CR00493-2020

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, 2019

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) 8849-4000

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, 2019
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Nov 30, 2019	May 31, 2019
Current Assets	4,446,312,680	3,848,878,876
Total Assets	14,913,441,006	14,079,957,834
Current Liabilities	2,816,672,485	3,170,713,591
Total Liabilities	4,651,595,205	4,211,883,371
Retained Earnings/(Deficit)	6,048,784,670	5,719,598,066
Stockholders' Equity	10,261,845,801	9,868,074,463
Stockholders' Equity - Parent	7,593,999,915	7,251,353,046
Book Value per Share	462.37	441

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,253,318,160	1,174,450,776	1,925,217,711	1,664,792,020
Gross Expense	755,901,004	650,432,718	1,352,368,247	1,134,109,271
Non-Operating Income	79,315,703	34,502,249	137,155,683	85,558,452
Non-Operating Expense	47,239,381	27,932,215	68,179,201	44,339,054
Income/(Loss) Before Tax	497,417,156	524,018,058	572,489,464	530,682,749
Income Tax Expense	30,925,450	45,134,768	44,757,986	53,121,049
Net Income/(Loss) After Tax	466,491,706	478,883,290	528,091,478	477,561,700
Net Income Attributable to Parent Equity Holder	460,979,664	462,631,979	493,956,834	454,257,235
Earnings/(Loss) Per Share (Basic)	28.06	28.17	30.07	27.66
Earnings/(Loss) Per Share (Diluted)	28.06	28.17	30.07	27.66

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	48.28	43.76
Earnings/(Loss) Per Share (Diluted)	48.28	43.76

Other Relevant Information
-

Filed on behalf by:

Name	Santiago Jr. Garcia
Designation	Corporate Secretary/Compliance Officer

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1008
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, 2019**
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) 8-849-4000**

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

PAMELA M. HERNANDEZ
Chief Accountant

Manila
14 January 2020

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) remains firm as of November 30, 2019.

Consolidated total assets of the Group grew by P833.48 million to P14,913.44 million as of the report date. Current and non-current assets both registered increases amounting to P597.43 million and P236.05 million, respectively.

Asset growth is mainly on Trade and other receivables and Property and equipment. Receivables, which mostly pertain to receivable from students, was increased resulting from current semester enrollments, while the increment in Property and equipment is due to asset additions on on-going school building constructions. There were also increases in Financial assets at fair value through profit or loss (FVTPL) and Financial assets at fair value through other comprehensive income (FVOCI) mainly due to additional investments made and positive market value changes during the period

Consolidated total liabilities was registered at P4,651.60 million, higher by P439.71 million compared to its May 31, 2019 balance. Current liabilities shrink by P354.04 million, while non-current liabilities jumped by P793.75 million. During the period, a significant portion of currently maturing bank loans were settled in exchange for longer-termed bank loans. Moreover, Trade and other payables also went down due to usual payments of payable to suppliers.

The Group's consolidated total equity as of November 30, 2019 has grown to P10,261.85 million, as it gained P393.77 million, compared to the current period's beginning balance of P9,868.07 million, mainly on account of strong result of operations.

Consolidated Results of Operation

The Group's operating income for the first half of Fiscal Year (FY) 2019-2020 improved by P14.41 million to P503.87 million, compared to the P489.46 million registered for the same period last FY.

Total revenues improved by 13%, resulting mainly from educational revenues due to increase in enrollment for the first semester of the current Academic Year (AY). Also, Fern Realty Corporation (FRC) recognized an income from a sale of its investment property during the period.

Operating expenses rose by 18% due mainly to a certain non-recurring local tax expense, higher depreciation on continuous fixed asset additions and general increase in related operational costs incidental to an increased student population served during the current AY.

Other income, resulting from various incidental activities, which was better by P43.04 million also contributed to the net results of operations.

The resulting net income after tax of the Group was at P528.09 million, an improvement of P50.53 million compared to the net income for the same period last FY.

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 enrollment, resulting to a 43,334 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 meaningful career for its faculty and employees.

Significant changes in real accounts as of November 30, 2019, compared to May 31, 2019
(Amounts in Philippine Peso)

		November 30	May 31	Increase (Decrease)	%
1	Cash and cash equivalents	**P 1,115,669,734**	P 1,520,192,490	(P 404,522,756)	-27%
2	Trade and other receivables – net	**1,112,733,073**	622,030,782	490,702,291	79%
3	Financial assets at FVTPL	**966,730,378**	837,414,512	129,315,866	15%
4	Financial assets at FVOCI	**1,025,715,912**	706,696,872	319,019,040	45%
5	Investments at amortized cost	**669,620,715**	787,493,150	(117,827,435)	-15%
6	Property and equipment – net	**9,096,198,223**	8,708,590,224	387,607,999	4%
7	Investment properties – net	**143,352,616**	154,874,322	(11,521,706)	-7%
8	Other non-current assets	**243,498,086**	200,954,362	42,543,724	21%
9	Trade and other payables	**1,220,250,400**	1,405,750,972	(185,500,572)	-13%
10	Interest-bearing loans	**2,524,285,714**	2,358,571,429	165,714,285	7%
11	Derivative liability	**23,932,610**	36,720,866	(12,788,256)	-35
12	Deferred revenues	**727,947,497**	258,368,982	469,578,515	182%
13	Revaluation reserves	**18,388,713**	3,264,862	15,123,851	463%
14	Retained earnings	**6,048,784,670**	5,719,598,066	329,186,604	6%
15	Non-controlling interest	**2,667,845,886**	2,616,721,417	51,124,469	2%

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

			2019		2018		Increase (Decrease)	%
REVENUE								
1	Educational revenues - net	**P**	**1,726,320,677**	P	1,557,384,515	P	168,936,162	11%
2	Sale of investment property		**37,988,903**		-		37,988,903	100%
3	Other income - net		**66,903,039**		23,850,681		43,052,358	181%
EXPENSES								
1	Salaries	**P**	**494,594,408**	P	448,281,358	P	46,313,050	10%
2	Taxes and licenses		**41,417,855**		4,656,831		36,761,024	789%
3	Depreciation		**200,466,851**		167,273,728		33,193,123	20%
4	Employee benefits		**165,314,075**		137,539,091		27,774,984	20%
5	Other maintenance and university operations		**23,256,000**		14,733,494		8,522,506	58%
6	License and support		**13,947,396**		6,129,648		7,817,748	128%
7	Travel and business		**19,122,188**		12,111,877		7,010,311	58%
8	Professional fees		**40,033,593**		33,374,114		6,659,479	20%
9	Provision for impairment loss		**19,491,304**		25,827,716	(	6,336,412)	-25%
10	Utilities		**72,769,919**		66,944,049		5,825,870	9%
11	Repairs and maintenance		**16,713,660**		12,706,463		4,007,197	32%
12	Finance cost		**68,179,201**		44,339,054		23,840,147	54%

Causes of material changes in real accounts as of November 30, 2019, compared to May 31, 2019

TOTAL ASSETS

Consolidated total assets of the Group grew by P833.48 million. Significant movements in the accounts were as follows:

1. Cash and cash equivalents

Cash and cash equivalents had a net decrease of P404.52 million mainly due to cash outflows resulting from in fixed asset additions and net additional investment in financial assets at FVTPL and FVOCI. The net cash outflow was partially offset by major cash inflows, particularly from results of operations, proceeds from maturity of investment in bonds, and net proceeds from interest-bearing loans.

2. Trade and other receivables

Trade and other receivables grew by P490.70 million mainly due to tuition fee receivables from students pertaining to current semester enrollments.

3. Financial assets at FVTPL

Financial assets at FVTPL increased by P129.32 million mainly due to net additional investments made by FEU and EACCI, and the related net fair value gains on these investments.

4. Financial assets at FVOCI

Financial assets at FVOCI increased by P319.02 million mainly due to net additional investments made by FEU and EACCI, and the related net fair value gains on these investments.

5. Investments at amortized cost

Investments of amortized cost declined by P117.83 million mainly due to maturities of corporate bonds held by FEU.

6. Property and equipment

Property and equipment increased by P387.61 million mainly due to the construction costs recognized as construction-in-progress pertaining to the on-going 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, building construction in RCI's Marikina campus, and constructions undertaken by new subsidiary Edustria.

7. Investment properties

Investment properties dipped by P11.52 million mainly as a result of a sold property by FRC. Such decrease in the balance is partially offset by various asset additions made by FRC during the period.

8. Other non-current assets

Other non-current assets increased by P42.54 million mainly due to additional advance to developers by FRC, and additional refundable deposits of FEU Alabang and RCI.

TOTAL LIABILITIES

Consolidated total liabilities of the Group increased by P439.71 million. Significant movements in the accounts were as follows:

9. Trade and other payables

Trade and other payables was reduced by P185.50 million which is mainly attributable to the payments of retention and other trade payables of FEU, and settlement of various trade payables of EACCI and RCI.

10. Interest-bearing loans

The outstanding balance of interest-bearing loans went up by P165.71 million mainly due to loan availments of FEU and RCI. Increase in the account due to certain loan availments, were partially offset by principal repayments made by FEU on currently maturing loans.

11. Derivative liability

Derivative liability pertains to the amount of payable which is recognized resulting from foreign exchange (forex) conversion differences every report date, comparing the conversion amount based on current forex rate with a certain pre-determined conversion amounts of FEU's USD-denominated investment in bonds. As the functional currency (Philippine Peso) strengthens, previously incurred liabilities were reduced by an amount of P12.79 million as of the report date.

12. Deferred revenue

Deferred revenues grew by P469.58 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, there remains a portion of the total tuition fees collected and charged for the first semester that was not yet recognized as income by the University, FEU Cavite and RCI (tertiary); while for FEU Tech and FEU Alabang, tuition charges for the second trimester were recognized as unearned as classes are yet to start as of the report date. For basic education fees, only half of the tuition charges were recognized as income to date; the other half remains unearned and to be recognized over the remaining academic period. As of May 31, 2019, the balance of the account is lower as the deferred revenues initially recorded for the previous AY was already recognized as income.

EQUITY

Consolidated total equity of the Group increased by P393.77 million. Significant movements in equity were as follows:

13. Revaluation reserves

Revaluation reserves went up by P15.12 million due to the net increase of the fair value of various investments which are accounted for as Financial Assets at FVOCI.

14. Retained Earnings

The Retained Earnings balance grew by P329.19 million due to the current period net income attributable to the owners of the parent company.

15. Non-controlling Interest (NCI)

NCI increased by P51.12 million mainly due to non-controlling investments in the Groups new subsidiary, Edustria. Moreover, the share of NCI in the net income of FRC and RCI also contributed to the increase. This is partially offset by the amount of NCI's portion on the dividend declaration of FRC.

Causes of material changes in revenue, expense and other income and cost 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) improved by P50.53 million. Significant movements in profit or loss were as follows:

INCOME

1. Educational revenues-net

Educational revenues – net improved by P168.94 million primarily due to increased enrollment for the AY 2019-2020. System-wide enrollment (first semester) improved to 43,300 level compared to last year's 39,900. Student enrollment increased, particularly in the tertiary level, due to the enrollment of freshmen students. This current AY marks the entry of the 2nd batch of senior high school graduates to college; last AY, the 2nd year level in tertiary has very few students due to the K-12.

2. Sale of investment property

Income from sale of real estate, amounting to P37.99 million, was generated by FRC resulting from the sale of its condominium units which were classified as investment properties.

3. Other income - net

Other income increased by P43.05 million mainly due to improvement in EACCI's income from concessionaires and various other income from students, and FEU's bookstore operations and income from incidental activities.

EXPENSES

1. Salaries expense went up by P46.31 million as the expense item increased in all entities within the Group, mainly resulting from increased student enrollments. Significant portion of the increase comes from FEU, FEU Alabang, FEU High, EACCI and FEU High due to additional teaching positions and regular salary rate increases.

2. Taxes and licenses expense surge by P36.76 million mainly due to the amount paid by FEU pertaining to certain local tax assessed for prior years.

3. Depreciation expense increased by P33.19 million mainly resulting from increased depreciable values of fixed asset brought about by various asset additions in prior years.

4. Employee benefit expense hike up by P27.77 million. The increase is directly related to the increase in salary rates, additional teaching position filled during the period, and usage based benefits availed by employees.

5. Other maintenance and university operations expense increased by P8.52 million mainly due to expenses incurred for other outside services such as mobile x-ray services for freshmen students, various outsourced manpower services for maintenance works

6. License and support expense jumped by P7.82 million due to amounts incurred for the current renewal of Netsuite license, subscription for Turnitin, an internet-based plagiarism detection software, and purchase of Microsoft 365 licenses.

7. Travel and business expenses was higher by P7.01 million which is mainly attributable to FEU's transportation, lodging and shipping expenses incurred for official business and travel.

8. Professional fees expense went up by P6.66 million mainly due to expenses incurred for honoraria for students' thesis advisers, thesis defense panelists, jurors and consultants; resource persons for elective courses, seminars and lectures series, and other various outside professional services.

9. Provision for impairment loss declined by P6.34 million mainly due lower percentage of doubtful accounts allowance, resulting from historical analysis, provided by the University on its receivables.

10. **Utilities** expense is higher by P5.83 million in direct relation to the increase in consumption and usage resulting from more students served during the period.

11. **Repairs and maintenance** expense increased by P4.01 million due to normal facilities repairs and improvements.

12. **Finance costs** went up by P23.84 million which is mainly attributable to interest on bank loans resulting from additional loans and interest rate increases.

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, 2019	May 31, 2019	November 30, 2018
1.58 : 1	1.21 : 1	1.11 : 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, 2019	May 31, 2019	November 30, 2018
1.48 : 1	1.13 : 1	1.0 : 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, 2019	May 31, 2019	November 30, 2018
45%	43%	50%

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, 2019	May 31, 2019	November 30, 2018
31%	30%	33%

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, 2019	May 31, 2019	November 30, 2018
69%	70%	67%

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, 2019 ***(Six Months)***	May 31, 2019 *(One Year)*	November 30, 2018 *(Six Months)*
4%	6%*	3%*

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, 2019 ***(Six Months)***	May 31, 2019 *(One Year)*	November 30, 2018 *(Six Months)*
5%	8%*	5%*

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

November 30, 2019 ***(Six Months)***	May 31, 2019 *(One Year)*	November 30, 2018 *(Six Months)*
P 30.07	P45.86*	P 27.66*

Decrease in net income due to the implementation of K-12. There were lesser college freshmen and/or sophomore students (see **Note 12 on **Page 21**)*

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IV. Product/Service Standard

- **FEU**

FEU was designated the **Autonomous Status** by the Commission on Higher Education (CHED) on April 1, 2016.

FEU is a member of the **ASEAN University Network – Quality Assurance (AU-QA)** and the **Association to Advance Collegiate Schools of Business (AACSB)**.

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***
- ***Bachelor of Science in Accountancy***
- ***Bachelor of Science in Applied Mathematics major in 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***
- ***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***

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 CHED.

Teacher Education Program was awarded **Center of Excellence** by the CHED.

ITHM's ***Bachelor of Science in Tourism Management*** program is also accredited by the **Asia-Pacific Institute for Events Management (APIEM)** as a **Center of Excellence**, effective 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.

- **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") starting in 2014. While starting in March 2018, it also began to use the name and style FEU Diliman as well.

FEU Tech is a private, non-sectarian institution that provides quality education in the fields of engineering and information technology. It is housed in two buildings: the Technology Building of the FEU Manila campus along Nicanor Reyes Street and the 17-story FEU Tech Building on P. Paredes Street. The school's facilities include well-equipped, air-conditioned classrooms, laboratories, and engineering workshops; a library with a large collection of digital media; a covered gym; a 25-meter four-lane swimming pool; study areas for both individual and collaborative work; exhibit areas; and multi-function rooms. Other notable features include scenic elevators; an e-building high-tech security system; and an observation deck that provides a scenic view of the Manila landscape.

FEU Tech offers innovative academic programs that are complemented by strong industry and academic partnerships, which provide students additional opportunities for immersive learning experiences. Students receive real-world training and work experience from an intense and well-designed internship program with industry partners – a network of some 800 technology and engineering corporations nationwide. In addition, study abroad and internship abroad programs allow students to learn and be immersed in multicultural environments and cultures with partner schools in Taiwan and Korea.

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)***

Established in 2009, Far Eastern College Silang, Inc., is doing business under the name and style of FEU Cavite, and is the first subsidiary of Far Eastern University, Inc., outside Metro Manila. It is located inside MetroGate Silang Estates, a gated community in Silang, Cavite, and hence serves as the "Home of the Tamaraws in the South. It admitted its first batch of pre-school, grade school, and college students in June 2010 and of senior high school students in 2016. Effective school year 2019-2020, the Higher Education Department accepts freshmen for the Ladderized Curriculum.

FEU Cavite aspires to be a school of choice in the Southern Tagalog region by pursuing the twin goals of inculcating a love for learning among its students and being an engine for the region's community development. It seeks to develop its students as values-driven, service oriented, and future-ready global citizens through a technology-empowered and individualized learning system. Its social mission is to fuel community growth by heritage preservation and environmental stewardship.

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

  FEU High School, Inc., was established as a subsidiary of FEU in 2013 in response to Republic Act No. 10533, the "Enhanced Basic Education Act of 2013," which extended the Philippine basic education program to 13 years, adding Grades 11 and 12 to the secondary education level. Nestled inside the FEU Manila Campus, FEU High School opened its doors to its first batch of senior high school students in June 2016.

  Guided by the core values of Fortitude, Excellence, and Uprightness, FEU High provides quality education that prepares its graduates for college, the world of work, and life. Its curriculum is student-centered, values-oriented, and competency-laden; its delivery methods are technology-enabled, and its learning activities are project-based.

  Sharing the same campus with FEU in Manila, the institution occupies the Nursing Building. FEU High is considered as a separate entity. However, the institution is part of the FEU Group of Schools.

  The FEU Senior High School offers the following strands under the Academic Track of the 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***

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

  RCI has 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.

  RCI became a member of the FEU group of schools in May 2016 when FEU purchased 79.72% (now 97.43%) of the outstanding capital stock of RCI and gained management control of all its existing campuses as well as affiliated companies. Significantly contributing to the expansion of the FEU group's geographic and demographic footprint and to the growth of its basic education program, RCI is expected to carry forward FEU's mark of offering quality educational programs and facilities while improving its accessibility to more Filipino families.

RCI envisions the formation of a productive and responsible citizenry empowered through education. It offers the following degree programs and short programs:

- **Basic Education Program: K-12**
- **Developmental Kindergarten for 4-year olds**
- **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
    - *Bachelor of Elementary Education with Specialization in Early Childhood Education*
    - *Bachelor of Elementary Education*
    - *Bachelor of Secondary Education Major in English*
    - *Bachelor of Secondary Education Major in Mathematics*
    - *Bachelor of Secondary Education Major in Science*
    - *Bachelor of Secondary Education Major in Filipino*
    - *Bachelor of Secondary Education Major in Social Studies*
    - *Bachelor of Secondary Education Major in Values Education*
    - *BS in Information Technology (RCI Marikina)*
    - *BSBA major in Human Resources Management (RCI Marikina/Cainta)*
    - *BSBA major in Operations Management (RCI Marikina/Cainta)*
    - *BSBA major in Marketing Management (RCI Marikina/Cainta)*
    - *BS in 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*
- *MA in Education Major in Physical Education*
- *MA in Education Major in Values Education*
- *Teacher Certificate Program*

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

Founded on July 21, 2016, FEU Alabang, Inc., carries Far Eastern University's mission to provide quality education to the south of Metro Manila. It is located in Filinvest City, Alabang, one of the most progressive areas in Southern Metro Manila. Opened in August 2018, the 1.8-hectare campus welcomed students to its 17-story academic building, which is equipped with modern classrooms and laboratories, as well as a campus accented by lush green spaces and featuring a 200-seat chapel and gymnasium.

Set to become one of the pioneering academic institutions in the area, FEU Alabang is authorized to offer 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)
2015 - 2016	34,163	-
2016 - 2017	36,839	2,676
2017 - 2018	33,256	(3,583)
2018 - 2019	39,892	6,636
2019 - 2020	43,334	3,442

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 $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

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

II. Solvency

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

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

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

III. Profitability

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

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

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

FACTS (Based on Consolidated Balances):

	(Amounts in Million Pesos)		
	As of and for the periods ended:		
	November 30, 2019 (Six Months)	May 31, 2019 (One Year)	November 30, 2018 (Six Months)
FINANCIAL POSITION			
Assets:			
Quick assets*	**P 4,180.53**	P 3,595.60	P 3,526.67
Current assets	**4,446.31**	3,848.88	3,958.77
Non-current asset	**10,467.13**	10,231.08	10,415.12
Total assets	**14,913.44**	14,079.96	14,373.89
Liabilities:			
Current liabilities	**P 2,816.67**	P 3,170.71	P 3,551.13
Non-current liabilities	**1,834.92**	1,041.17	1,223.87
Total liabilities	**4,651.60**	4,211.88	4,774.99
Equity:			
Total equity	**P 10,261.85**	P 9,868.07	P 9,598.89
• Attributable to owners of the Parent Company	**7,594.00**	7,251.35	7,143.55
• Non-controlling interest	**2,667.85**	2,616.72	2,455.34
RESULTS OF OPERATIONS**			
Net Profit:			
Operating income	**P 503.87**	P 668.20	P 489.46
Other income - net	**68.98**	266.90	41.22
Net profit before tax	**572.85**	934.58	530.68
Profit after tax**	**528.09**	547.63	477.56
• Attributable to owners of the Parent Company	**493.96**	753.27	454.26
• Non-controlling interest	**34.13**	55.20	23.30
Other Comprehensive Income:			
Other comprehensive income (loss)	**P 15.12**	(P 4.38)	(P 38.01)
Total comprehensive income	**543.22**	804.09	439.55

	For the periods ended:		
	November 30, 2019 (Six Months)	May 31, 2019 (One Year)	November 30, 2019 (Six Months)
Others:			
Weighted average number of shares outstanding	**16,424,529**	16,425,220	16,425,387

* *Quick assets include Cash and Cash Equivalents, Trade and Other Receivables – net, Financial Asset at Fair Value Through Profit or Loss, Financial Assets at Fair Value Through Other Comprehensive Income (current), Investment Securities at Amortized Cost (current) 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/or sophomore students (see* ***Note 12 in page 21****)*

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 now operates as an educational institution and currently serves the market within its vicinity and nearby communities.

   The operations of FEU Alabang, Inc. started in August 2018 for the AY 2018-2019. It currently registered an enrollment of 1,978 senior high school, and 853 college student.

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 2019-2020 with a total 10,273 students for its tertiary and senior high school programs.

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 were only few 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.

    Subsequently, the University acquired additional 52,349 shares of stock of RCI from various selling stockholders of RCI. As of November 30, 2019, the University owns 97.43% of RCI's total outstanding shares.

14. In April 2019, the Board of Trustees (BOT) of the University (FEU), approved the incorporation of a new corporation, Edustria Incorporated, to be jointly owned by FEU and Technological Institute of the Philippines, for the purpose of establishing and operating an educational institution offering enhanced basic education in the Senior High School level. In August 7, 2019, the Securities and Exchange Commission (SEC) approved the incorporation of the Edustria.

Overall, even with the impact 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, 2019
(Amounts in Philippine Pesos)

	November 30, 2019 (UNAUDITED)	May 31, 2019 (AUDITED)
A S S E T S		
CURRENT ASSETS		
Cash and cash equivalents	**P 1,115,669,734**	P 1,520,192,490
Trade and other receivables - net	**1,112,733,073**	620,161,736
Financial assets at fair value through profit or loss	**966,730,378**	837,414,512
Financial assets at fair value through other comprehensive income	**680,099,269**	277,750,721
Investment securities at amortized cost	**242,997,228**	263,808,437
Real estate held-for-sale	**123,533,559**	123,533,559
Other current assets - net	**204,549,439**	206,017,421
Total Current Assets	**4,446,312,680**	3,848,878,876
NON-CURRENT ASSETS		
Trade and other receivables	**-**	1,869,046
Financial assets at fair value through other comprehensive income	**345,616,643**	428,946,151
Investment securities at amortized cost	**426,623,487**	523,684,713
Property and equipment - net	**9,096,198,223**	8,708,590,224
Investment properties - net	**143,352,616**	154,874,322
Goodwill	**186,487,019**	186,487,019
Deferred tax assets - net	**25,352,252**	25,673,121
Other non-current assets	**243,498,086**	200,954,362
Total Non-current Assets	**10,467,128,326**	10,231,078,958
TOTAL ASSETS	**P 14,913,441,006**	P 14,079,957,834

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		November 30, 2019 *(UNAUDITED)*		May 31, 2019 *(AUDITED)*
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade and other payables	**P**	**1,220,250,400**	P	1,405,750,972
Interest-bearing loans		**768,571,428**		1,393,571,429
Derivative liability		**23,932,610**		36,720,866
Deferred revenues		**727,947,497**		258,368,982
Provisions		**49,265,588**		48,765,588
Income tax payable		**26,704,962**		27,535,754
Total Current Liabilities		**2,816,672,485**		3,170,713,591
NON-CURRENT LIABILITIES				
Interest-bearing loans		**1,755,714,286**		965,000,000
Post-employment benefit obligation		**49,720,243**		47,313,579
Deferred tax liabilities - net		**22,684,801**		22,684,801
Other non-current liabilities		**6,803,390**		6,171,400
Total Non-current Liabilities		**1,834,922,720**		1,041,169,780
Total Liabilities		**4,651,595,205**		4,211,883,371
EQUITY				
Equity attributable to owners of the parent company				
Capital stock		**1,651,435,400**		1,651,435,400
Treasury stock - at cost	**(**	**66,823,416)**	(	65,159,830)
Revaluation reserves		**18,388,713**		3,264,862
Other reserves	**(**	**57,785,452)**	(	57,785,452)
Retained earnings		**6,048,784,670**		5,719,598,066
Total equity attributable to owners of parent company		**7,593,999,915**		7,251,353,046
Non-controlling interests		**2,667,845,886**		2,616,721,417
Total Equity		**10,261,845,801**		9,868,074,463
TOTAL LIABILITIES AND EQUITY	**P**	**14,913,441,006**	P	14,079,957,834

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, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2019	2018	**2019**	2018
REVENUES				
Educational				
Tuition fees - net	**P 1,142,026,936**	P 1,097,916,731	**P 1,680,108,355**	P 1,514,818,786
Other school fees	**18,341,845**	29,465,400	**46,212,322**	42,565,729
	1,160,368,781	1,127,382,131	**1,726,320,677**	1,557,384,515
Sale of investment property	-	-	**37,988,903**	-
Rental	**12,400,524**	12,532,985	**22,213,818**	21,258,873
Others	**1,233,152**	33,411	**1,538,630**	590,180
	1,174,002,457	1,139,948,527	**1,788,062,028**	1,579,233,568
COSTS AND OPERATING EXPENSES	**(708,661,623)**	(622,500,503)	**(1,284,189,046)**	(1,089,770,217)
OPERATING INCOME	**465,340,834**	517,448,024	**503,872,982**	489,463,351
FINANCE INCOME	**30,983,108**	24,436,819	**70,252,644**	61,707,771
FINANCE COSTS	**(47,239,381)**	(27,932,215)	**(68,179,201)**	(44,339,054)
OTHER INCOME -- NET	**48,332,595**	10,065,430	**66,903,039**	23,850,681
PROFIT BEFORE TAX	**497,417,156**	524,018,058	**572,849,464**	530,682,749
TAX EXPENSE	**(30,925,450)**	(45,134,768)	**(44,757,986)**	(53,121,049)
NET PROFIT	**P 466,491,706**	P 478,883,290	**P 528,091,478**	P 477,561,700
Net Profit Attributable to:				
Owners of the parent company	**P 460,979,664**	P 462,631,979	**P 493,956,834**	P 454,257,235
Non-controlling interests	**5,512,042**	16,251,311	**34,134,644**	23,304,465
	P 466,491,706	P 478,883,290	**P 528,091,478**	P 477,561,700
Earnings Per Share				
Basic and Diluted	**P 28.06**	P 28.17	**P 30.07**	P 27.66

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, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	2019	2018	**2019**	2018
NET PROFIT	**P 466,491,706**	P 478,883,290	**P 528,091,478**	P 477,561,700
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Net fair value gains (losses) on debt securities classified as financial assets at fair value through other comprehensive income	**3,610,787**	(47,705,538)	**11,158,867**	(29,745,806)
Item that will not be reclassified subsequently to profit or loss				
Net fair value gains (losses) on equity securities classified as financial assets at fair value through other comprehensive income	**869,951**	(2,051,121)	**3,964,984**	(8,266,995)
Other Comprehensive Income (Loss)	**4,480,738**	(49,756,659)	**15,123,851**	(38,012,801)
TOTAL COMPREHENSIVE INCOME	**P 470,972,444**	P 429,126,631	**P 543,215,329**	P 439,548,899
Total Comprehensive Income Attributable to:				
Owners of the parent company	**P 465,460,402**	P 412,875,320	**P 509,080,685**	P 416,244,434
Non-controlling interests	**5,512,042**	16,251,311	**34,134,644**	23,304,465
	P 470,972,444	P 429,126,631	**P 543,215,329**	P 439,548,899

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERMIN CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2019 AND 2018
(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, 2019	P 1,651,435,400	(P 65,159,830)	P 3,264,862	(P 57,785,452)	P 2,170,733,100	P 3,548,864,966	P 5,719,598,066	P 2,616,721,417	P 9,868,074,463
Transactions with owners									
Acquisition of treasury stock	-	(1,663,586)	-	-	-	-	-	-	(1,663,586)
Cash dividends	-	-	-	-	-	(164,770,230)	(164,770,230)	(12,410,175)	(177,180,405)
Non-controlling interest in a new subsidiary	-	-	-	-	-	-	-	29,400,000	29,400,000
	-	(1,663,586)	-	-	-	(164,770,230)	(164,770,230)	16,989,825	(149,443,991)
Appropriations of retained earnings									
Reversal of appropriations during the period	-	-	-	-	(336,000,000)	336,000,000	-	-	-
Appropriations during the period	-	-	-	-	75,000,000	(75,000,000)	-	-	-
Reversal of appropriations during the period	-	-	-	-	(261,000,000)	261,000,000	-	-	-
Total comprehensive income									
Net profit for the period	-	-	-	-	-	493,956,834	493,956,834	34,134,644	528,091,478
Other comprehensive income	-	-	15,123,851	-	-	-	-	-	15,123,851
	-	-	15,123,851	-	-	493,956,834	493,956,834	34,134,644	543,215,329
Balance at November 30, 2019	**P 1,651,435,400**	**(P 66,823,416)**	**P 18,388,713**	**(P 57,785,452)**	**P 1,909,733,100**	**P 4,139,051,570**	**P 6,048,784,670**	**P 2,667,845,886**	**P 10,261,845,801**
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 period	-	-	-	-	(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

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, 2019 AND 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**P 572,849,464**	P 530,682,749
Adjustments for:		
Depreciation and amortization	**200,466,851**	167,273,728
Finance income	**(70,252,644)**	(61,707,771)
Finance cost	**68,179,201**	44,339,054
Gain on sale of investment property	**(37,988,903)**	-
Operating profit before working capital changes	**733,253,969**	680,587,760
Increase in trade and other receivables	**(490,702,292)**	(649,032,071)
Decrease (increase) in other assets	**(59,257,856)**	910,619,892
Increase (decrease) in trade and other payables	**(194,060,756)**	278,135,891
Increase in deferred revenues	**469,578,515**	513,060,780
Increase (decrease) in provisions	**500,000**	(1,241,135)
Increase in post-employment benefit obligation	**2,406,664**	3,004,458
Increase in other non-current liabilities	**631,990**	1,612,529
Cash generated from operations	**462,350,234**	1,736,748,104
Income taxes paid	**(45,588,778)**	(53,448,547)
Net Cash From Operating Activities	**416,761,456**	1,683,299,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of financial assets at fair value through other comprehensive income	**(304,305,168)**	(726,724,774)
Acquisitions of property and equipment	**(572,038,132)**	(1,086,736,588)
Proceeds from maturity of investment securities at amortized cost	**129,456,097**	5,931,004
Net acquisition of financial assets at fair value through profit or loss	**(126,536,908)**	-
Proceeds from disposal of investment property	**67,289,413**	-
Interest received	**58,981,819**	61,424,892
Additions to investment properties	**(33,815,522)**	(7,464,770)
Purchase of investment securities at amortized cost	**(29,598,566)**	(18,807,661)
Non-controlling interest investment in new subsidiary	**29,400,000**	-
Use (payment) of advances to suppliers and developers	**18,502,983**	(14,070,673)
Net Cash Used in Investing Activities	**(762,663,984)**	(1,786,448,570)
Balance carried forward	**(345,902,528)**	(103,149,013)

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	2019	2018
Balance brought forward	**(P 345,902,528)**	(P 103,149,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing loans	**775,000,000**	-
Repayments of interest-bearing loans	**(609,285,715)**	(184,285,715)
Dividends paid	**(166,569,833)**	(120,818,909)
Interest paid	**(56,101,094)**	(43,629,587)
Acquisition of treasury shares	**(1,663,586)**	(2,413,155)
Proceeds from issuance of preferred shares to a related party under common management	**-**	260,500,000
Net Cash Used in Financing Activities	**(58,620,228)**	(90,647,366)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(404,522,756)**	(193,796,379)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,520,192,490**	855,331,501
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P 1,115,669,734**	P 661,535,122

See Notes to Interim Consolidated Financial Statements.

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
INTERIM CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
NOVEMBER 30, 2019
(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 26,213,686	P 2,383,524	P 2,810,843	P -	P 31,408,053
SSS Sickness Benefit	567,542	149,538	3,679	-	720,759
Receivable from:					
East Asia Educational Foundation, Inc.	49,778,870	-	-	-	49,778,870
FEU Public Policy Foundation	7,670,365	-	-	-	7,670,365
Alphaland Corporation	510,000	-	-	-	510,000
MOLDEX Realty, Inc.	100,000	-	-	-	100,000
Others	605,927	133,313	1,952,781	-	2,692,021
TOTALS	**P 85,446,390**	**P 2,666,375**	**P 4,767,303**	**P -**	**P 92,880,068**

THE FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2019
(With Comparative Figures as of May 31, 2019)
(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. 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, 2019, the University holds interest in the following subsidiaries 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%
Edustria Incorporated (Edustria)	**51%**	-
Fern Realty Corporation (FRC)	**37.52%**	37.52%

**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.

In August 2018, FEUAI started commercial operations and has been conferred as a school by the Department of Education and Commission on Higher Education.

In August 2019, the SEC approved the incorporation of Edustria Incorporated, an entity organized and jointly owned by the University and Technological Institute of the Philippines, for the purpose of establishing and operating an educational institution offering enhanced basic education in the Senior High School level.

1.2 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
Edustria	-	Blocks Q, R, S and T, Lima Technology Center, Barangay Bugtong na Pulo, Lipa City, Batangas

1.3 Approval for Issuance of Consolidated Financial Statements

The Interim Consolidated Financial Statements (ICFS) of the Group for the six months ended November 30, 2019 (including the comparatives for the six months ended November 30, 2018) were authorized for issue by the Audit Committee of the BOT on January 13, 2020.

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, 2019.

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, 2019.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2020 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 2020.

(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 2020 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, 2019:

PFRS 16	:	Leases
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Join Ventures – Long-term Interest in Associates and Joint Venture
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS 2015-2017 Cycle		
PFRS 3 (Amendments)	:	Business Combinations
PFRS 11 (Amendments)	:	Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation
PAS 12 (Amendments)	:	Income Taxes – Tax Consequence of Dividends
PAS 23 (Amendments)	:	Borrowing Cost – Eligibility for Capitalization

Further, the Group also adopted for the first time the Republic Act (RA) No. 11232, The Revised Corporation Code (RCC) of the Philippines, which took effect on March 8, 2019.

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

(i) PFRS 16, *Leases*. The new standard has replaced PAS 17, Leases, and its related interpretation IFRIC 4, Determining Whether an Arrangement Contains a Lease. 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 similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized 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.

The management adopted the modified retrospective application of PFRS 16 where the cumulative effect of initially applying the standard is recognized as an adjustment to the opening balance of Retained Earnings account at the date of initial application. The Group elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Management assessed that the new standard had no significant impact 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 FVOCI. The Management assessed that the amendments had no significant impact on the Group's consolidated financial statements.

(iii) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). The Management assessed that the amendments had no significant impact on the Group's consolidated financial statements.

(iv) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Venture* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 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, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Management assessed that the interpretation had no significant impact on the Group's consolidated financial statements.

(v) 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. The Management assessed that the interpretation had no significant impact on the Group's consolidated financial statements.

(vi) 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:

- 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.

- 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.

(vii) RA No. 11232, *The Revised Corporation Code of the Philippines*. This legislation repeals the Batas Pambansa Bilang 68, The Corporation Code of the Philippines. Among the provisions of the RCC, the following would impact the Group's consolidated financial statements:

- the RCC removed the 50-year maximum corporate term. Hence, stock corporation may have unlimited life unless otherwise provided in the articles of incorporation; and

- the RCC removed the subscription requirement of 25% of authorized capital stock and paid-up capital requirement of 25% of subscribed capital stock. The management deems further that other amendments and new provisions contained in the RCC are not material to the Group.

(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 1 (Amendments), *Presentation of Financial Statements*, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors* (effective January 1, 2020). The amendments refine the definition of 'material' in PAS 1 and align the definitions used across all PFRS and other pronouncements. These are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

(ii) 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 and Reclassification of Financial Assets in Accordance with PFRS 9 (Beginning June 1, 2018)

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described below and in the succeeding page.

(i) Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(e)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Group's financial assets at amortized cost are presented in the 2019 consolidated statement of financial position as Cash and Cash Equivalents, Receivables, Short-term investments (Other Current Assets), Long-term investments and Refundable deposits (under Other Non-current Assets), and Investment Securities at Amortized Cost.

For purposes of reporting cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, cash in bank, and short-term deposits.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Interest income under Finance Income.

(ii) Financial Assets at FVOCI

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell; and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated certain equity instruments as at FVOCI on initial application of PFRS 9.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in OCI, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings, except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the consolidated statement of profit or loss as part of Interest income under Finance Income.

Any dividends earned on holding these equity instruments are recognized in profit or loss as part of Other investment income under Finance Income, when the Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) Financial Assets at FVTPL

Financial assets that are held within a different business model other than “hold to collect” or “hold to collect and sell” are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Group’s financial assets at FVTPL include equity securities which are held for trading purposes or designated as at FVTPL.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance Income in the statement of profit or loss. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists.

Interest income on these investments and dividend income earned on these investments is reported as part of Other investment income under Finance Income in the consolidated statement of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument’s contractual cash flows meet the amortized cost criteria.

A change in the objective of the Group’s business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Classification and Measurement of Financial Assets in Accordance with PAS 39 (Prior to June 1, 2018)

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 and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss.

A more detailed description of 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 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 University enters 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, which were subsequently reclassified to HTM investments during the year ended May 31, 2017 (see Note 11.2). 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 University 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 statement of financial position.

The University's derivative instruments provide economic hedges under the University'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 profit or loss for the period [see Note 3.2(c)].

(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 beyond 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, Receivables (excluding advances to employees), as part of Other Current Assets with respect to short-term investments, and Refundable deposits as part of Other Noncurrent Assets in the statement of financial position. Cash and cash equivalents include 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. They are included in non-current assets in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

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

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(c) Impairment of Financial Assets under PFRS 9 (Beginning June 1, 2018)

The Group assesses its ECL on a forward-looking basis associated with its investment securities carried at amortized cost and debt instruments at FVOCI. No impairment loss is recognized on equity investments. Recognition of credit losses or impairment is no longer dependent on the Group's identification of a credit loss event. Instead, the Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The University applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all tuition and other school fee receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. To calculate the ECL, the University uses its historical experience, external indicators and forward-looking information (FLI) to calculate the ECL using a provision matrix. The University also assesses impairment of tuition and other school fee receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the number of semesters past due [see Note 4.2(b)].

For debt instruments measured at FVOCI and at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since the origination of the financial asset, in such case, a lifetime ECL for a purchased or originated credit impaired, the allowance for credit losses is based on the change in the ECL over the life of the asset. The Group recognized a loss allowance for such losses at each reporting date.

The Group's definition of credit risk and information on how credit risk is mitigated by the Group are disclosed in Note 4.2.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of Default (PD)* – it is an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

- *Loss Given Default (LGD)* – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime (lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at Default (EAD)* – it represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Group expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Group shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(d) Impairment of Financial Assets under PAS 39 (Prior to June 1, 2018)

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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

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

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

(e) 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.

Prepayment and other current assets of the Group include inventoriable items such as books and merchandises. These are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of these saleable inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties, if any, and other taxes that are not subsequently recoverable from taxing authorities.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

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 arises mainly from: (i) educational and related activities such as tuition and other school fees, income from sale of books and other merchandise, rental income from school buildings and food stalls; and, (ii) investment-related transactions such as, investment income, dividend income from subsidiaries, interest income and others.

The management determined that the revenues arising from educational and related activities are within the scope of PFRS 15, while rental income is covered by PAS 17 (see Note 2.14). Investment-related revenues, on the contrary, are subject to the provisions of PFRS 9 (see Note 2.5).

Starting June 1, 2018, to determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

(a) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(b) each party’s rights regarding the goods to be transferred or performed can be identified;
(c) the payment terms for the goods to be transferred or performed can be identified;
(d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(e) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(c) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The Group enters into transactions involving the tuition fees and other school fees and other school-related activities such as sale of school merchandises and books, and sale of real estate. The significant judgments used in determining the transaction price and the amount allocated to the performance obligations are disclosed in Note 3.1(a). Developing the knowledge and enhancing the abilities of the students represent promises to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer; therefore, the services rendered represent one performance obligation that is satisfied over time. The transaction price of the single performance obligation is recognized as revenue as the performance obligation is satisfied, which is usually throughout the academic year or the semestral period, whichever is applicable. With respect to the sale of school merchandises and books, the obligation is satisfied when the goods, particularly the merchandises and books are delivered to the customers. Hence, revenue is recognized at a point in time. As for real estate sales, the obligation is satisfied at the point the control over the properties is transferred by the Company to the buyers.

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

(a) *Educational revenues* – Revenue is recognized in profit or loss over the corresponding school term. Tuition fee received in advance and applicable to a school term after the reporting period is not recognized in profit or loss until the next reporting period and is presented as part of Deferred Revenues account in the consolidated statement of financial position. Payment for tuition fees is due upon enrollment, which is before the academic term starts, and can be made either in full payment or installment.

Revenues from NSTP trust fund (see Note 2.10) are recognized upon fulfillment of conditions attached to the fund and/or extent that the related expenses have been incurred. Restricted funds for which restrictions and conditions have not yet been met are classified as Trust funds (liability) recorded as part of the Trade and Other Payables account in the consolidated statement of financial position.

(b) *Income from sale of books and other educational-related merchandise* – Revenue is recognized at a point in time when the risks and rewards of ownership of the goods have been passed to the buyer. The sale of this merchandise is made for the Group's students. Payment for the transaction price is due immediately at the point the customer purchases the goods.

(c) *Other fees* – This pertains to other fees such as transcript fees, certification fees, graduation fees and fees for diplomas and identification cards. Revenue is recognized at the point the related Group document is made available to requestors. Invoices for the services are due once request from students has been made.

(d) *Real estate sales* – This pertains to sale of lots and completed townhouses of FRC. Revenue is recognized at the point the control to the property is passed to the customer, that is, when the property is transferred to the buyer.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting

Prior to June 1, 2018, and prior periods, 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. Revenue is recognized relatively in the same manner as discussed above.

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:

Accounting Policy Applicable from June 1, 2019

For the outstanding contracts as of June 1, 2019 and any new contracts entered into on or after June 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At initial date of application, the Group recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). However, as a practical expedient, PFRS 16 allows the non-recognition of lease prepayments in measuring the cost of right-of-use asset.

The Group depreciates the right-of-use assets on a straight-line basis from the initial application date over the useful life of the right-of-use asset or the term of the lease, whichever is shorter. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.16).

At the initial application date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases (less than 12 months) and leases of low-value assets (value of assets is based on its cash price if bought) using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the lease payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, Right-of-Use Asset account and Lease Liability account (under current and non-current classifications) are shown as a separate line item.

Accounting Policy Applicable before June 1, 2019

(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.

Revenue from operating lease is recognized over the lease term using the straight-line method. This is presented as Rental in the consolidated statement of profit or loss.

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. On the other hand, RCI accrues its post-employment benefit obligation solely based on minimum guarantee requirement of RA No. 7641.

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in 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 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 below and in the succeeding pages.

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, financial assets at FVOCI and investment securities at amortized cost 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, financial assets at FVOCI, 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 Financial Assets at FVTPL and Financial Assets at FVOCI accounts 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 classified as Financial Assets at FVOCI, and investments in UITF classified as Financial Assets at FVTPL, 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), financial assets at FVOCI and investment securities at amortized cost 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 its financial assets are not impaired and of good credit quality, except those specifically provided with allowance for impairment at the end of the reporting periods.

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				
At FVOCI –				
Debt and equity securities	**P 1,025,715,912**	**P 1,025,715,912**	P 706,696,872	P 706,696,872
At FVTPL –				
Equity securities and UITF	**966,730,378**	**966,730,378**	837,414,512	837,414,512
At amortized cost –				
Debt securities	**669,620,715**	**671,379,783**	787,997,744	787,986,918
Refundable deposits	**18,098,733**	**18,098,733**	9,975,338	9,975,338
Receivables	**1,175,876,948**	**1,175,876,948**	687,572,419	687,572,419
	P 3,856,042,686	**P 3,857,801,754**	P 3,029,656,885	P 3,029,646,059
Financial liabilities				
At amortized cost –				
Interest-bearing loans	**P 2,524,285,714**	**P 2,524,285,714**	P 2,358,571,429	P 2,326,214,523
Derivative liability –				
Cross-currency swaps	**23,932,610**	**23,932,610**	36,720,866	36,720,866
	P 2,548,218,324	**P 2,548,218,324**	P 2,395,292,295	P 2,362,935,389

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, 2019 (Unaudited)				
Financial assets at FVOCI –				
Debt and equity securities	P1,022,885,912	P 2,830,000	P -	P 1,025,715,912
Financial assets at FVTPL –				
Equity securities and UITF	585,366,815	381,363,563	P -	966,730,378
Investment securities at amortized cost –				
Debt securities	671,379,783	-	-	671,379,783
	P2,279,632,510	**P 384,193,563**	**P -**	**P 2,663,826,073**
Derivative liability –				
Cross currency swaps	**P -**	**(P 23,932,610)**	**P -**	**(P 23,932,610)**
May 31, 2019 (Audited)				
Financial assets at FVOCI –				
Debt and equity securities	P 703,866,872	P 2,830,000	P -	P 706,696,872
Financial assets at FVTPL –				
Equity securities and UITF	445,378,506	392,036,006	P -	837,414,512
Investment securities at amortized cost –				
Debt securities	787,986,918	-	-	787,986,918
	P1,937,232,296	**P 394,866,006**	**P -**	**P 2,332,098,302**
Derivative liability –				
Cross currency swaps	**P -**	**(P 36,720,866)**	**P -**	**(P 36,720,866)**

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, 2019, instruments included in Level 1 comprise of listed common and preferred shares which are classified as and designated at financial assets at FVTPL and FVOCI, respectively. 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, the fair value of investments in UITF are classified as Level 2, since fair values are generally measured based on the net asset value of the Group's investment, computed and determined at the end of each reporting period based on the closing market and trade prices of the securities comprising the fund's portfolio. This valuation approach takes into the account the period end performance of the funds including all trades made within the funds and the related income and expenses arising therefrom.

b) Golf Club Shares

The Group's golf club shares 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.

c) 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.

d) 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, 2019, the fair value of debt securities categorized as investments at amortized cost amounted to P640.1 million and P788.0 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, 2019 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, 2019.

	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 151,549,095	P 151,549,095
Building and improvements	-	-	53,572,000	53,572,000
	P -	**P -**	**P 205,121,095**	**P 205,121,095**

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, 2019.

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, 2019.

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, financial assets at FVTPL, financial assets at FVTPL, investment securities at amortized cost, 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, 2019 and 2018 (both periods unaudited and amounts in thousands):

	Education		Real Estate – Rental Income		Real Estate – Sale of Properties		Investments		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
REVENUES										
From external customers	**P 1,726,321**	P 1,557,384	**P 22,214**	P 21,259	**P 37,989**	P -	**P 70,253**	P 61,708	**P 1,856,777**	P 1,640,351
Intersegment revenues	**-**	-	**94,508**	79,315	**-**	-	**-**	-	**94,508**	79,315
Total revenues	**1,726,321**	1,557,384	**116,722**	100,574	**37,989**	-	**70,253**	61,708	**1,951,285**	1,719,666
COSTS AND OTHER OPERATING EXPENSES										
Cost of sales and services excluding depreciation	**748,987**	615,667	**15,105**	11,730	**-**	-	**5,816**	-	**769,908**	627,397
Depreciation	**183,674**	152,071	**16,793**	15,203	**-**	-	**-**	-	**200,467**	167,274
Other expenses	**307,596**	297,092	**-**	-	**-**	-	**-**	-	**307,596**	297,092
	1,240,257	1,064,830	**31,898**	26,933	**-**	-	**5,816**	-	**1,277,971**	1,091,763
SEGMENT OPERATING INCOME	**P 486,064**	P 492,554	**P 84,824**	P 73,641	**P 37,989**	P -	**P 64,437**	P 61,708	**P 673,314**	P 627,903

The following presents the segment assets and liabilities of the Group as of November 30, 2019 (unaudited) and May 31, 2019 (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 12,019,416**	P 10,562,338	**P 2,360,153**	P 2,362,362	**P 203,291**	P 178,501	**P 2,908,237**	P 3,422,057	**P 17,491,097**	P 16,525,258
Segment liabilities	**5,522,628**	4,969,175	**64,751**	52,628	**-**	-	**2**	36,721	**5,587,381**	5,058,524

The Group’s geographical segment for the six months ended November 30, 2019 and 2018, and as of November 30 and May 31, 2019 follows (in thousands).

	Manila	Makati	Cavite	Muntinlupa City	Quezon City, Marikina City and Rizal	Total
November 30, 2019 (Unaudited)						
Segment revenues						
From external customers	P 1,581,366	P 32,339	P 42,548	P 103,369	P 97,155	P 1,856,777
Intersegment revenues	90,114	4,394	-	-	-	94,508
Total revenues	1,671,480	36,733	42,548	103,369	97,155	1,951,285
Operating expenses	(1,034,210)	(10,689)	(48,541)	(83,989)	(100,542)	(1,277,971)
Segment operating profit (loss)	**637,270**	**26,044**	**(5,993)**	**19,380**	**(3,387)**	**673,314**
Total segment assets	**13,335,341**	**98,556**	**186,584**	**2,059,106**	**1,811,510**	**17,491,097**
Total segment liabilities	**4,380,430**	**59,772**	**73,305**	**335,561**	**738,313**	**5,587,381**
November 30, 2018 (Unaudited)						
Segment revenues						
From external customers	P 1,423,768	P 39,879	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)	(95,154)	(1,091,763)
Segment operating profit (loss)	591,746	33,712	(4,290)	9,528	(2,793)	627,903
May 31, 2019 (Audited)						
Total segment assets	12,781,326	99,614	153,715	2,050,428	1,440,175	16,525,258
Total segment liabilities	3,542,209	59,667	37,749	617,608	801,291	5,058,524

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, 2019 and 2018 and as of November 30 and May 31, 2019.

	2019 (Unaudited)	2018 (Unaudited)
Revenues		
Total segment revenues	**P 1,951,285**	P 1,719,666
Finance income	**(70,253)**	(61,708)
Other unallocated revenues	**1,538**	590
Elimination of intersegment revenues	**(94,508)**	(79,315)
Revenues as reported in interim consolidated statements of profit or loss	**P 1,788,062**	P 1,579,233
Profit or loss		
Segment operating profit	**P 673,314**	P 627,903
Finance costs	**(68,179)**	(44,339)
Other income	**66,903**	23,851
Tax expense	**(44,758)**	(53,121)
Other unallocated expenses	**(99,189)**	(76,732)
Profit as reported in interim consolidated statements of profit or loss	**P 528,091**	P 477,562

	November 30 (Unaudited)	May 31 (Audited)
Assets		
Segment assets	**P 17,491,097**	P 16,525,258
Goodwill	**186,487**	186,487
Deferred tax assets	**25,352**	25,673
Elimination of intercompany accounts	**(2,789,495)**	(2,657,460)
Total assets reported in interim consolidated statements of financial position	**P 14,913,441**	P 14,079,958
Liabilities		
Segment liabilities	**P 5,587,381**	P 5,058,524
Deferred tax liabilities	**22,685**	22,685
Elimination of intercompany accounts	**(958,471)**	(869,326)
Total liabilities reported in interim consolidated statements of financial position	**P 4,651,595**	P 4,211,883

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of November 30 and May 31, 2019 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Cost	**P 11,348,502,446**	P 10,776,464,314
Impairment loss	**(2,804,401)**	(2,804,401)
Accumulated depreciation and amortization	**(2,249,499,822)**	(2,065,069,689)
Net carrying amount	**P 9,096,198,223**	P 8,708,590,224

A reconciliation of the carrying amounts of property and equipment at the beginning and end of six months ended November 30, 2019 and year ended May 31, 2019 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 8,708,590,224**	P 7,205,631,433
Additions	**572,038,132**	1,837,055,774
Reclassifications – net	**-**	8,472,230
Disposals	**-**	(697,589)
Depreciation and amortization charges for the period	**(184,430,133)**	(341,871,624)
Balance at end of period net of accumulated depreciation and amortization	**P 9,096,198,223**	P 8,708,590,224

The Group's construction in progress includes to the costs incurred for the constructions of the school building of FEUAI in Alabang and the new building of the University located at Lerma St., Sampaloc, Manila, which are both substantially complete as of November 30 and May 31, 2019.

As of November 30 and May 31, 2019, certain fully depreciated assets with acquisition cost of P723.8 million, are still being used in the Group's operations.

9. INVESTMENT PROPERTIES

The Group's investment property includes a parcel of land, and buildings and improvements and 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, 2019 are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Cost	**P 497,575,129**	P 493,060,117
Accumulated depreciation and amortization	**(354,222,513)**	(338,185,795)
Net carrying amount	**P 143,352,616**	P 154,874,322

A reconciliation of the carrying amounts of investment property at the beginning and end of six months ended November 30, 2019 and year ended May 31, 2019 is shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 154,874,322**	P 150,919,929
Additions	**33,815,522**	30,236,767
Disposals	**(29,300,510)**	-
Reclassifications - net	**-**	3,904,241
Depreciation and amortization charges for the period	**(16,036,718)**	(29,218,818)
Balance at end of period net of accumulated depreciation and amortization	**P 143,352,616**	P 154,874,322

9.1 Related Income and Direct Expenses

The total rental income earned by the Group from its investment properties amounted to P22.2 million and P21.3 million for the six months ended November 30, 2019 and 2018, 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 P205.1 million as of November 30 and May 31, 2019. 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 768,571,428**	P 1,393,571,429
Non-current	**1,755,714,286**	965,000,000
	P 2,524,285,714	P 2,358,571,429

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 533.3	P 609.5	(a)	Base interest** plus	Unsecured	May 2023
356.2	421.0	(b)	0.75% or prevailing	Unsecured	June 2022
104.8	123.8	(c)	rate on	Unsecured	June 2022
100.0	114.3	(d)	special deposit	Unsecured	May 2023
55.0	65.0	(e)	accounts	Unsecured	June 2022
-	50.0	(f)	3.75% per	Unsecured	July 2019
-	200.0	(g)	annum fixed	Unsecured	July 2019
-	175.0	(h)	up to maturity	Unsecured	July 2019
425.0	-	(i)	3.75% per	Unsecured	July 2027
150.0	-	(j)	annum fixed for 92 days	Unsecured	July 2027
80.0	80.0	(k)	6.0% per annum	Unsecured	December 2019
100.0	100.0	(l)	6.0% per annum	Unsecured	December 2019
100.0	100.0	(m)	6.0% per annum	Unsecured	December 2019
70.0	70.0	(n)	6.0% per annum	Unsecured	December 2019
50.0	-	(o)	6.0% per annum	Unsecured	December 2019
300.0	-	(p)		Unsecured	July 2027
100.0	-	(p)		Unsecured	July 2027
-	80.0	(p)	4.0% per annum	Unsecured	August 2019
-	70.0	(p)	4.0% per annum	Unsecured	August 2019
-	100.0	(p)	4.0% per annum	Unsecured	August 2019
P 2,524.3	P 2,358.6				

* *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. Related interest amounting to P15.1 million and P37.2 million was recognized for the periods ended November 30 and May 31, 2019.

(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. 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. Effective June 1, 2016, the University ceased the capitalization of the related interest.

For the period ended November 30 and May 31, 2019, interest incurred amounted to P6.6 million and P26.0 million, respectively.

(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 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 June 2017, together with the initial interest payment. Interest incurred on this loan amounted to P1.9 million and P7.6 million for the periods ended November 30 and May 31, 2019, respectively.

(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. Related interest incurred amounted to P2.8 million and P7.0 million for the period ended November 30 and May 31, 2019, respectively.

(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. Related interest amounting to P1.0 million and P4.0 million was recognized for the period ended November 30 and May 31, 2019, respectively.

(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.

In January 2018, this loan was refinanced and was supposed to mature in April 2018, but was further extended until July 2019. The principal amount of the loan was fully paid on July 2019.

Related interest amounting to P0.4 million and P2.8 million was recognized for the period ended November 30 and May 31 2019, respectively.

(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.

In January 2018, this loan was refinanced and was supposed to mature in April 2018, but was further extended until July 2019. Interest rate increased from 3.50% to 6.50% for the extension period. The principal amount of the loan was fully paid on July 2019.

Related interest amounting to P1.8 million and P11.2 million was recognized for the period ended November 30 and May 31, respectively.

(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.

In January 2018, this loan was refinanced and was supposed to mature in April 2018, but was further extended until July 2019. Interest rate increased from 3.50% to 6.50% for the extension period. The principal amount of the loan was fully paid on July 2019.

Related interest amounting to P1.5 million and P9.8 million was recognized for the period ended November 30 and May 31, 2019, respectively.

(i) In July 2019, the University obtained a P425.0 million interest-bearing loan from a local commercial bank to refinance its credit line availments used to bridge capital expenditure requirements, to finance on-going capital expenditures and general corporate requirements. The principal amount is payable over 21 quarterly payments, with the first principal payment due at the end of the 12^{th} quarter after a three-year grace period. Interest payment is due on October 2019 and every quarter thereafter.

Interest expense recognized on this loan amounted to P5.2 million for the period ended November 30, 2019.

(j) In October 2019, the University obtained a P150.0 million long-term, interest-bearing loan from a local commercial bank, which is due on July 2027. The loan does not have any significant or restrictive covenants. Related interest amounting to P0.3 million was incurred for the period ended November 30.

(k) In March 2018, the University obtained an P80.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in December 2019, while interest payments are made monthly. The loan does not have any significant or restrictive covenants. Related interest amounting to P2.2 million and P4.4 million was recognized for the period November 30 and May 31, 2019, respectively.

(l) 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 December 2019, while interest payments are made monthly. The loan does not have any significant or restrictive covenants. Related interest amounting to P2.7 million and P5.9 million was incurred for the period ended November 30 and May 31, 2019, respectively.

(m) In March 2019, the University obtained a P100.0 million short-term interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in April 2019, while interest payments are made monthly. In April 2019, this loan was refinanced until June 2019, and then until December 2019. The loan does not have any significant or restrictive covenants. Related interest amounting to P2.9 million and P1.7 million was incurred for the period ended November 30 and May 31, 2019, respectively.

(n) In April 2019, the University obtained a P70.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in April 2019, while interest payments are made monthly. In April 2019, this loan was refinanced until June 2019, and then until December 2019. The loan does not have any significant or restrictive covenants. Related interest amounting to P2.0 million and P1.2 million was incurred for the period ended November 30 and May 31, 2019, respectively.

(o) In July 2019, the University obtained a P50.0 million interest-bearing loan from a local commercial bank for additional working capital. The principal amount is payable on maturity in August 2019, while interest payments are made monthly. In August 2019, this loan was refinanced until December 2019. The loan does not have any significant or restrictive covenants. Related interest amounting to P1.4 million was incurred for the period ended November 30.

(p) In May 2018, RCI obtained and P80.0 million interest-bearing loan from a local commercial bank due on August 28, 2018 with an interest rate of 4.0% per annum. This loan has been renewed with a maturity date of August 22, 2019.

In April 2018, RCI signed another promissory note in which RCI availed a P70.0 million unsecured term loan due on July 12, 2018 with an interest rate of 4.0% per annum. This loan was availed as a drawdown from FEU's existing credit line. This loan has also been renewed with a maturity date of August 22, 2019.

RCI, using the credit facility of FEU, signed another promissory note with a local commercial bank to avail of a P100.0 million unsecured, short-term loan due on August 22, 2019.

Total interest incurred on the loans amounts to P2.6 million for the six-month period ended November 30, 2019. In August 2019, the principal amounts of the above loans were fully paid, and refinanced with a long-term loan amounting P300.0 million, which is due on July 2027. Moreover, and additional P100.0 million loan was also obtained by RCI during the period.

The total interest incurred by the Group on all of these loans are presented as part of 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, 2019, 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, 2019, the Group is in compliance with the requirements and terms related to its borrowings.

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 16,477,023 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, 2019, there are 16,514,354 listed shares which include those held in treasury and shares held by the University's related parties. The University has a total of 10,980,700 and 10,970,623 listed shares, equivalent to 66.64% and 66.58%, respectively, which are held by related parties as at November 30 and May 31, 2019, respectively; while there are 5,496,323 and 5,506,400 listed shares, equivalent to 33.36% and 33.42% of the total outstanding shares, respectively, which are owned by the public as at November 30 and May 31, 2019, respectively.

The closing price of the University's listed shares was P910 and P890 as of November 30 and May 31, 2019.

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, 2019. 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 P66.8 million and P65.2 million as at November 30 and May 31, 2019, 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, 2019 the University's Appropriated Retained Earnings consists of appropriations for:

	November 30 (Unaudited)	May 31 (Audited)
Property acquisition and investment	**P 1,448,000,000**	P 1,631,000,000
Contingencies	**180,000,000**	190,000,000
Purchase of equipment and furniture and fixures	**167,000,000**	92,000,000
Expansion and improvement of facilities	**111,000,000**	164,000,000
Treasury shares	**3,733,100**	3,733,100
General retirement	**-**	90,000,000
	P 1,909,733,100	P 2,170,733,100

The changes in the appropriated retained earnings are shown below.

	November 30 (Unaudited)	May 31 (Audited)
Balance at beginning of period	**P 2,170,733,100**	P 2,843,733,100
Appropriations during the period	**75,000,000**	-
Reversal of appropriations	**(336,000,000)**	(673,000,000)
Net carrying amount	**P 1,909,733,100**	P 2,170,733,100

During the year ended May 31, 2019, the University reversed portion of the appropriations as the purpose for which such appropriations were made had been completed.

During the period ended November 30, 2019, the University made an additional appropriation for purchase of equipment and furniture and fixtures. Such appropriation is expected to be realized within one year from the end of the reporting period. During the same period, the University reversed appropriations for property acquisition and investment amounting to P250 million, general retirement amounting to P90.0 million, expansion and improvement of facilities amounting to PP53.0 million, and contingencies amounting to P10.0 million, as the purpose for which such appropriations were made had been completed.

(b) Dividend Declaration

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

November 30, 2019:

	Date of Declaration	Date of Record	Date of Payment/Issuance	Amount
Cash dividend of P10 per share	September 10, 2019	September 24, 2019	October 9, 2019	**P 164,770,230**
Stock dividend of 46% per share	September 10, 2019	--	--	**P -**

May 31, 2019:

	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 131,405,532
Cash dividend of P8 per share	February 19, 2019	March 6, 2019	March 20, 2019	131,400,412
				P 262,805,944

On September 6, 2018, the FEU High's BOD also approved to declare a total of P30,000,000 stock dividend or 300% of the P100 par value per share outstanding as of September 24, 2018 and issue on October 8, 2018. The dividends were issued within their respective year of declaration and approval.

On February 27, 2019, FRC's BOD approved the declaration of stock dividends totaling to P133.3 million, which is equivalent to 50% of its paid up capital from the unissued portion of the authorized capital stock.

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, 201. 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

Prior to 2017, EACCI issued its newly authorized preferred shares to EAEF, a related party under common management. In 2019, EACCI issued additional authorized preferred shares to NREF, a related party under common management. Total cost of preferred shares issued and outstanding amounts to P1.8 billion as of November 30 and May 31, 2019.

In 2019 and 2018, FEUAI also issued its newly authorized preferred shares to EAEF. Total cost of preferred shares issued and outstanding amounts to P529.0 million as of November 30 and May 31, 2019.

Both non-controlling interests in EACCI and FEUAI relate to non-voting shares.

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.

During the year ended May 31, 2019, the BOT of EACCI declared cash dividend to all of their stockholders. Accordingly, EAEF received P25.0 million for the declaration in 2019.

(c) Edustria Incorporated

The University holds 51% interest in Edustria Incorporated, a newly incorporated subsidiary jointly owned with Technological Institute of the Philippines (T.I.P.), established for the purpose of operating as an educational institution (see Notes 1.1).

12. EARNINGS PER SHARE

EPS amounts for the six months ended November 30, 2019 and 2018 were computed as follows:

	2019 (Unaudited)	2018 (Unaudited)
Net income attributable to owners of the parent company	**P 493,956,834**	P 454,257,235
Divided by weighted average number of shares outstanding, net of treasury stock	**16,424,529**	16,425,387
Basic and diluted earnings per share	**P 30.07**	P 27.66

The University has no dilutive potential common shares as of November 30, 2019 and 2018; 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 November 30, 2019, FRC has commitments of about P116.6 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 Nicanor Reyes Educational Foundation 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, 2019, the University and EACCI both have a pending court 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 and EACCI'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 and 2013 to 2017 for the University and EACCI, respectively.

In 2019, the University and EACCI paid under protest the aforementioned deficiency local business taxes amounting to P189.9 million and P35.4 million, respectively. The payment was made under protest and was not to be construed as a waiver of rights of the University to exercise legal remedies in connection with the aforementioned case and to claim for refund of the payment.

Subsequently, the University and EACCI availed of a tax amnesty, granted by the City of Manila, and settled the corresponding compromise amount. Accordingly, the University and EACCI have been released and discharged from all deficiency tax assessments until the taxable year 2019.

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, 2019, no final decision has been rendered by the courts in the above-mentioned cases; hence, no provision for contingencies is recognized.

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 periods ended November 30 and May 31, 2019, under review is summarized as follows:

	November 30 (Unaudited)	May 31 (Audited)
Total liabilities	**P 4,651,595,205**	P 4,211,883,371
Total equity attributable to owners of the parent company (excluding treasury shares and reserves)	**7,700,220,070**	7,371,033,466
Debt-to-equity ratio	**0.60 : 1.00**	0.57 : 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 for a particular AY 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, 2019 accounts for only 52.1% compared to the annual tuition revenue recognized for the fiscal year ended May 31, 2019.