 21,259**	P 18,954	**P -**	P -	**P 61,708**	P 78,798	**P 1,640,351**	P 1,258,557
Intersegment revenues	**-**	-	**79,315**	67,708	**-**	-	**-**	-	**79,315**	67,708
Total revenues	**1,557,384**	1,160,805	**100,574**	86,662	**-**	-	**61,708**	78,798	**1,719,666**	1,326,265
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**615,667**	532,607	**11,730**	13,712	**-**	-	**-**	-	**627,397**	546,319
Depreciation	**152,071**	130,997	**15,203**	15,592	**-**	-	**-**	-	**167,274**	146,589
Other expenses	**297,092**	248,513	**-**	-	**-**	-	**-**	-	**297,092**	248,513
	1,064,830	912,117	**26,933**	29,304	**-**	-	**-**	-	**1,091,763**	941,421
SEGMENT OPERATING INCOME	**P 492,554**	P 248,688	**P 73,641**	P 57,358	**P -**	P -	**P 61,708**	P 78,798	**P 627,903**	P 384,844

The following presents the segment assets and liabilities of the Group as of November 30 (unaudited) and May 31, 2018 (audited; both periods' amounts 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 10,497,073**	P 8,10,999	**P 2,325,929**	P 2,331,312	**P 185,768**	P 170,573	**P 3,548,047**	P 4,334,007	**P 16,556,817**	P 15,246,891
Segment liabilities	**5,344,106**	4,272,690	**53,188**	38,380	**-**	-	**-**	339,387	**5,397,294**	4,650,457

The Group's geographical segment for the six months ended November 30, 2018 and 2017, and as of November 30 and May 31, 2018 follows (in thousands).

	Manila	Makati	Cavite	Muntinlupa City	Marikina City and Rizal	Total
November 30, 2018 (Unaudited)						
Segment revenues						
From external customers	P 1,423,768	P 38,879	P 35,251	P 49,092	P 93,361	P 1,640,351
Intersegment revenues	674,293	5,022	-	-	-	79,315
Total revenues	1,498,061	43,901	35,251	49,092	93,361	1,719,666
Operating expenses	(906,315)	(10,189)	(39,541)	(39,564)	(96,154)	(1,091,763)
Segment operating profit (loss)	**591,746**	**33,712**	**(4,290)**	**9,528**	**(2,793)**	**627,903**
Total segment assets	**13,049,607**	**99,382**	**176,645**	**1,906,721**	**1,324,462**	**16,556,817**
Total segment liabilities	**4,439,814**	**62,850**	**66,220**	**360,042**	**468,368**	**5,397,294**
November 30, 2017 (Unaudited)						
Segment revenues						
From external customers	P 1,066,846	P 39,888	P 35,744	P -	P 116,079	P 1,258,557
Intersegment revenues	62,925	4,783	-	-	-	67,708
Total revenues	1,129,771	44,671	35,744	-	116,079	1,326,265
Operating expenses	(782,031)	(10,372)	(31,993)	(-)	(946)	(941,421)
Segment operating profit (loss)	347,740	34,299	3,751	-	1,278,609	384,844
May 31, 2018 (Audited)						
Total segment assets	13,717,653	99,104	143,555	-	1,286,669	15,246,891
Total segment liabilities	3,924,819	64,010	27,583	-	634,045	4,650,457

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, 2018 and 2017 and as of November 30 and May 31, 2018.

	2018 (Unaudited)	2017 (Unaudited)
Revenues		
Total segment revenues	**P 1,719,666**	P 1,326,265
Finance income	**(61,708)**	(78,798)
Elimination of intersegment revenues	**(79,315)**	(67,708)
Revenues as reported in interim consolidated statements of profit or loss	**P 1,578,643**	P 1,179,759
Profit or loss		
Segment operating profit	**P 627,903**	P 384,844
Tax expense	**(53,121)**	(42,084)
Finance costs	**(44,339)**	(38,339)
Other income	**23,851**	21,259
Other unallocated expenses	**(76,732)**	(77,726)
Profit as reported in interim consolidated statements of profit or loss	**(P 477,562)**	P 247,954

	November 30 (Unaudited)	May 31 (Audited)
Assets		
Segment assets	**P 16,556,817**	P 15,246,891
Goodwill	**186,487**	186,487
Deferred tax assets	**20,795**	18,135
Investment in an associate	**6,491**	6,491
Elimination of intercompany accounts	**(2,396,702)**	(2,270,610)
Total assets reported in interim consolidated statements of financial position	**P 14,373,888**	P 13,187,394
Liabilities		
Segment liabilities	**P 5,397,294**	P 4,650,457
Deferred tax liabilities	**19,490**	19,490
Elimination of intercompany accounts	**(641,790)**	(523,950)
Total liabilities reported in interim consolidated statements of financial position	**P 4,774,994**	P 4,145,997

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of November 30 and May 31, 2018 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Cost	**P 10,018,370,487**	P 8,931,633,899
Impairment loss	**(2,804,401)**	(2,804,401)
Accumulated depreciation and amortization	**(1,876,006,515)**	(1,723,198,065)
Net carrying amount	**P 8,139,559,571**	P 7,205,631,433

A reconciliation of the carrying amounts of property and equipment at the beginning and end of six months ended November 30, 2018 and year ended May 31, 2018 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 7,205,631,433**	P 6,056,297,863
Additions	**1,086,736,588**	1,425,171,003
Reclassifications – net	**-**	4,080,755
Impairment loss	**-**	(2,804,401)
Depreciation and amortization charges for the period	**(152,808,450)**	(277,113,787)
Balance at end of period net of accumulated depreciation and amortization	**P 8,139,559,571**	P 7,205,631,433

As of November 30 and May 31, 2018, certain fully depreciated assets with acquisition cost of P628.4 million, are still being used in the Group's operations.

In 2018, the Group recognized impairment on certain building and improvements of RCI due to the closure of its Cubao and San Mateo campuses amounting to P2.8 million, and is presented as part of the Cost and Operating Expenses in the consolidated statements of profit or loss.

9. INVESTMENT PROPERTIES

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 and May 31, 2018 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Cost	**P 466,383,879**	P 458,919,109
Accumulated depreciation and amortization	**(322,464,458)**	(307,999,180)
Net carrying amount	**P 143,919,421**	P 150,919,929

A reconciliation of the carrying amounts of investment property at the beginning and end of six months ended November 30, 2018 and year ended May 31, 2018 is shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 150,919,929**	P 185,847,743
Additions	**7,464,770**	22,313,380
Reclassifications - net	**-**	(28,022,376)
Depreciation and amortization charges for the period	**(14,465,278)**	(29,218,818)
Balance at end of period net of accumulated depreciation and amortization	**P 143,919,421**	P 150,919,929

9.1 Related Income and Direct Expenses

The total rental income earned by the Group from its investment properties amounting to P21.3 million and P19.0 million for the six months ended November 30, 2018 and 2017, respectively. The direct operating expenses, which include depreciation and amortization, insurance, and real property taxes incurred by the Group relating to investment properties, are presented as part of Depreciation and amortization, Property insurance, and Taxes and licenses, under Costs and Operating Expenses in the consolidated statements of profit or loss.

9.2 Fair Values of Investment Properties

Based on the latest appraisal report of an independent appraiser, the total fair value of investment properties amounted to P874.9 million, P723.4 million and P947.4 million as of May 31, 2018, 2017 and 2016, respectively. Information about the fair value measurement and disclosures related to investment properties are presented in Note 6.4.

10. INTEREST-BEARING LOANS

The composition of the Group's outstanding loans are shown below:

	November 30 (Unaudited)	May 31 (Audited)
Current	**P 1,183,571,429**	P 1,183,571,429
Non-current	**1,149,285,714**	1,333,571,429
	P 2,332,857,143	P 2,517,142,858

The outstanding principal balance and other relevant details of the Group's outstanding loans, including explanatory notes are shown are as follows:

Outstanding Principal Balance (in Million Pesos)		**Explanatory Notes**	**Interest Rate**	**Security**	**Maturity date**
November 30 (Unaudited)	May 31 (Audited)				
P 685.7	P 761.9	(a)	Base interest** plus	Unsecured	2023
485.7	550.5	(b)	0.75% or prevailing	Unsecured	2022
142.9	161.9	(c)	rate on	Unsecured	2022
128.6	142.8	(d)	special deposit	Unsecured	2023
75.0	85.0	(e)	accounts	Unsecured	2022
50.0	50.0	(f)	5.5% per	Unsecured	2019
200.0	200.0	(g)	annum fixed	Unsecured	2019
175.0	175.0	(h)	up to maturity	Unsecured	2019
60.0	60.0	(i)	5.8% per annum	Unsecured	2018
80.0	80.0	(j)	4.75% per	Unsecured	2022
100.0	100.0	(k)	annum	Unsecured	2022
80.0	80.0	(l)	4.0% per	Unsecured	2022
70.0	70.0	(m)	annum	Unsecured	2022
P 2,332.9	P 2,517.1				

* *Loans discussed under explanatory notes (a) to (i) relate to loans with a local commercial bank that are subject to loan covenants starting this current fiscal year, which require the University to maintain a debt service coverage ratio of at least 1.2x and debt-to-equity ratio of not more than 2:1.*

** *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 interest-bearing loan from a local commercial bank which was used for the University's general capital expenditure requirements, including acquisitions of business and general corporate funding requirements. The principal amount is payable over 21 quarterly payments to start after a two-year grace period from loan availment date. Initial interest payment was made in August 2016.

(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 construction of a campus, including acquisition of land (see Note 14). The University's initial loan drawdown amounted to P680.0 million and is payable within seven years, with the first principal payment made in June 2017. The loan has an average interest rate of 4.3% for the periods ended November 30 and May 31, 2018.

(c) In April 2017, the University obtained a P200.0 million interest-bearing loan from a local commercial bank for general capital expenditure requirements, including the funding of acquisition of a business acquisition and general corporate funding requirements. The principal amount is payable over 21 quarterly payments starting June 2017, together with the initial interest payment.

(d) In November 2016, the University obtained a P150.0 million interest-bearing loan from a local commercial bank for general capital expenditure requirements, including funding of a business acquisition and general corporate funding requirements. The principal amount is payable over 21 quarterly payments, with the first principal payment made in May 2018. Initial interest payments were made in February and May 2017.

(e) In June 2017, the University obtained a P100.0 million interest-bearing loan from a local commercial bank for general capital expenditure requirements, including funding of a business acquisition and general corporate funding requirements. The principal amount is payable over 21 quarterly payments, with the first principal payment made in September 2018. Initial interest payments were also made in the same month.

(f) In May 2017, the University obtained a P50.0 million interest-bearing loan from a local commercial bank for general capital expenditure requirements, including funding of a business acquisition and general corporate funding requirements. The principal amount is payable upon maturity in January 2018.

This loan was refinanced in January 2018 and in various subsequent dates. The new maturity date is on January 2019.

(g) In August 2017, the University obtained a P200.0 million interest-bearing loan from a local commercial bank to fund the University's certain strategic investments and for general corporate funding requirements. The principal amount is payable on maturity in January 2018, while interest payments are made monthly.

This loan was refinanced in January 2018 and in various subsequent dates. The new maturity date is on January 2019. The current interest rate is at 5.5%

(h) In October 2017, the University obtained a P175.0 million interest-bearing loan from a local commercial bank to fund certain investments and for general working capital requirements. The principal amount is payable on maturity in January 2018, while interest payments are made monthly.

This loan was refinanced in January 2018 and in various subsequent dates. The new maturity date is on January 2019. The current interest rate is at 5.5%

(i) In December 2017, the University obtained a P60.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in March 2018, while interest payments are made monthly. The loan does not have any significant or restrictive covenants.

The local commercial bank and the University agreed on the extension of the term of the loan with its new maturity on December 2018. Interest rate is increased to 5.8% for the extension period.

(j) In March 2018, the University obtained a P80.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in June 2018, while interest payments are made monthly. The loan does not have any significant or restrictive covenants.

(k) In April 2018, the University obtained a P100.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in July 2018, while interest payments are made monthly. The loan does not have any significant or restrictive covenants.

(l) In May 2018, RCI obtained a P80.0 million interest-bearing loan from a local commercial bank with an interest rate of 4.0% per annum.

(m) In April 2018, RCI signed a promissory note with a local commercial bank in which RCI availed a P70.0 million unsecured term loan with an interest rate of 4.0% per annum. This loan was availed as a drawdown from FEU's existing credit line.

The total interest incurred by the Group on all of these loans are presented as part of Interest expense under Finance Costs in the consolidated statements of profit or loss, while any outstanding interest payable is recognized as part of Trade and Other Payables in the consolidated statements of financial position.

As of November 30 and May 31, 2018, there are no assets used and/or required as collaterals for the Group's interest bearing loans and borrowings.

Also, as of November 30 and May 31, 2018, the Group has complied with its loan covenants.

11. EQUITY

11.1 Capital Stock

As of November 30 and May 31, 2018, the University has 20,000,000 shares of authorized capital stock, of which 16,425,387, during the periods ended November 30 and May 31, 2018, were issued and outstanding, with par value of P100 per share.

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 and May 31, 2018, there are 16,425,387 listed shares which include those held in treasury and shares held by the University's related parties. The University has a total of 10,788,169 and 10,918,987 listed shares, which is equivalent to 65.68% and 66.48%, held by related parties as at November 30 and May 31, 2018, respectively, while there are 5,637,218 and 5,506,400 listed shares owned by the public which is equivalent to 34.32% and 33.52% of the total outstanding shares as at November 30 and May 31, 2018, respectively.

The closing price of the University's listed shares was P892 per share as of November 30, 2018 and P970 per share as of May 2018.

11.2 Treasury Stock

This account includes the University's common shares held and acquired by FRC in various dates during the periods ended November 30 and May 31, 2018. The changes in market values of these shares, recognized as fair value gains or losses by FRC, were reclassified to treasury stocks, as presented in the consolidated statements of changes in equity. Accordingly, the Group's treasury stocks amounted to P65.7 million and P63.3 million as at November 30 and May 31, 2018, respectively.

A portion of the University's retained earnings is restricted from 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.

11.3 Retained Earnings

Significant transactions affecting Retained Earnings, which is also legally restricted at an amount equivalent to the cost of the University's treasury stock of P3.7 million, are as follows:

(a) Appropriation of Retained Earnings

As of November 30 and May 31, 2018 the University's Appropriated Retained Earnings consists of appropriations for:

	November 30 (Unaudited)	May 31 (Audited)
Property acquisition and investment	**P 1,631,000,000**	P 2,000,000,000
Expansion and improvement of facilities	**164,000,000**	324,800,000
Contingencies	**190,000,000**	240,000,000
Purchase of equipment and furniture	**92,000,000**	135,200,000
General retirement	**90,000,000**	140,000,000
Treasury shares	**3,733,100**	3,733,100
	P 2,170,733,100	P 2,843,733,100

The changes in the appropriated retained earnings are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period	**P 2,843,733,100**	P 2,573,733,100
Appropriations during the period	**-**	520,000,000
Reversal of appropriations	**(673,000,000)**	(250,000,000)
Net carrying amount	**P 2,170,733,100**	P 2,843,733,100

During the year ended May 31, 2018, the University made an additional appropriation, amounting to P520.0 million, for expansion of facilities, contingencies, general retirement and purchase of equipment and improvements. Such appropriation is expected to be realized within one year from the end of the reporting period. During the same year, the University reversed appropriations for property acquisition and investment amounting to P250 million as the purpose for which such appropriations were made had been completed.

During the period ended November 30, 2018, the University reversed appropriations for property acquisition and investment, expansion and improvement of facilities, contingencies, purchase of equipment and furniture and general retirement amounting to P673.0 million as the purpose for which such appropriations were made were already completed. There were no additional appropriations made during the same period.

(b) Dividend Declaration

The BOT approved the following dividend declarations during the report periods:

November 30, 2018:

	Date of Declaration	Date of Record	Date of Payment/Issuance	Amount
Cash dividend of P8 per share	September 18, 2018	October 2, 2018	October 18, 2018	**P 131,816,184**

May 31, 2018:

	Date of Declaration	Date of Record	Date of Payment/Issuance	Amount
Cash dividend of P8 per share	September 19, 2017	October 4, 2017	October 18, 2017	P 131,408,216
Cash dividend of P8 per share	February 20, 2018	March 6, 2018	March 20, 2018	131,403,096
				P 262,811,312

11.4 Subsidiaries with Material Non-controlling Interest

(a) FRC

The University holds 37.52% interest in FRC as of November 30 and May 31, 2018. Management considers that the University has de facto control over FRC even though it holds less than 50% of the voting shares of stock of FRC, because it is exposed or has right to variable returns through its power over FRC (see Notes 1.1).

(b) EACCI and FEUAI

In 2015 and 2014, EACCI issued its newly authorized preferred shares to East Asia Educational Foundation, Inc. (EAEF), a related party under common management. In 2018, EACCI issued additional authorized preferred shares to FERN, a related party under common management. Total cost of preferred shares issued and outstanding amounts to P1.1 billion as of November 30 and May 31, 2018.

In 2017, FEUAI also issued its newly authorized preferred shares to EAEF. Total cost of preferred shares issued and outstanding amounts to P677.0 million and P416.5 million as of November 30 and May 31, 2018.

EACCI and FEUAI’s preferred shares have the following features:

(a) Holders of the preferred stock have no pre-emptive right to subscribe to any or all issues or other disposition of shares of common stock or preferred stock of EACCI or FEUAI, including treasury stock, if any;

(b) Subject to availability of retained earnings and sufficient cash as may be determined by EACCI’s BOT or FEUAI’s BOD, holders of the preferred stock are entitled to receive, out of unrestricted retained earnings of the EACCI or FEUAI, non-cumulative dividends at the rate of 3% per annum based on the issue value of each share, payable annually on such date as may be determined by the EACCI’s BOT or FEUAI’s BOD from time to time;

(c) Preferred stock shall be non-voting (except in instances specifically provided by law) and non-participating as to the payment of dividends;

(d) Preferred stock may be redeemed at the option of the issuer regardless of existence of unrestricted retained earnings at an issue price equal to the issue value and under terms and conditions as determined by the EACCI’s BOT or FEUAI’s BOD; and,

(e) In the event of any voluntary or involuntary liquidation, dissolution, distribution of assets or winding up of EACCI or FEUAI’s operations, the holders of preferred stock shall have preference and priority as to the net assets of EACCI or FEUAI or proceeds thereof over the holders of common stock.

12. EARNINGS PER SHARE

EPS amounts for the six months ended November 30, 2018 and 2017 were computed as follows:

	2018 (Unaudited)	2017 (Unaudited)
Net loss attributable to owners of the parent company	**P 454,257,235**	P 227,717,420
Divided by weighted average number of shares outstanding, net of treasury stock	**16,425,387**	16,428,549
Basic and diluted earnings per share	**P 27.66**	P 13.86

The University has no dilutive potential common shares as of November 30, 2018 and 2017; hence, the diluted earnings per share is the same as the basic earnings per share in all the periods presented.

13. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Group:

13.1 Capital Commitments – Related to Condominium Units Acquired

As of May 31, 2018, FRC has commitments of about P143.4 million for the condominium units acquired at pre-selling stage that are currently under construction.

13.2 Operating Lease Commitments

(a) Group as Lessor

FRC lease out certain buildings to EAEF and FERN College for varying periods. FRC also lease out certain land and buildings to several non-related parties for a period of one to ten years.

Accordingly there are future minimum rental receivables, excluding contingent rental, arising from these operating leases.

(b) Group as Lessee

The Group is a lessee under operating lease agreements covering rentals of event venues, transportation vehicles and small items of equipment used for various students' and employees' activities. There are no expected future minimum rental payments beyond one year as these contracts cover short periods only.

13.3 Open Legal Cases

As of May 31, 2017, the University has a pending case against the local government of City of Manila where it is contesting the imposition of local business tax on the tuition fees collected. The University's protest is grounded on the following premises: (i) the lack of specific provision in the Local Government Code and in the Local Tax Code of Manila authorizing the City of Manila to impose a business tax of 1% on tuition fees; (ii) prescription; and, (iii) violation of due process. The local business tax being contested covers taxable years 2009 to 2013.

Also, as of the same date, the University is a defendant in certain civil cases, which are pending before the National Labor Relations Commission, Court of Appeals and the Supreme Court.

As of November 30 and May 31, 2018, no final decision has been rendered by the courts in the above-mentioned cases; hence, no provision for contingencies is recognized. The University's management and its legal counsel believe that liabilities, if any, which may result from the outcome of these cases, will not materially affect the financial position and results of operations of the University.

13.4 Provisions and Other Contingencies

There are recognized provisions in the consolidated statements of financial position that arise in the normal course of certain subsidiary's operations. Also, there are other contingencies that arise in the normal course of business that are not recognized in the Group's consolidated financial statements. Management believes that losses, if any, arising from these provisions, commitments and contingencies will not materially affect its consolidated financial statements, however, the Group opted to generally appropriate portion of its retained earnings to cover for such contingencies.

14. 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 and May 31, 2018, under review is summarized as follows:

	November 30 (Unaudited)	May 31 (Audited)
Total liabilities	**P 4,774,994,435**	P 4,145,997,280
Total equity attributable to owners of the parent company (excluding treasury shares and reserves)	**7,325,659,254**	7,008,976,695
Debt-to-equity ratio	**0.65 : 1.00**	0.59 : 1.00

The Group's goal in capital management is to maintain a lower liability compared with its adjusted equity or a debt-to-equity structure ratio of not more than 1.00 : 1.00. This is in line with the University's bank covenants related to its borrowings, which requires the University to maintain a debt-to-equity structure ratio of not more than 2.00 : 1.00 and debt service coverage ratio of at least 1.2x.

The University has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for all the years presented.

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

15. SEASONAL FLUCTUATIONS

Tuition fee revenue is subject to seasonal fluctuations. 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, 2018 represents only 61.10% of the annual tuition revenue for the fiscal year ended May 31, 2018.