



FAR EASTERN UNIVERSITY



# 2018

ANNUAL REPORT





***Dr. Nicanor Reyes Sr.***  
Founder and First President





FAR EASTERN UNIVERSITY

2018

ANNUAL REPORT





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## VISION

Guided by the core values of Fortitude, Excellence, and Uprightness  
Far Eastern University aims to be a university of choice in Asia.

## MISSION

Far Eastern University provides quality higher education  
through industry-responsive and outcomes-based  
curricular programs.

FEU produces globally competitive graduates  
who exhibit the core values of fortitude,  
excellence, and uprightness.

FEU promotes sustainable and responsive research,  
extension, heritage and environment stewardship  
towards national and global development.





# CHAIRMAN'S MESSAGE

Aurelio R. Montinola III  
Chairman, Board of Trustees



## Dear Fellow Stockholders

Our 90th Anniversary Year coincided with the most difficult year of the K-12 educational reform program. For the school year 2017-18, we had minimal freshmen and sophomore students in our Tertiary programs. Consequently, our financial results dropped to their lowest in years, at only P2.7 billion in Revenue and P547 million in Net Income (down approximately P650 million from a peak of P1.2 billion in 2015).

Still, we emerged with our heads held high, and on track to achieve our Aspiration 2020.

## Strategic Plan

We continue to advance on the Regulatory Excellence front. We are an Autonomous institution at the University level, we have 9 programs at accreditation level 3 and higher, and 80% of our program offerings are accredited. We continue to significantly exceed national averages in external exams, particularly in Medical Technology, Nursing, Accountancy, Elementary Education, Psychometrician and Engineering.

We likewise moved steadily on the Matched Excellence side. We have a network of Industry partners to close the Industry-Academe gap of unmatched skills and available jobs. We use On-the-Job programs particularly in senior year to best prepare our graduates for their first jobs.

## ASPIRATION 2020

TO BE AMONG THE TOP 5 UNIVERSITIES IN ACADEMIC EXCELLENCE

### REGULATORY EXCELLENCE

- University Autonomous Status
- High Number of Programs with COD / COE
- University Products



Highest Accreditation Levels

### MATCHED EXCELLENCE

- Industry Responsive
- Outcomes-Based Programs



Graduates who thrive in the world of work

### ADAPTIVE EXCELLENCE

- Critical Thinkers
- Good Communicators
- Lifelong Learners
- Strong FEU values



Graduates prepared for life

Thankfully, our emphasis on Skills training has resulted in our retaining our No. 6 Slot in the Job Street Employers Survey and catapulting to No. 1 in the Engineering Job Street survey for Most Preferred School.

Our major advance has been in the Adaptive Excellence front, as we teach Skills, not Content, through our proprietary DLECCT (Digital Learning, Effective Communication, and Critical Thinking) focus using our best in class CANVAS technology platform. Payoff will come in the area of Matched Excellence, where our graduates are increasingly being appreciated as hardworking, "can do", critical thinking and pleasantly communicating workforce entrants.



FEU is also now an Associate Member of the AUN- QA (ASEAN University Network-Quality Assurance). AUN-QA is consistently redefining itself to be the leading Quality Assurance in the ASEAN region which aims to increase the quality of higher education within the region.

We likewise continue to expand or build additional resources on the subsidiary front.

### Financial Results

Our financials were impacted primarily by the 21.5% reduction in Tertiary student population equivalent to 6.4 k students. Senior High School student population on the other hand grew by 2.8 k students. The total student population of 33.3 k students therefore declined by 9.7% or 3.6 k students.










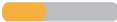








Revenues declined by 6.9% to P2,666 million resulting from not only the student population decline but also from the lower ratio of the higher paying tertiary students. Expenses increased by 4.2% to P2,182 million due to the now full operation (Grades 11 and 12) of FEU Senior High School, retirement program at Roosevelt College Inc., and instructional materials across our Basic Education schools.

Net income declined by 32% to P547 million after Other Income contribution.

## PROUD OF OUR PERFORMANCE IN THE LATEST GOVERNMENT BOARD EXAMS

### PROGRAMS

### PASSING RATE

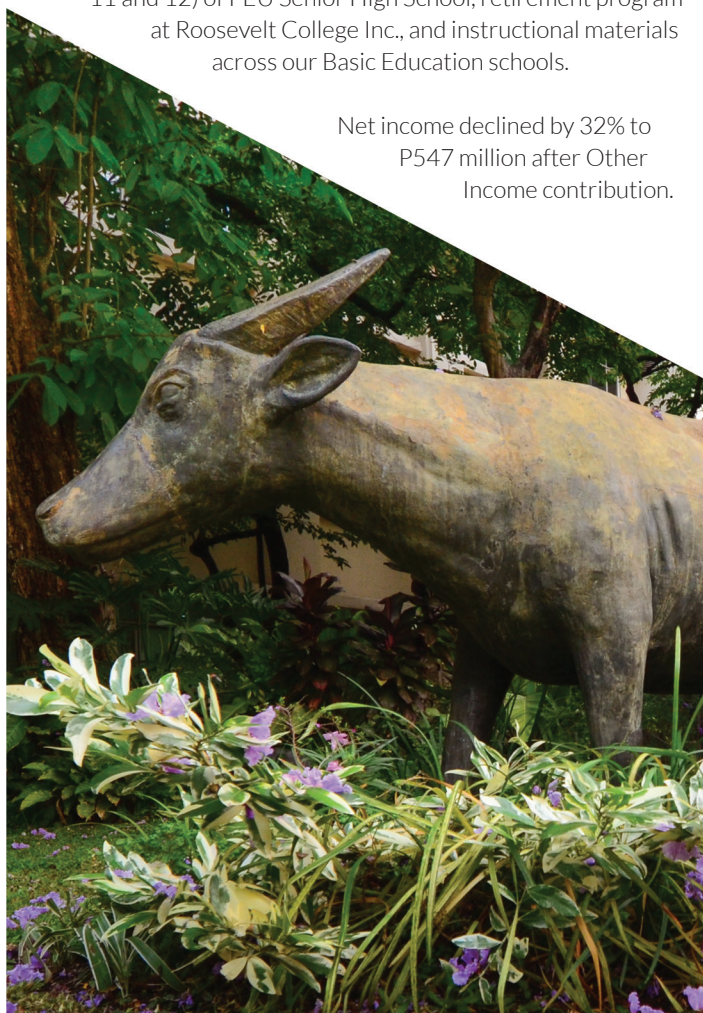
	FEU Performance*	National
Nursing June 2018	100.00 	43.82 
 MedTech Sept 2018	96.02 	77.73 
LET-Elementary Mar 2018	86.67 	23.62 
 Accountancy May 2018	75.00 	28.92 
LET-Secondary Mar 2018	67.21 	29.91 
 Psychometry Oct 2017	66.38 	56.97 
 Architecture June 2018	56.28 	55.96 

\*First Time Takers

 Programs with Board Topnotchers

### Academic Improvements

Our President Michael Alba will present an extensive report on our Academic achievements for our 90th Founding year.





Aside from continuing to significantly exceed national averages in external examinations and improving our academic accreditations, we focused on finalizing an enhanced General Education program. In addition to aligning with the CHED Memorandum Orders, we added extra units teaching Skills, effective Communication, and Critical Thinking.

### Student and Faculty Accomplishments

We fared well in government board examinations and competitions. FEU produced five (5) top placers in the September 2018 Board Examination for Medical Technology with 94.88% overall passing rate; placing fourth individually was Ericson Lim Cua. Five BS Psychology graduates, led by third placer Alyssa Manalo Cornago, placed in the Top Ten of the Oct 2017 Psychometrician Licensure Examinations. Tourism student Ian Andrew Lazaro emerged Champion of the 2017 Grand Barista Cup at the World Trade Centre in Sept 2017. FEU Institute of Law placed third in the 2018 Foreign Direct Investment Asia Pacific International Moot Court competition.

Engr Danielle Kenneth Albano Tuzon and Engr John Michael Vince Rodríguez Martin were in the top ten in the last Civil Engineering Board Examination. In the ECE Board Examinations, Mark Eullysis Alzaga garnered first place along with other top ten placers namely, Charles Andrew Pasion, John Felix Limbo and Bryan Rafael Custodio.

Sports Excellence Award which complemented the current Dr. Nicanor Reyes Leadership Award. John Mark Lorenzo Isla was the first recipient of the Dr. Lourdes Reyes Montinola Arts and Culture Award for 2018. Two students, Jeff Irvin Are and Chanel Santos were recognized among the Ayala Young Leaders for the year. Finally, FEU student leaders Karl Cabudhoy (President, University Peer Counselors) and Matt Gutierrez (National President, League of Tourism Students of the Philippines) were elected to national student organizations.

Faculty credentials have moved up with increased number of additional PhDs and number of research papers completed with most published in top-tiered journals. We have also seen more of our faculty elected as officers in academic and professional organizations.

Equally memorable was a 90th Anniversary Outstanding Alumni whereby 28 Tamaraws in the academic, sports, and cultural fields were honoured in nostalgic, rainy day ceremonies at the FEU Manila campus at the newly renovated FEU Manila auditorium.

Fittingly, FEU successfully hosted the UAAP Season 80 with a grand opening and a trouble free, well attended athletic season for all schools.

### Facilities

We completed a retrofitting of the FEU Administration Building as well as the renovation and upgrading of the historic FEU Manila Auditorium.

Far Eastern University also launched two Student Excellence Awards: Dr. Lourdes Reyes Montinola Arts and Culture Award and the Alfredo Reyes



We lit up the facade of the iconic Nicanor Reyes Hall building for first time. We finished a 4-storey building in the Roosevelt College Rodriguez campus, and we are about to complete a 17-storey new campus building in FEU Tech in Alabang.

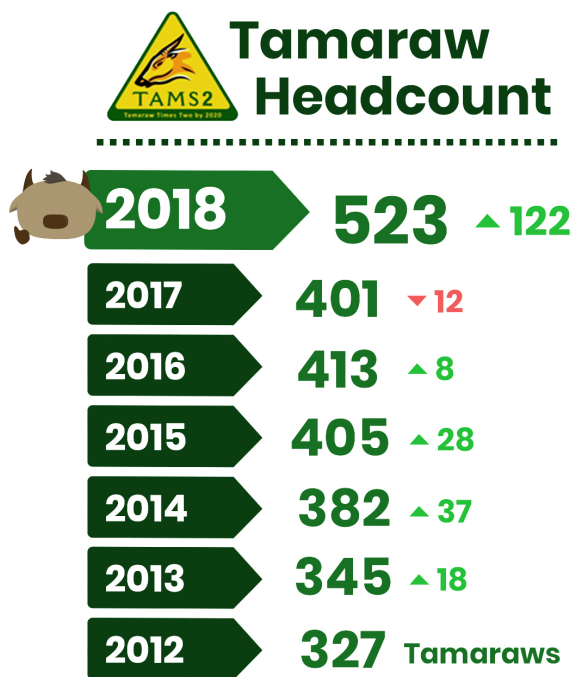
A Senior High School building in FEU Diliman is being constructed, while a new building in Roosevelt Marikina has broken ground. Both buildings are expected to be completed by next school year.

### Community Service and Cultural Programs

Community Extension Services (CES) and the Institute of Architecture and Fine Arts (IARFA) partnered with the San Agustin Museum in Intramuros, Manila to initiate the assessment and documentation of its retablos.

Musica FEUropa, the annual choral festival competition of FEU in collaboration with the European Union, held its 10th Anniversary celebration of Filipino and European music and culture at its original home, the newly renovated FEU Auditorium.

On the environment front, an FEU-DENR (Department of Environment and Natural Resources) – WWF (Worldwide Fund for Nature) partnership started in 2012 called Tams2 made significant progress towards its 2020 goal of doubling the critically endangered tamaraw population. From 327 tamaraws in 2012, the 2018 population is now at 523, and good relations continue with the indigenous people in Mindoro.



In 2012, FEU, DENR, and WWF entered into a program called Tams2 to double the Tamaraw population by the year 2020.

### Corporate Governance

Based on a new stricter ASEAN Corporate Governance scorecard, our Corporate Governance score slipped on an absolute basis. However, we continue to be among the Top 50 listed corporations in corporate governance in the Philippines on a relative basis, and among the Top 15 in the Service sector.

### Sad Note

It is with deep sadness that we note the passing away of our beloved Trustee, Robert Kuan, last September. Robert always gave good advice, and he was a kind and loving man, as well as an inspiration to the many lives that he touched. He was a long time Trustee of FEU and, since 2016, of Roosevelt College, Inc., as well as a competent and conscientious Risk Management Committee Chairman.



Robert F. Kuan  
Independent Trustee

The FEU Community will dearly miss him.

### Looking Forward

With Senior High School now fully operational, we look forward to normal freshmen enrollment this school year 2018 – 2019. Our new Senior High School building in Roosevelt Rodriguez campus is full, while our 17-storey FEU Alabang building has partially opened with Senior High School and some tertiary students.

We are back to our 2015 enrollment numbers of approximately 40,000 group-wide, and look forward to additional increases in the coming years. We see some education industry challenges on State University free tuition, worsening traffic, and a possible TRAIN 2 income tax increase, but we are committed to continuing to provide a value added FEU education in the long term. We will use technology and separate geographic areas to reach out to students all over the Greater Metro Manila area.

Once again, we extend our appreciation and thanks to the entire FEU community - our students, our faculty, our administrators, our stockholders, our regulators, our stakeholders - for their steadfast support during these trying K-12 times.

We believe that we have hurdled the most difficult part of K-12, and we can confidently claim that we are a Top Five school.

Be Brave!

Aurelio R. Montinola, III  
Chair, Board of Trustees





“We believe that we have hurdled the most difficult part of K-12, and we can confidently claim that we are a Top Five school.”



# BOARD OF TRUSTEES

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2018







### **Lourdes R. Montinola**

90, Filipino: Chair Emeritus (August 2013 to present), Chair (June 1989 to August 2013), Far Eastern University, Inc.

Other Corporate Affiliations: Chair, Board of Directors, FERN Realty Corporation; Chair and President, FEU Educational Foundation, Inc.; Chair Emeritus, Nicanor Reyes Educational Foundation, Inc.; Chair, Far Eastern College Silang, Inc.; Governor, Nicanor Reyes Memorial Foundation; Trustee, FEU-Dr. Nicanor Reyes Medical Foundation, Inc.; Board Member, MEMORARE-Manila 1945 Foundation, Inc. and The English Speaking Union. She is also a Member of the Museum Foundation of the Philippines, Inc., the Oriental Ceramic Society, the Heritage Conservation Society, HABI: The Philippine Textile Council, Inc. and the Asia Society Philippine Foundation, Inc.

Dr. Montinola holds a Bachelor of Arts degree (cum laude) from Marymount College, New York, U.S.A., and an M.A. in Cultural History from the Asean Graduate Institute of Arts. She completed the Management Development Program for College and University Administrators in the Institute for Educational Management, Graduate School of Education, Harvard University, U.S.A. She obtained her Ph.D. in English: Creative Writing from the University of the Philippines.



### **Aurelio R. Montinola III**

67, Filipino: Chairman of the Board of Trustees (August 2013 to present), Vice Chairman (June 1989 to August 2013), Far Eastern University, Inc.

Other Corporate Affiliations: Chairman, Amon Trading Inc., East Asia Computer Center, Inc., East Asia Educational Foundation, Inc., Nicanor Reyes Educational Foundation, Inc., World Wildlife Fund Philippines, FEU High School, Inc., FEU Alabang, Inc., Roosevelt College, Inc., and National Golf Association of the Philippines; Vice Chairman, Philippine Business for Education Foundation (PBED); Director, BPI/MS Insurance Corporation; Trustee, Ramon Magsaysay Award Foundation; Member, Management Association of the Philippines and Makati Business Club; and Independent Director, Xeleb Technologies, Inc.

He is also a Director of the Bank of the Philippine Islands, and Independent Director of Roxas and Company Incorporated, both listed corporations.

He graduated with a BS Management Engineering degree at the Ateneo de Manila University in 1973, and received his MBA at Harvard Business School in 1977. He was awarded the 2005 and 2009 Asian Banker Leadership Award for the Philippines and the MAP Management Man of the Year Award in 2012.



### **Michael M. Alba**

61, Filipino: President and Member of the Board of Trustees, Far Eastern University, Inc. (October 2012 to present)

He is President concurrently of East Asia Computer Center, Inc.; Far Eastern College Silang, Inc.; FEU Alabang, Inc.; FEU High School, Inc.; Roosevelt College, Inc.; East Asia Educational Foundation, Inc.; and Nicanor Reyes Educational Foundation, Inc.; and Governor, Nicanor Reyes Memorial Foundation. His affiliations include, among others: FEU Public Policy Center (Chairman); Philippine Association of Colleges and Universities (Board Member; Chair, Research Committee); Association of Southeast Asian Institutions of Higher Learning, National Council of the Philippines (Chairman); Presidents' Forum of Southeast and South Asia and Taiwan Universities (Member, Steering Committee); Foundation for Information Technology Education and Development (President); Philippine Economic Society (Lifetime Member and President, 2007); Action for Economic Reforms (Fellow); and Management Association of the Philippines (Member).

He obtained his AB (Economics) degree from the Ateneo de Manila University in 1978, MA (Economics) degree from the University of the Philippines (Diliman) School of Economics in 1987, and PhD (Applied Economics) degree from Stanford University in 1993.



### **Angelina Palanca Jose**

65, Filipino: Trustee (June 1990 to present) Far Eastern University, Inc.

Other Corporate Affiliations: Member, Board of Directors, FERN Realty Corporation and FEU Alabang, Inc.; Trustee, Nicanor Reyes Educational Foundation, Inc.; Treasurer and Trustee, FEU Educational Foundation, Inc.; Corporate Secretary and Governor, Nicanor Reyes Memorial Foundation; Member, Executive Committee, Far Eastern University, Inc.; Corporate Secretary and Director, Far Eastern College Silang, Inc.; Chair, Angel C. Palanca Peace Program Foundation, Inc.; and Chair, Board of Trustees, (April 2014 – April 2015 and April 2017 to present) and Enrolled Member (2013 – 2016) Ahon Sa Hirap, Inc.

She was also the Corporate Secretary of Far Eastern University from February 1998 to January 2017.

Ms. Jose obtained her Bachelor of Science degree, major in Economics, from the University of the Philippines (Dean's Medal).



### **Paulino Y. Tan**

72, Filipino: Trustee, Far Eastern University, Inc. (June 1991 to present)

Other Corporate Affiliations: At present, Member of the Board of Directors/Trustees of the following companies: Nicanor Reyes Educational Foundation, Inc., FEU Educational Foundation, Inc., East Asia Educational Foundation, Inc., East Asia Computer Center, Inc., Lyceum of Batangas, Lyceum of Laguna, SM (Shoemart) Foundation, Inc., Asia Pacific Technology Educational Foundation, FERN Realty Corporation, Far Eastern College Silang, Inc., FEU High School, Inc., FEU Alabang, Inc., Asia Pacific College, Roosevelt College, Inc. and Foundation for Information Technology Education and Development, Inc.

Dr. Tan obtained the Degree of Bachelor in Science in Chemical Engineering from De La Salle University. He obtained both his M.S. and Ph.D. in Chemical Engineering from the University of Notre Dame, Indiana, U.S.A.



### **Antonio R. Montinola**

65, Filipino: Trustee, Far Eastern University, Inc. (November 2013 to present)

Other Corporate Affiliations: Chairman, President and Director – Round Royal, Inc.; President and Director FERN Realty Corporation, Monti-Rey, Inc. and Juliana Management Co., Inc.; Vice Chairman, Treasurer and Director, AMON Trading Corp., Director, Southwestern Cement Ventures, Inc., Far Eastern College Silang, Inc., and Nicanor Reyes Education Foundation, Inc.; and Trustee, FEU Educational Foundation, Inc.

Sports Affiliations: Member, Board of Managing Directors, Universities Athletic Association of the Philippines (UAAP); Team Manager, FEU Tamaraws; Member, Manila Golf Club; Member, Tagaytay Midlands Golf Club; Member, The Rockwell Club.

He worked with Procter & Gamble and Jardine Davies, Inc. in the Philippines and with General Mills Corp., based in Minneapolis, Minnesota, U.S.A.

Mr. Montinola holds an A. B. Economics Degree (honors course) from Ateneo de Manila University (1973) and an M.B.A. from Stanford University, Palo Alto, California, U.S.A. (1978).





### **Sherisa P. Nuesa**

63, Filipino: Independent Trustee, Far Eastern University (August 2010 to present).

Other Corporate Affiliations: President and Board Director, ALFM Mutual Funds Group and Independent Director, Generika/Actimed Group, East Asia Computer Center, Inc., FERN Realty Corporation and Far Eastern College Silang, Inc. She is also an Independent Trustee of East Asia Educational Foundation. She is a Trustee of Institute of Corporate Directors (ICD), Financial Executives Institute of the Philippines (FINEX) and Judicial Reform Initiative. She also serves as a Senior Adviser to the Boards of Vicsal Development Corporation and Metro Retail Stores Group, Inc.

She is also an Independent Director of Manila Water Company and Integrated Micro-Electronics, Inc., both listed corporations.

She graduated with the degree of Bachelor of Science in Commerce (summa cum laude) at Far Eastern University in 1974 and received her Master in Business Administration degree from the Ateneo - Regis Graduate School of Business in 2010. She also attended post-graduate management programs at Harvard Business School and Stanford University. She received the ING -FINEX CFO of the Year award in 2008.



### **Robert F. Kuan<sup>†</sup>**

70, Filipino: Independent Trustee, Far Eastern University, Inc. (September 2004 to 2018)

Other Corporate Affiliations: Trustee, St. Luke's Medical Center, Quezon City (Chairman, 1996-2011), St. Luke's Medical Center, Global City, Inc. (Chairman, 2009-2011), St. Luke's College of Medicine-William H. Quasha Memorial, Brent International School of Manila and Brent International School Subic, Inc., and AIM Scientific Research Foundation, Inc.; Chairman, Brent International School Baguio, Inc., Brent Schools, Inc., Willis Towers Watson Insurance Brokers Philippines, Inc. and St. Theodore of Tarsus Hospital in Sagada, Inc.; Independent Director, China Bank Savings, Inc., Planter's Development Bank, SEAOIL Philippines, Inc., CBC Capital Corporation, Inc. and China Bank Securities Corporation; Independent Trustee, Roosevelt College, Inc.

He is also an Independent Director of China Banking Corporation, a listed corporation.

Mr. Kuan graduated from the University of the Philippines (1970) with a degree of Bachelor of Science in Business Administration. In 1975, he earned his Masters in Business Management from the Asian Institute of Management (AIM). In 1993, he took up the Top Management Program at AIM, a program exclusively for company Presidents and Chief Executive Officers. He was a TOFIL (The Outstanding Filipino) Awardee in 2003 in the field of Business & Entrepreneurship; Agora Awardee for Entrepreneurship and Triple-A Awardee of AIM; Outstanding Alumnus Awardee in the field of Business given by the Alumni Association of the University of the Philippines (UP) and Distinguished Alumnus Awardee given by the College of Business Administration of the University of the Philippines (UP).

\*Robert F. Kuan passed-away on 15 September 2018



### **Edilberto C. de Jesus**

76, Filipino: Independent Trustee, Far Eastern University, Inc. (August 2012 to present)

Other Corporate Affiliations: Member, Board of Directors, Cagayan de Oro College and Phinma Corp.; Member, Board of Trustees, Philippine Normal University and Foundation for Liberty and Prosperity; Member, Makati Business Club and of the Advisory Board of Philippine Business for Education; Fellow, Institute of Corporate Directors; Professor Emeritus, Asian Institute of Management and Independent Trustee, Nicanor Reyes Educational Foundation, Inc. and Roosevelt College, Inc.

He obtained a BA Honors Degree in the Humanities, cum laude at the Ateneo de Manila University in 1962, and received his M. Phil. (1969) and Ph.D. degrees (1972) from Yale University. He served as president of: Far Eastern University (1995-2002); University of the Cordilleras (2008-2009); Asian Institute of Management (2009-2012); and Secretariat Director, Southeast Asia Ministers of Education Organization in Bangkok (2005-2007). He also served in the Cabinet of President Corazon Aquino as Deputy Peace Commissioner and Presidential Adviser on Rural Development (1987-1992) and as Secretary of Education in the Cabinet of President Gloria Arroyo (2002-2004).

## EXECUTIVE COMMITTEE 2018

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**Aurelio R. Montinola III**  
Chairman



**Michael M. Alba**  
Member



**Angelina P. Jose**  
Member



**Paulino Y. Tan**  
Member



**Juan Miguel R. Montinola**  
Member





# FUTURE- READY LEARNING BEGINS HERE

PREPARING **FEU** STUDENTS TODAY  
FOR THE CHALLENGES OF TOMORROW.

**NICANOR REYES SR.**  
FOUNDER, FAR EASTERN UNIVERSITY



FEU MANILA • FEU TECH • FEU MAKATI • FEU DILIMAN • FEU CAVITE • FEU ALABANG

## FINANCIAL HIGHLIGHTS

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# FAR EASTERN UNIVERSITY

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of *Far Eastern University, Incorporated and Subsidiaries* (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended May 31, 2018 and May 31, 2017, and for the period ended May 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative to do so.

The Board of Trustees is responsible for overseeing the Group's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

**AURELIO R. MONTINOLA, III**  
Chairman of the Board and  
Chief Executive Officer

**MICHAEL M. ALBA**  
President and Chief Operating Officer

**JUAN MIGUEL R. MONTINOLA**  
Chief Finance Officer

**SEP 11 2018**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2018, affiants exhibiting their Tax Identification Numbers (TIN) as follows:

Name	TIN	Place Issued
Aurelio R. Montinola, III	135-558-086	Philippines
Michael M. Alba	157-483-273	Philippines
Juan Miguel R. Montinola	115-203-243	Philippines

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Series of 2018

NOTARY PUBLIC

**ENRICO G. GILERA**

Notary Public for Manila  
Until December 2019  
PTR No. 7007693; 01.10.2013; Manila  
IBP No. 1006097; 10.11.2017; Manila III  
Roll No. 35149; May 27, 1988  
MCLE Compliance No. V 0021389; May 4, 2016  
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Sampaloc, Manila  
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## Report of Independent Auditors

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**Punongbayan & Araullo**

20th Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

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**The Board of Trustees and Stockholders  
The Far Eastern University, Incorporated and Subsidiaries**  
Nicanor Reyes, Sr. Street  
Sampaloc, Manila

### *Opinion*

We have audited the consolidated financial statements of The Far Eastern University, Incorporated (the University) and subsidiaries (together hereinafter referred to as the Group), which comprise the consolidated statements of financial position as at May 31, 2018, 2017 and 2016 and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended May 31, 2018 and 2017 and the two months ended May 31, 2016, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2018, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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**Certified Public Accountants**

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

Offices in Cavite, Cebu, Davao  
BOA/PRC Cert of Reg. No. 0002  
SEC Accreditation No. 0002-FR-5

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***Emphasis of Matter***

As discussed more fully in Note 1 to the consolidated financial statements, On March 15, 2016, the Group changed its financial reporting period from a fiscal year beginning April 1 and ending March 31 to a fiscal year beginning June 1 and ending May 31. Accordingly, it has prepared and presented consolidated financial statements for the two months ended May 31, 2016. Our opinion is not modified in respect of this matter.

***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

***(a) Recognition of Tuition and Other School Fees***

***Description of the Matter***

Tuition and other school fees amounted to P2.6 billion, which accounts for 98% of the total revenues of the Group, for the year ended May 31, 2018 as shown in the Group's consolidated statements of profit or loss and in Note 19 to the consolidated financial statements. It involves significant volume of transactions and the Group is dependent on its information technology infrastructure in processing such voluminous transactions. In addition, growth in tuition and other school fees is also one of the key performance measures used to assess the Group's performance. Relative to this, any potential misstatements related to tuition and other school fees could be material to the consolidated financial statements. We therefore identified recognition of tuition and other school fees as a significant risk requiring special audit consideration.

***How the Matter was Addressed in the Audit***

Our audit procedures included, among others, the following:

- obtaining an understanding of the tuition and other school fees revenue recognition policy of the Group and the related processes and controls;
- testing of design and operating effectiveness of internal controls, including information technology general controls (i.e., security administration, program maintenance and program execution) and application controls, related to the Group's recognition and measurement of tuition and other school fees, including the related scholarship merits and tuition fee discounts, and payments from students;
- examining students' enrollment transactions (i.e., through examination of tuition bills) and grant of scholarships merits and tuition fee discounts during the academic year;
- performing revenue cut-off test procedures including, among others, examining tuition bill transactions near period end, and analyzing and reviewing revenue adjustments subsequent to period end to determine whether tuition and other school fees are appropriately recognized in the proper period; and,

**Certified Public Accountants**  
Punongbayan & Araullo (P&A) is the Philippine member firm of Grant Thornton International Ltd

- performing substantive analytical review procedures over tuition and other school fees such as, but not limited to, current year's components of tuition and other school fees (e.g., by student population and by institute or college) as a percentage of total revenues, and yearly and monthly analyses of enrolment transactions based on our expectations, which include corroborating evidence from other audit procedures, and verifying the underlying data used in the analyses are valid and complete.

**(b) Assessment of Goodwill Impairment**

*Description of the Matter*

As at May 31, 2018, the balance of goodwill amounts to P186.5 million, which arose from the acquisition of Roosevelt College, Inc. (RCI) in May 2016 as disclosed in Note 1 to the consolidated financial statements. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. We have identified assessment of goodwill impairment as a key audit matter in our audit because management's assessment process is highly subjective being based on significant assumptions, such as revenue growth rate and discount rate, to determine the recoverable amount of the cash generating units (CGUs) where goodwill is allocated to and the future cash flows of that particular CGUs which are affected by expected future market or economic conditions. The more significant management's assumptions include:

- RCI, the CGU on which the goodwill is allocated to, will continue as a going concern;
- RCI will have sufficient financial resources to finance its working capital requirements to achieve its projected forecast and to support the business needs; and,
- RCI's growth in student population and viability of its performance forecasts for the next five years.

The Group's accounting policy on impairment of goodwill is included in Note 2 to the consolidated financial statements and the related disclosures are included in Notes 1 and 3.

*How the Matter was Addressed in the Audit*

Our audit procedures included, among others, evaluating the assumptions and methodologies (i.e., discounted cash flows method) used by management, particularly those relating to the forecasted tuition fee rates and number of students assumed to project revenue growth and profit margins of RCI. In doing so, we have considered historical and environmental trends. In addition, based on the results of our audit of the financial statements of RCI as of and for the year ended May 31, 2018, we did not identify events or conditions that may cast significant doubt on RCI's ability to continue as a going concern.



### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A (but does not include the consolidated financial statements and our auditors' report thereon) and Annual Report for the year ended May 31, 2018. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended May 31, 2018 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the 2018 audit resulting in this independent auditors' report is Mailene Sigue-Bisnar.

**PUNONGBAYAN & ARAULLO**



By: **Mailene Sigue-Bisnar**  
Partner

CPA Reg. No. 0090230  
TIN 120-319-128  
PTR No. 6616003, January 3, 2018, Makati City  
SEC Group A Accreditation  
Partner - No. 0396-AR-3 (until Oct. 15, 2018)  
Firm - No. 0002-FR-5 (until Mar. 26, 2021)  
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

August 28, 2018

**THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MAY 31, 2018, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2018	2017 [As Restated – See Note 2.1(d)]	2016 [As Restated – See Note 2.1(d)]
<b><u>A S S E T S</u></b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	8	P 855,331,501	P 1,526,201,248	P 1,213,350,580
Trade and other receivables - net	9	540,342,199	450,070,055	448,084,700
Available-for-sale financial assets		2,119,491,677	2,139,654,834	2,156,987,745
Held-to-maturity investments	11	-	95,148,019	-
Real estate held-for-sale	12	123,533,559	141,547,959	121,613,876
Other current assets - net	16	1,351,564,894	679,676,599	216,964,837
Total Current Assets		4,990,263,830	5,032,298,714	4,157,001,738
<b>NON-CURRENT ASSETS</b>				
Trade and other receivables - net	9	2,939,451	1,701,014	2,176,503
Available-for-sale financial assets	11	176,523,803	138,991,746	458,092,841
Held-to-maturity investments	11	297,284,616	241,418,315	-
Investment in an associate - net	13	6,490,925	6,585,801	6,656,734
Property and equipment - net	14	7,205,631,433	6,056,297,863	5,710,321,560
Investment properties - net	15	150,919,929	185,847,743	203,682,720
Goodwill	1	186,487,019	186,487,019	186,487,019
Deferred tax assets - net	23	18,135,377	20,272,377	36,165,350
Other non-current assets	16	152,718,025	89,942,544	74,465,689
Total Non-current Assets		8,197,130,578	6,927,544,422	6,678,048,416
<b>TOTAL ASSETS</b>		<b>P 13,187,394,408</b>	<b>P 11,959,843,136</b>	<b>P 10,835,050,154</b>
<b><u>LIABILITIES AND EQUITY</u></b>				
<b>CURRENT LIABILITIES</b>				
Trade and other payables	17	P 1,305,696,027	P 961,758,143	P 822,391,312
Interest-bearing loans	18	1,183,571,429	332,857,143	8,166,667
Derivative liability	10	38,255,313	33,365,459	20,520,000
Deferred revenues	2, 19	176,907,478	75,199,534	116,258,743
Provisions	28	20,076,543	19,694,375	48,467,365
Income tax payable		17,953,833	22,006,031	53,440,444
Total Current Liabilities		2,742,460,623	1,444,880,685	1,069,244,531
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing loans	18	1,333,571,429	1,617,142,857	1,484,166,667
Post-employment benefit obligation	22	46,138,632	59,800,703	64,710,710
Deferred tax liabilities - net	23	19,489,685	10,697,213	4,360,135
Other non-current liabilities		4,336,911	4,696,331	3,987,592
Total Non-current Liabilities		1,403,536,657	1,692,337,104	1,557,225,104
Total Liabilities		4,145,997,280	3,137,217,789	2,626,469,635
<b>EQUITY</b>				
Equity attributable to owners of the parent company				
Capital stock	25	1,651,435,400	1,651,435,400	1,651,435,400
Treasury stock - at cost	25	( 63,265,755 )	( 49,362,563 )	( 38,655,641 )
Revaluation reserves	11, 22	( 25,739,204 )	39,707,565	62,622,697
Other reserves	2	( 57,785,452 )	( 57,785,452 )	-
Retained earnings	25	5,357,541,295	5,128,123,327	4,740,344,176
Total equity attributable to owners of parent company		6,862,186,284	6,712,118,277	6,415,746,632
Non-controlling interests	25	2,179,210,844	2,110,507,070	1,792,833,887
Total Equity		9,041,397,128	8,822,625,347	8,208,580,519
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 13,187,394,408</b>	<b>P 11,959,843,136</b>	<b>P 10,835,050,154</b>

*See Notes to Consolidated Financial Statements.*



**THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
**AND THE TWO MONTHS ENDED MAY 31, 2016**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>May 31, 2018</u> <u>(One Year)</u>	<u>May 31, 2017</u> <u>(One Year)</u>	<u>May 31, 2016</u> <u>(Two Months –</u> <u>See Note 1)</u>
<b>REVENUES</b>				
Educational	19			
Tuition fees - net		P 2,429,326,661	P 2,710,248,681	P 112,897,745
Other school fees		<u>190,854,536</u>	<u>106,582,390</u>	<u>9,298,316</u>
		2,620,181,197	2,816,831,071	122,196,061
Rental	15	<u>42,028,413</u>	<u>43,430,248</u>	<u>10,802,341</u>
		2,662,209,610	2,860,261,319	132,998,402
<b>COSTS AND OPERATING EXPENSES</b>	20	( 2,182,296,116 )	( 2,095,567,965 )	( 353,456,593 )
<b>OTHER OPERATING INCOME</b>	2	<u>3,998,242</u>	<u>2,559,803</u>	<u>-</u>
<b>OPERATING INCOME (LOSS)</b>		483,911,736	767,253,157	( 220,458,191 )
<b>FINANCE INCOME</b>	21	193,493,393	180,126,492	31,513,101
<b>FINANCE COSTS</b>	21	( 95,374,284 )	( 88,837,546 )	( 6,278,408 )
<b>OTHER INCOME</b>	2, 17	58,204,886	69,263,938	13,122,882
<b>OTHER CHARGES</b>	13	( <u>94,876</u> )	( <u>70,933</u> )	<u>-</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		640,140,855	927,735,108	( 182,100,616 )
<b>TAX INCOME (EXPENSE)</b>	23	( <u>92,509,844</u> )	( <u>121,282,797</u> )	<u>15,538,697</u>
<b>NET PROFIT (LOSS)</b>		<u>P 547,631,011</u>	<u>P 806,452,311</u>	( <u>P 166,561,919</u> )
<b>Net Profit Attributable to:</b>				
Owners of the parent company	26	P 492,229,280	P 749,519,197	( P 166,280,222 )
Non-controlling interests		<u>55,401,731</u>	<u>56,933,114</u>	( <u>281,697</u> )
		<u>P 547,631,011</u>	<u>P 806,452,311</u>	( <u>P 166,561,919</u> )
<b>Earnings (Loss) Per Share</b>				
Basic and Diluted	26	<u>P 29.96</u>	<u>P 45.61</u>	( <u>P 10.11</u> )

*See Notes to Consolidated Financial Statements.*

**THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
**AND THE TWO MONTHS ENDED MAY 31, 2016**  
*(Amounts in Philippine Pesos)*

	Notes	May 31, 2018 (One Year)	May 31, 2017 (One Year)	May 31, 2016 (Two Months – See Note 1)
<b>NET PROFIT (LOSS)</b>		<b>P 547,631,011</b>	<b>P 806,452,311</b>	<b>( P 166,561,919 )</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Item that will be reclassified subsequently to profit or loss				
Fair value gains (losses) on available-for-sale financial assets - net of tax	11			
Fair value gains (losses) during the period		( 42,575,497 )	10,347,633	22,298,888
Fair value gains reclassified to profit or loss		( 29,589,323 )	( 36,850,401 )	( 3,253,153 )
		( 72,164,820 )	( 26,502,768 )	19,045,735
Item that will not be reclassified subsequently to profit or loss				
Gains on remeasurement of post-employment benefit plan	22	8,183,762	6,980,564	-
Tax effect	23	( 818,376 )	( 698,056 )	-
		7,365,386	6,282,508	
<b>Other Comprehensive Income (Loss) - Net of tax</b>		<b>( 64,799,434 )</b>	<b>( 20,220,260 )</b>	<b>19,045,735</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>P 482,831,577</b>	<b>P 786,232,051</b>	<b>( P 147,516,184 )</b>
<b>Total Comprehensive Income Attributable to:</b>				
Owners of the parent company		P 426,782,511	P 726,604,065	( P 148,654,871 )
Non-controlling interests		56,049,066	59,627,986	1,138,687
		<b>P 482,831,577</b>	<b>P 786,232,051</b>	<b>( P 147,516,184 )</b>

*See Notes to Consolidated Financial Statements.*



**THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
**AND THE TWO MONTHS ENDED MAY 31, 2016**  
*(Amounts in Philippine Pesos)*

	Notes	Attributable to Owners of the Parent Company						Non-controlling Interests	Total Equity
		Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Appropriated	Retained Earnings Unappropriated		
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 2,110,507,070	P 8,822,625,347
Transactions with owners									
Issuance of shares of stock	25	-	-	-	-	-	-	50,000,000	50,000,000
Acquisition of treasury stock	25	-	( 13,903,192 )	-	-	-	( 262,811,312 )	-	( 13,903,192 )
Cash dividends	25	-	-	-	-	-	( 37,345,292 )	( 37,345,292 )	( 300,156,604 )
		-	( 13,903,192 )	-	-	-	( 262,811,312 )	12,654,708	( 264,059,796 )
Appropriations of retained earnings									
Reversal of appropriations during the year	25	-	-	-	-	( 250,000,000 )	250,000,000	-	-
Appropriations during the year	25	-	-	-	-	520,000,000	( 520,000,000 )	-	-
		-	-	-	-	270,000,000	( 270,000,000 )	-	-
Total comprehensive income (loss)									
Net profit for the year	11, 22	-	-	-	-	-	492,229,280	55,401,731	547,631,011
Other comprehensive income (loss)		-	-	( 65,446,769 )	-	-	-	647,335	( 64,799,434 )
		-	-	( 65,446,769 )	-	-	492,229,280	56,049,066	482,831,577
Balance at May 31, 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 2,179,210,844	P 9,041,397,128
Balance at June 1, 2016		P 1,651,435,400	(P 38,655,641)	P 62,622,697	-	P 2,573,733,100	P 2,166,611,076	P 1,792,833,887	P 8,208,580,519
Transactions with owners									
Issuance of shares of stock	25	-	-	-	-	-	-	416,500,000	416,500,000
Acquisition of treasury stock	25	-	( 10,706,922 )	-	-	-	-	-	( 10,706,922 )
Cash dividends	25	-	-	-	-	-	( 361,740,046 )	( 36,095,292 )	( 397,835,338 )
Reduction in non-controlling interest	2	-	-	-	( 57,785,452 )	-	-	( 122,359,511 )	( 180,144,963 )
		-	( 10,706,922 )	-	( 57,785,452 )	-	( 361,740,046 )	258,045,197	( 172,187,223 )
Total comprehensive income (loss)									
Net profit for the year	11, 22	-	-	-	-	-	749,519,197	56,933,114	806,452,311
Other comprehensive income (loss)		-	-	( 22,915,132 )	-	-	-	2,694,872	( 20,220,260 )
		-	-	( 22,915,132 )	-	-	749,519,197	59,627,986	786,232,051
Balance at May 31, 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 2,110,507,070	P 8,822,625,347

	Notes	Attributable to Owners of the Parent Company						Non-controlling Interests	Total Equity
		Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Appropriated	Retained Earnings Unappropriated		
Balance at April 1, 2016		P 1,651,435,400	( P 33,855,641 )	P 44,997,346	P -	P 2,573,733,100	P 2,332,891,298	P 1,651,579,396	P 8,220,780,899
Transactions with owners									
Acquisition of treasury stock	25	-	( 4,800,000 )	-	-	-	-	-	( 4,800,000 )
Acquisition of a new subsidiary	1	-	-	-	-	-	-	140,115,804	140,115,804
Reduction in non-controlling interest		-	-	-	-	-	-	-	-
		-	( 4,800,000 )	-	-	-	-	140,115,804	135,315,804
Total comprehensive income (loss)									
Net loss for the period	11	-	-	-	-	-	( 166,280,222 )	( 281,697 )	( 166,561,919 )
Other comprehensive income		-	-	17,625,351	-	-	-	1,420,384	19,045,735
		-	-	17,625,351	-	-	( 166,280,222 )	1,138,687	( 147,516,184 )
Balance at May 31, 2016		P 1,651,435,400	( P 38,655,641 )	P 62,627,697	P -	P 2,573,733,100	P 2,166,611,076	P 1,792,833,887	P 8,208,580,519

See Notes to Consolidated Financial Statements.

**THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MAY 31, 2018 AND 2017**  
**AND THE TWO MONTHS ENDED MAY 31, 2016**  
*(Amounts in Philippine Pesos)*

	Notes	May 31, 2018 (One Year)	May 31, 2017 (One Year)	May 31, 2016 (Two Months – See Note 1)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit (loss) before tax		P 640,140,855	P 927,735,108	( P 182,100,616 )
Adjustments for:				
Depreciation and amortization	20	306,332,605	302,109,262	44,988,574
Interest income	21	( 100,670,612 )	( 105,320,467 )	( 13,954,639 )
Interest expense	21	83,798,889	46,753,278	2,738,708
Other investment income from				
available-for-sale (AFS) financial assets	21	( 55,830,535 )	( 38,740,963 )	( 8,627,316 )
Foreign exchange gains - net	21	( 36,992,246 )	( 36,065,062 )	( 8,931,146 )
Impairment losses on property and equipment	14	2,804,401	-	-
Share in net losses of an associate	13	94,876	70,933	-
Operating profit (loss) before working capital changes		839,678,233	1,096,542,089	( 165,886,435 )
Decrease (increase) in trade and other receivables		( 5,779,683 )	18,261,355	213,697,701
Increase in real estate held-for-sale		( 2,913,559 )	( 46,710,342 )	-
Decrease (increase) in other assets		( 558,507,470 )	( 85,788,080 )	2,562,268
Increase (decrease) in trade and other payables		283,442,601	103,028,339	( 45,466,886 )
Increase in derivative liability		4,889,854	12,845,459	2,447,700
Increase (decrease) in deferred revenues		101,707,944	( 41,059,209 )	( 12,598,455 )
Increase (decrease) in provisions		382,168	( 28,772,990 )	48,467,365
Increase (decrease) in post-employment benefit obligation		( 13,662,071 )	1,372,501	64,710,710
Increase (decrease) in other non-current liabilities		( 359,420 )	708,739	( 123,232,535 )
Cash generated from (used in) operations		648,878,597	1,030,427,861	( 15,298,567 )
Income taxes paid		( 73,130,079 )	( 105,811,268 )	( 3,646,805 )
Net Cash From (Used in) Operating Activities		575,748,518	924,616,593	( 18,945,372 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of AFS financial assets	11	( 2,664,941,069 )	( 2,762,841,360 )	( 336,246,224 )
Proceeds from disposal of AFS financial assets	11	2,578,601,829	2,792,596,182	352,841,362
Acquisitions of property and equipment	14	( 1,425,171,003 )	( 571,978,810 )	( 45,509,395 )
Advance payments for campus construction	16	( 186,413,356 )	( 404,924,056 )	-
Interest received	11	155,617,427	75,493,688	19,352,832
Proceeds from maturity of held-to-maturity (HTM) investments	11	102,743,344	30,297,340	-
Acquisition of HTM investments	11	( 52,500,099 )	( 15,000,000 )	-
Additions to investment properties	15	( 22,313,379 )	( 26,564,345 )	( 4,425,317 )
Advances granted to related parties	24	( 16,756,062 )	( 6,832,457 )	( 2,073,341 )
Acquisition of new subsidiaries	1	-	( 180,144,963 )	( 662,212,668 )
Net Cash Used in Investing Activities		( 1,531,132,368 )	( 1,069,898,781 )	( 678,272,751 )
Balance carried forward		( 955,383,850 )	( 145,282,188 )	( 697,218,123 )



	Notes	May 31, 2018 (One Year)	May 31, 2017 (One Year)	May 31, 2016 (Two Months – See Note 1)
<i>Balance brought forward</i>		<b>( P 955,383,850 )</b>	<b>( P 145,282,188 )</b>	<b>( P 697,218,123 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from interest-bearing loans	18, 30	<b>795,000,000</b>	470,000,000	800,000,000
Dividends paid	25	<b>( 242,812,818 )</b>	( 374,228,241 )	( 1,627,770 )
Repayments of interest-bearing loans	18, 30	<b>( 227,857,142 )</b>	( 12,333,334 )	-
Interest paid	14	<b>( 80,647,392 )</b>	( 32,540,909 )	( 1,484,672 )
Proceeds from issuance of preferred shares to a related party under common management	24	<b>50,000,000</b>	416,500,000	-
Acquisition of treasury shares	25	<b>( 13,903,192 )</b>	( 10,706,922 )	( 4,800,000 )
Net Cash From Financing Activities		<b><u>279,779,456</u></b>	<b><u>456,690,594</u></b>	<b><u>792,087,558</u></b>
<b>Cash and Cash Equivalents of Newly-acquired Subsidiary</b>	1	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>28,115,587</u></b>
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>		<b><u>4,734,647</u></b>	<b><u>1,442,262</u></b>	<b><u>781,021</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>( 670,869,747 )</b>	312,850,668	123,766,043
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		<b><u>1,526,201,248</u></b>	<b><u>1,213,350,580</u></b>	<b><u>1,089,584,537</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b><u>P 855,331,501</u></b>	<b><u>P 1,526,201,248</u></b>	<b><u>P 1,213,350,580</u></b>

**Supplemental Information on Noncash Investing and Financing Activities:**

- 1) In fiscal year 2017 and 2016, the University acquired 17.73% and 79.72% equity interest in a school for P179.7 million and respectively, of which P36.2 million and P146.1 million, respectively, were not paid in the period of acquisition (see Note 17).
- 2) In 2018 and 2016, the Group capitalized borrowing costs amounting to P15.9 million and P3.9 million as part of acquisitions of property and equipment (see Note 14).
- 3) In 2018, 2017 and 2016, certain assets amounting to P4.0 million, P48.1 million and P263.4 million, respectively, were reclassified from Investment Property to Property and Equipment, and certain assets amounting to P20.9 million, P26.8 million and P9.9 million, respectively, were reclassified from Real Estate Held for Sale to Investment Property (see Notes 12, 14 and 15).
- 4) During the years ended May 31, 2018 and 2017 the University declared cash dividends totaling P262.8 million and P361.7 million, respectively, of which, P18.6 million and P21.9 million, respectively, were not paid in the year of declaration (see Notes 17 and 25). No dividends were declared during the two months ended May 31, 2016.

**See Notes to Consolidated Financial Statements.**

**FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES**  
**Financial Soundness Indicators**  
**May 31, 2018, May 31, 2017 and March 31, 2016**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current / liquidity ratio	<b>1.82</b>	<b>3.48</b>	5.65
Quick ratio	<b>1.62</b>	<b>3.01</b>	5.37
Debt-to-equity ratio	<b>0.46</b>	<b>0.36</b>	0.18
Debt-to-asset ratio	<b>0.31</b>	<b>0.26</b>	0.15
Equity-to-asset ratio	<b>0.69</b>	<b>0.74</b>	0.85
Interest coverage ratio	<b>8.6</b>	<b>20.8</b>	33.4
Return on assets	<b>4%</b>	<b>7%</b>	13%
Return on equity	<b>6%</b>	<b>9%</b>	15%
Earnings per share	<b>P 29.96</b>	<b>P 45.61</b>	P 70.89

**LIQUIDITY RATIOS** measures the Group's ability to pay its short-term liabilities as these fall due.

**Current ratio** - current assets divided by current liabilities

**Quick ratio** - quick assets (cash and cash equivalents, marketable securities and accounts receivables) divided by current liabilities

**SOLVENCY RATIOS** measures the Group's ability to pay all its liabilities, both current and non-current, over a longer time horizon.

**Debt-to-equity ratio** - total liabilities divided by total stockholders' equity

**Debt-to-asset ratio** - total liabilities divided by total assets

**Equity-to-asset ratio** - total stockholders' equity divided by total assets

**TEST OF PROFITABILITY** refers to the Group's earning capacity. This includes the Group's ability to earn reasonable amount of income in relation to total investment.

**Return on assets** - net income divided by total assets

**Return on equity** - net income divided by total stockholders' equity

**Earnings per share** - net income divided by average outstanding common shares



FEU records 8-peat in  
UAAP Men's Athletics



FEU Track and Field ace player Clinton Kingsley Bautista finished his collegiate career with six gold medals and four silvers and was named tournament Most Valuable Player.

## UAAP GREAT MOMENTS



Far Eastern University hosted the 80th UAAP Season. The UAAP recognized its glorious past as it honored former athletes who personified the league's theme for its 80th Season: "Go For Great."



FEU Street Alliance:  
UAAP Street Dance Champion



# STUDENT SUCCESS

April 2018 Electronics  
Engineer board exam  
topnotchers (from left)  
Engr. Bryan Custodio,  
Engr. Katherine  
Velasquez, Engr.  
Mark Eullysis Alzaga  
(1st placer), and  
Engr. John Felix Limbo



Jhon Mark Isla (BA Political Science)  
First recipient of the Dr. Lourdes  
Reyes Montinola Cultural Award



FEU Tourism student  
Ian Andrew Lazaro  
2017 Grand Barista  
Cup Champion





National Privacy Commissioner Raymundo Liboro explains the rights and responsibilities of digital citizens during the forum titled: "Spotted: #FakeNews."



Cong. Antonio L. Tinio, Partylist Representative during the Young Educators Society (YES) Summit

# PROUD@90

The University recognized the exemplary and extraordinary contribution of its graduates last June 11, 2018 at the FEU Auditorium



Ramon S. Ang was conferred with the degree of Doctor of Business Engineering Honoris Causa  
(from left) Chairman Aurelio R. Montinola III with Ramon S. Ang (center), Chief Operating Officer of San Miguel Corporation and President Michael M. Alba

We marked our 90th Founding Anniversary with events and activities that fostered meaningful and relevant discussions; celebrated our achievements and recognized exemplary contributions.

We are proud of our accomplishments amid the changes.

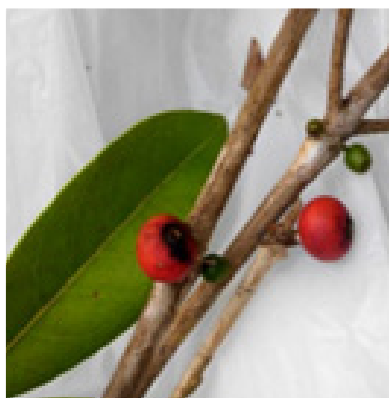




Chairman Aurelio Montinola III during the Wreath Laying and Thanksgiving Mass at the Manila Memorial Park



Be Brave: The Story of Far Eastern University," a film documentary chronicles the history of FEU from its founding in 1928



The taxonomy research team composed of Grecebio Jonathan Alejandro, Axel Arriola and Marcos Valdez Jr. discovered the *discospermum reyesii*. They named the tree specie after the founder and first president of the university as their way of honoring him.



Meet TAMIA or the "Tamaraw Information Assistant" launched by the University Library



Now on its 10th year, Musica FEUropa is a battleground of the best choirs in the Philippines.





Lighting of Nicanor Reyes Hall (NRH) facade

# INFRASTRUCTURE

This year, we continued to improve our FEU Manila facilities and engaged in significant infrastructure developments in our subsidiary campuses.



The 4-storey building in Roosevelt College Rodriguez campus



Newly renovated FEU Auditorium



The 17-storey FEU Alabang campus building





## CORE VALUES

### **Fortitude**

Fortitude refers to the ability to persevere, not give in or give up, to be committed to an ideal, and to pursue it with hard work and courage.

### **Excellence**

Excellence refers to the ability to do rigorous, meticulous, innovative, creative, and relevant endeavors that are comparable to the highest standards, effectively communicated to the stakeholders, and steeped in critical thinking.

### **Uprightness**

Uprightness refers to moral and ethical integrity, selflessness, fairness, and a commitment to the greater good.

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## CORPORATE INFORMATION

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### **Far Eastern University**

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Telephone: (632) 849-4000 / 7777338

### **Stock Transfer Services, Inc.**

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6784 Ayala Avenue, Makati City  
(632) 403-2410 / 403-2412 / 403-3433  
amlavina@stocktransfer.com.ph  
rdregala@stocktransfer.com.ph

### **Office of the Corporate Secretary**

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Nicanor Reyes Street, Sampaloc, Manila  
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### **Investor Relations**

Far Eastern University  
investors@feu.edu.ph  
<http://investors.feu.edu.ph>



# CONGRATULATIONS 2018 GREEN AND GOLD AWARDEES



**Dr. Rosalind L. Wee**  
Bachelor of Arts in Mathematics, 1967  
Doctor of Humanities, Honoris Causa, 2017  
Founder, W Group of Companies

*“We are not only here to accept the honor but also to express our gratitude to the university.”*



**Lourdes Gutierrez-Alfonso**  
Bachelor of Science in Accountancy, 1984  
Chief Operating Officer  
Megaworld Corporation



**Janelle M. Alindogan**  
Bachelor of Arts in Communication, 2006  
Bureau Chief and Correspondent  
Al Jazeera English



**Atty. Leah T. Armamento**  
Bachelor of Science in Nursing, 1980  
Commissioner, Commission  
on Human Rights



**Atty. Dominador D. Buhain Jr.**  
Bachelor of Laws, 1976  
Chairman and President  
Rex Group of Companies



**Angel P. Bautista**  
FEU Boys High School, 1974  
Bachelor of Science in Zoology, 1979  
Acting Assistant Director and  
Chief Administrative Officer  
National Museum



**Atty. Juan P. De Zúñiga**  
Bachelor Arts in Political Science, 1966  
Bachelor of Laws, 1970  
Monetary Board Member  
and General Counsel  
Central Bank of the Philippines



**Christopher M. Ferarez**  
Bachelor of Science in Accountancy, 1998  
Partner  
Audit and Assistance Division  
Punongbayan and Araullo



**Maria Rhodora Palomar-Fresnedi**  
Bachelor of Arts in  
Mass Communication, 1980  
President  
Center for Growing and  
Giving Foundation, Inc.



**Romeo S. Fresnedi, Jr.**  
Bachelor of Science  
in Psychology, 1979  
Co-founder and Managing Director  
Except One Pte. Ltd.



**Brig Gen. Eduardo L. Lacanienta**  
Pre Medicine, 1969  
President  
Global Partnership for  
Sustainable Peace Academy



**Atty. Romulo B. Macalintal**  
FEU High School, 1964  
Premier Election Lawyer and advocate of  
the rights and privileges of senior citizen's  
and persons with disability



**Teresita C. Moran**  
Bachelor of Science in Education  
major in Library Science, 1971  
Chief Librarian  
NBS College



**Corazon D. Ong**  
Bachelor of Science in Food  
and Nutrition, 1964  
Founder and Vice Chairman  
Foodsphere, Inc.



**Rev. Fr. Anton C.T. Pascual**  
FEU High School, 1975  
Executive Director  
CARITAS Manila, Inc.



**Karen Gracies L. Remo**  
Bachelor of Arts in  
Mass Communication, 2002  
Managing Director and Co-Founder  
New Perspective Media, Dubai



**Jesson Ramil D. Cid**  
Bachelor of Secondary Education major in  
Music, Arts, and Physical Education, 2013  
SEA Games Decathlon Gold Medalist  
UAAP Champion and MVP



**Rachel Anne L. Daquis**  
Bachelor of Science in Commerce  
major in Management, 2009  
UAAP Champion  
National Volleyball Team Captain



**Janelle Mae B. Frayna**  
Bachelor of Science in Psychology, 2017  
First Woman Grandmaster of the Philippines  
UAAP Athlete of the Year and MVP



**Arwind A. Santos**  
Bachelor of Secondary Education  
major in Sports and Management, 2011  
PBA Champion and MVP  
UAAP Champion and MVP



**Jayson O. Gonzales**  
Bachelor of Science in Psychology  
major in Management, 2009  
Biri Filipino Chess Grandmaster  
Multi-titled Coach of the FEU Chess Team



**Dennis E. Miranda**  
Bachelor of Science in Commerce  
major in Management, 2005  
UAAP Champion and Mythical Team Member  
PBA Champion



**Marestella T. Sunang**  
Bachelor of Secondary Education,  
major in Physical Education, 2003  
3-time Olympian  
4-time SEA Games Long Jump Gold Medalist



**Christopher T. Ulboc Jr.**  
Bachelor of Secondary Education  
major in Physical Education, 2013  
2-time SEA Games 3000 meter steeplechase Gold Medalist  
UAAP Champion



**Jessa Czaraina E. Dulay**  
Bachelor of Fine Arts major in Painting, 2014  
Member of the restoration team of 'Tillpino  
Struggle Through History,' National Artist Carlos  
'Botong' Francisco's iconic art work



**Rey Valera**  
FEU Boys' High School, 1972  
Multi-awarded songwriter  
and recording artist



**Josefina S. Sison**  
Bachelor of Science in Education, 1961  
Highly respected personality in the  
field of dance and choreography  
in the Philippines and abroad



**Dexter Sy**  
Bachelor of Arts  
major in Advertising Arts, 2005  
Multi-awarded visual artist



✉ [alumni@feu.edu.ph](mailto:alumni@feu.edu.ph)

📘 [www.facebook.com/FEUalumni](https://www.facebook.com/FEUalumni)

☎ 7777-FEU





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