



FAR EASTERN UNIVERSITY

ANNUAL REPORT 2019



Dr. Nicanor Reyes Sr.
Founder and First President

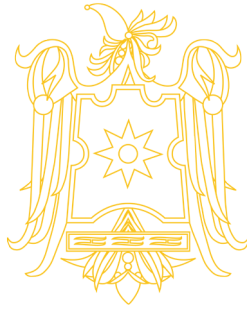


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ANNUAL REPORT 2019

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VISION

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

MISSION


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

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

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

CHAIRMAN'S MESSAGE




Aurelio R. Montinola III
Chairman, Board of Trustees

Dear Fellow Stockholders

We have survived the most difficult years of the K-12 educational reform program and have started the road to recovery. For the academic year 2018-2019, we still had new Freshmen, graduating Seniors, but minimal Sophomore and Junior students in our Tertiary programs.

Fortunately, we expanded our Senior High School enrollment significantly, particularly with the timely opening of FEU Alabang. Total enrolled students remained stable in the 40,000 range, but Financial Results happily improved to Php 3,359 million in Revenue (26 % increase) and Php 808.5 million in Net Income (48 % increase versus FY 2018) both from a lower FY 2018 base. Return on Equity remained single digit at 8%, considerably lower than 2015 highs.



Strategic Plan

We are one year away from our Aspirations 2020 end line. Fortunately, despite all the travails of the K-12 journey and free tuition offers by state competitors, we have been able to maintain our stride by focusing on continuing strategic refinements.

We have started the rationalization of Tertiary with the formation of three general influence areas at three different price points. FEU Tech, which offers primarily Technology and Engineering courses, will handle FEU Alabang, the original FEU Manila (R. Papa) campus, and FEU Diliman. Far Eastern University which offers around 30 programs remains our mainstay in our original Morayta campus -- it also

has a Makati campus. FEU Roosevelt is starting entry-level Tertiary in the Marikina and Cainta area. For future discussion is FEU Cavite, which has initiated a ladderized two-year Associate college degree.

For student choice, we also offer two academic year alternatives. Far Eastern University, FEU Cavite, and FEU Roosevelt offer the traditional semestral calendar while FEU Tech offers a trimester calendar.

More and more, we will refer to ourselves as a growing **FEU Group of Schools**, with six legal entities, 10 campuses, and over 40,000 students.



Financials

AY 2018 – 2019 is the third year of a 5-year K-12 educational reform program. FEU was able to reach its highest ever student population level of approximately 40,000 students in part due to the entry of the first batch of Freshmen post K-12 into the tertiary level ranks and the growth of the newly organized or acquired operations of FEU SHS, FEU Alabang, and FEU Roosevelt.

- Revenues increased by 26% to Php 3,359 million reflecting the 20% increase in student population.
- Operating costs and expenses increased as well by 23% to Php 2,694 million with most new costs coming from the maiden year of operations of FEU Alabang.
- Net Income increased by 48% to Php 808.5 million inclusive of a one-time, non-educational, divestment gain of Php 139 million.
- Overall Net Income are still below the peak levels of AY 2015 – 2016 in spite of matching the peak student population of 40,000. This is due to a tertiary student population that has not fully recovered from the K-12 educational reform program and the start-up costs of FEU Alabang.

We are confident that our strong performance in academics and student services taken together with capital investments and the returning tertiary students will bode well for FEU.

FY 2019 Financials are turning around.

Faculty and Students Accomplishments

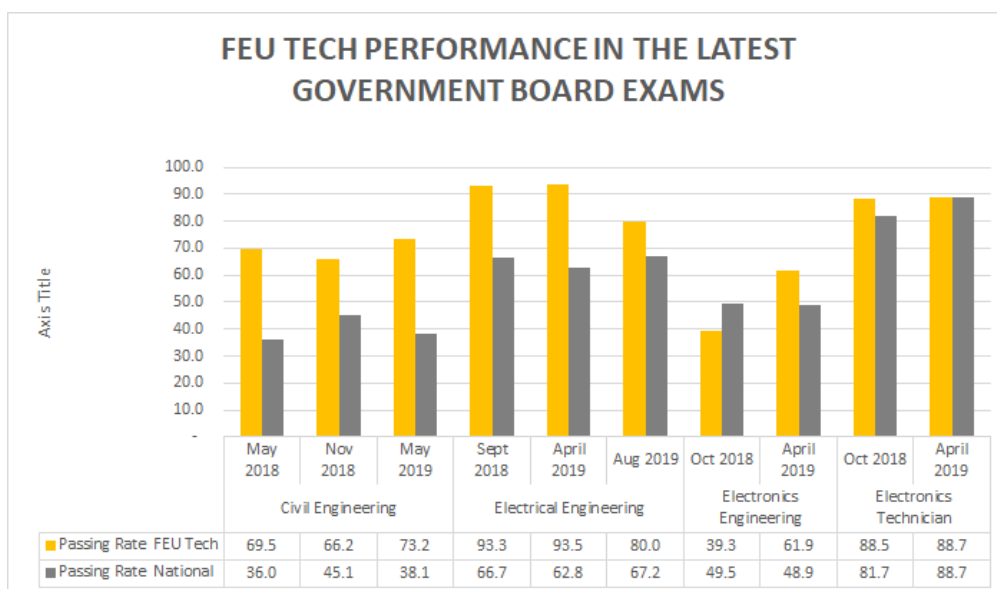
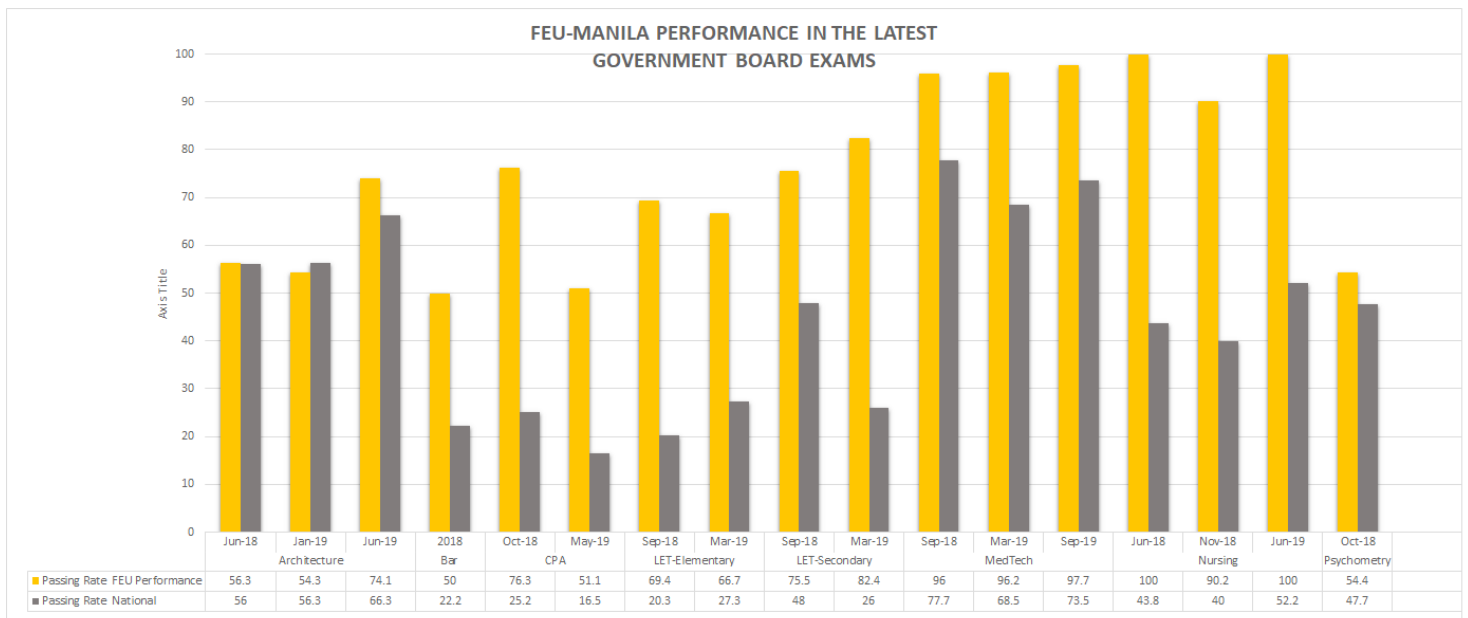
Satisfaction surveys conducted indicated positive perception by the students of FEU's quality of education and college experience. Graduating student respondents agreed that FEU prepared them for the world of work.

Internship supervisors rated FEU interns as above-average based on their assessment of the intern's technical competencies and people skills.

John Faustino (ORADEC) was a national champion and eventually grand finalist of the International Speaking Competition of the English-Speaking Union in London.

Team Rentalbee of the Institute of Accounts, Business, and Finance (IABF) won 2nd place in the Department of Information and Communications Technology's 5th Philippine Startup Challenge (PSC) National Finals. Seed money of Php 200,000 was awarded to develop the prototype of the online marketplace app that helps students find safe and quality accommodation. The team will also have an industry tour of Huawei in China.

FEU Significantly Exceeds National Averages in the Latest Government Board Exams



There were 16 placers in the Board Examinations in 2018-19, five of them of which were ranked among the top five: Miko Angelo de Jesus Balverde, 5th place for Architecture; Lanz Adrian Martin Cruz and Christine Joy De Leon – both 5th placers for CPA; Ericson Lim Cua, 4th place for CPA; Juan Miguel H. Villaroel, 3rd place Civil Engineering; and Kyle Francis Pascual De Castro – 3rd place Electronics Engineer.



Facilities

Construction activities during AY 2018 – 2019 centered on the eight-story Lerma building for the main campus, a six-story Marikina building for FEU Roosevelt, a four-story Diliman building for FEU Tech and a floor extension at FEU Cavite. These projects will provide an additional 139 classrooms with their accompanying laboratories and other support rooms for FEU.

Renovation activities, on the other hand, were undertaken to completely renew the University Health Clinic and offices of Admissions, Registrar, Placement and Alumni Affairs for FEU Main as well as an Innovation Center at FEU Tech.

For Sustainability, we continue to make improvements in both Energy Conservation and Renewable Energy. Our newest building in Lerma, when completed will receive and will contribute to the campus District Cooling System. An automated Building Management System has been installed to automatically control individual classroom air conditioning units. A central drinking Water Filtration Plant is now on stream and we are in the process of eliminating delivered water and individual water dispensing machines.

With respect to renewable energy, we commissioned our first solar facility at the FEU Roosevelt Rodriguez campus. Said facility now services 28% of its power needs. We will continue to explore other suitable sites for our renewable energy drive.



Systems

We launched Adrenalin, a Personnel Management System during the year to complement Netsuite (accounting and enrollment) and Canvas (academic delivery platform). We are steadfastly systematizing for operational efficiency particularly for student services.

Community Service and Cultural Programs

Academic Year 2018 – 19 was marked by the strengthening of the Community Extension Services projects and their continuous supervision, monitoring, and evaluation. Focus areas for these programs were Sustainability, Cultural Preservation and Dissemination, Urban Renewal, Biodiversity and Sustainability.

Cultural scholarships were given to student artists from FEU Manila and FEU Tech who met academic and artistic requirements (1st sem – 133, 2nd sem – 168, summer – 2).

Preparation, participation, and winnings of cultural groups in the following competition: Bacoor International Music Championship – 1st runner up; Ego and Crissa Dance Competition – 2nd runner up; UAAP 81 Streetdance Competition – 1st runner up; and UAAP 81 Ballroom Dance Formation – 2nd runner up.

Marketing and Communication focused its efforts on supporting the university's thrust towards "Future-Ready Learning." The campaign was amplified through the design and use of strategic ad placements, FEU's social media as well as the launch of the redesigned FEU website. Sharing relevant and real-time content for the students and community resulted in a substantial increase of followers and engagement on both Facebook and Twitter. Digital marketing and communication programs of all FEU schools such as the #BraverToday theme for the 91st Foundation Anniversary Celebration were carried out including the Public Policy Center's #Eleksyon2019 Forum.

We continue to build our publishing titles with the release of four new books – *Silanganan: The FEU Art Collection*, *FEU Feast*, *Mindanao Harvest*, and *Walk Manila*.

National Awards

We garnered three significant awards in different arenas.

Far Eastern University earned a Two Arrow ASEAN Corporate Governance Scorecard (ACGS) award as a top performing listed company in the Philippines on June 11 at the Conrad Manila in Pasay City. We were also the only educational institution recognized by the Institute of Corporate Directors at this ACGS assessment ceremony.

FEU was next recognized by the Philippine Practitioners of Student Affairs and Services (PAPSAS) as a standard for best practices in the management of student formation programs in the country. The university was lauded during the benchmarking session of a specialist certificate course on student affairs and services last July 12, 2019.

On the Communications side, Far Eastern University was a Professional Excellence awardee for the film "Be Brave: the Story of Far Eastern University at the 17th Philippine Quill Awards held at Marriott Grand Ballroom, Pasay City on Aug 30, 2019.

Looking Forward

We are establishing a name for ourselves in the Senior High School field, and will continue to expand this segment.

As earlier discussed, we will continue our rationalization of the Tertiary space for product differentiation, wider student choice, and geographical accessibility.

Our Facilities Improvement cycle will continue, with emphasis on completion of the 8-story Lerma Building and the 6-story Roosevelt College Marikina building, as well as usage of the 4-story Diliman Building.

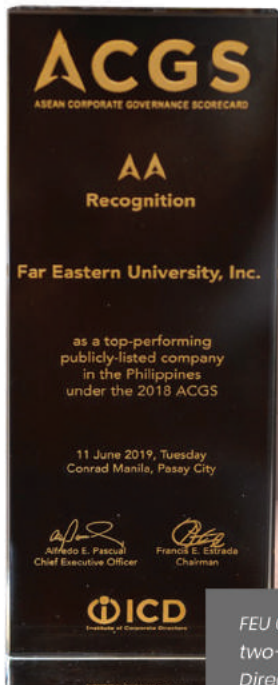
Now that we have won a Corporate Governance Award, our next goal is to make sufficient headway on the Sustainability front, and we expect to comply with the SEC mandate for a Sustainability Report in 2020. This year, we will concentrate on recording and documenting our progress in Energy Efficiency, Water Recycling, and Waste Management initiatives, so as to have a good baseline for a 2020 Report.

As always, we close by thanking all our supportive stakeholders - the Board of Trustees, management, students, faculty, parents, regulators, and the educational community around us. With all of your help, our difficult journey in fulfilling our educational mission of accessible, affordable, and value added education for students of modest means becomes easier to "Be Brave" for.

REAPING AWARDS & RECOGNITIONS AT 91

Far Eastern University (FEU) continues its commitment to academic excellence through its program offerings, exceptional facilities and corporate governance. These are evident in distinctions recently granted by respected organizations.

Lone School Recognized as a Top-Performing Publicly Listed Company in the Philippines



FEU Chairman Aurelio Montinola III (center) accepts the two-arrow recognition from the Institute of Corporate Directors at the Asean Corporate Governance Scorecard.

At the 2018 Asean Corporate Governance Scorecard (ACGS), FEU was ranked 27th among the 247 Publicly Listed Companies (PLCs) assessed and placed 24th among the Top 100 PLCs by market capitalization.

FEU received Two Golden Arrowheads Recognition for an ACGS performance of above 90% and was acknowledged as one of the Top 5 Philippine PLCs in the Service Sector. Among the 48 Top Performing Philippine PLCs Overall and of the 30 in the Top 5 Philippine PLCs by Sector, FEU was the only educational institution.

Professional Excellence Awardee for "Be Brave": The Story of Far Eastern University" Film

The film is about FEU and the legacy of its founder Dr. Nicanor Reyes Sr. told through his daughter Dr. Lourdes Reyes Montinola. It reveals the vision and determination of the man who contributed to the development of the country by paving the way to making quality education accessible to Filipinos.

FEU Corporate Affairs Vice President Atty. Gianna R. Montinola and Institute of Arts and Sciences Dean Dr. Rowena C. Reyes received the Quill Award for FEU at the 17th Philippine Quill Awards held at Marriot Grand Ballroom, Pasay City on August 30, 2019.





Recognized by the Philippine Association of Practitioners of Student Affairs and Services as a Standard for Best Practices in the Management of Student Formation Programs in the Country

FEU Academic Services AVP Joeven Castro with Philippine Association of Practitioners of Student Affairs and Services (PAPSAS) representative. Castro presented three best practices that support the university's pursuit of a meaningful and transformative student experience.

3

BEST PRACTICES

THAT SUPPORT THE UNIVERSITY'S PURSUIT OF A MEANINGFUL AND TRANSFORMATIVE STUDENT EXPERIENCE



EXTENSIVE INDUSTRY PARTNERSHIP

Over 1,100 industry partners, 30 percent of which belong to Top 1000 Corporations provide learning opportunities such as internship, scholarship grants, seminars on specialized topics, workshops on in-demand skills, sponsorships for student organization activities, and placement after graduation.



CREATIVE PROGRAMS THAT PROMOTE DIVERSITY, RESPECT, AND SOCIAL CONSCIOUSNESS

The all-gender restrooms, multi-faith room, school attire options instead of a uniform, and no hair color policy are some initiatives that promote respect for diversity. Social consciousness is nurtured through class discussions, student organizations that design and implement community-based projects or participation in various volunteer works.



INCREASED ONLINE ENGAGEMENT AND DATA MINING

The social media platforms actively engage with students for information dissemination and feedback. A learning management system also facilitates virtual learning to complement and supplement the face-to-face classroom discussions. The inputs from students are mined to understand them better for prospective program designs and interventions.

PRESIDENT'S MESSAGE

Michael M. Alba
Michael M. Alba
President



For the FEU Group of Schools, Academic Year (AY) 2018-2019 was a season of reorienting bearings (FEU Manila and FEU Cavite); adopting and adapting FEU Manila's aspiration framework as well as assimilating policies, processes, and systems (FEU Tech, FEU Diliman, and FEU Alabang); starting- or restarting-up (FEU Alabang, FEU High School, and Roosevelt College); and birthing (Edustria); in other words, it was a year marked by a plethora of responses (that can be gleaned from the reports of the schools), occasioned by the Group's careful consideration of the challenges confronting Philippine education and timely midterm review of strategic directions.

Challenges

Gleaned as the challenges were: how to

(a) help the country maximize its demographic dividend

The Demographic Dividend

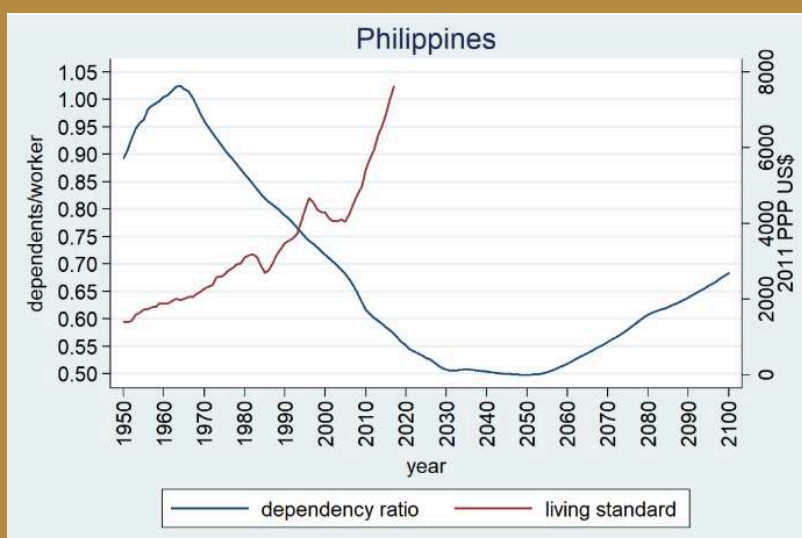
The demographic dividend hypothesis states that when a country has a falling dependency ratio and it is able to provide gainful employment to its working-age population, then its household saving rate rises and, in turn, the country is able to make strategic investments that sets it on a higher economic growth trajectory over a long period. In the process, the country attains rich-economy status (currently roughly defined as a living standard or per capita real Gross Domestic Product of US\$25,000 at 2011 purchasing power parity exchange rates).

Defined as the number of young and elderly dependents divided by the population of working ages (operationalized as between 15 and 64 years old), the dependency ratio measures how many dependents each working-age person supports (in a social security sense), on average. The demographic dividend hypothesis thus suggests that, when there are relatively few dependents and workers are employed, resources are freed up (from consumption) for investments, which then spur sustained high economic growth.

Chart 1 below shows that the Philippines' dependency ratio peaked at 1.013 in 1964, is at 0.545 in 2019, and will bottom out at 0.478 in 2050.

It also indicates that the living standard was at US\$1404.7 in 1950 and US\$7628.8 in 2017, which implies that between 1950 and 2017 the living standard grew at an average annual rate of 2.5% (which is on the low side).

But if henceforth the living standard were to grow at 5.0% per year, the Philippines will be on track to break the US\$25,000 rich-economy living standard in 23.7 years or in 2041 (i.e., earlier than 2050 when the dependency ratio is projected to reach its trough).





By way of comparison, Charts 2 to 4 show the same graphs for Singapore, South Korea, and Taiwan, each of which was able to achieve rich-economy status as its demographic dividend.

The charts indicate that the secular trends of the dependency ratio and the living standard are negatively correlated. Specifically, during the period when the dependency ratio is declining, the living standard exhibits high and sustained increases.

Table 1 describes the data in another way. It shows the dependency ratios at the year when the dependency ratio peaked (y_0) and when the US\$25,000 living standard was breached (y_T) as well as the average annual growth rate (r) of the living standard during this period.

The information summarized explains in part why these countries are considered economic miracles. During the period from when the dependency ratio peaked to when the US\$25,000 living standard was reached – in each case, a period of more than 30 years – the living standard grew by more than 6.5% annually.

Country	y_0	y_T	$y_T - y_0$
	Dependency Ratio		r
Singapore	1963	1994	31
	0.866	0.351	6.8%
South Korea	1962	2003	41
	0.882	0.370	7.6%
Taiwan	1963	1995	32
	0.911	0.450	6.9%

The demographic dividend narrative of the three countries is thus a hopeful prospect for the Philippines, given that its living standard only needs to grow at 5.0% per year for 24 years to attain rich-economy status.

But there is a cautionary tale to the demographic dividend narrative as well. It turns out that the demographic dividend may be a one-time opportunity or perhaps one that occurs only over a century, if at all. Because once the dependency ratio starts to rise again (as it does for Singapore, South Korea, and Taiwan – see the charts), the increasing number of dependents to be cared for will again shift resources toward consumption. In other words, the country has to reach rich-economy status before the dependency ratio bounces back up. Otherwise, it would have failed to cash in on its demographic dividend.

How is the demographic dividend a challenge for the education sector? The other half of the demographic dividend narrative states that the working age population must be gainfully employed before they can save. This means that the Filipino workforce must be globally competitive, which in turn implies that the education sector must provide mass access to quality education.

Notes:

1. Population data are taken from the United Nations' World Population Prospects 2019. Data from 1950 to 2019 are estimates of actual population levels, while those from 2010 onwards are medium projection estimates.

2. Data on the living standards are taken from the Penn World Table 9.0.

- (b) navigate legislative acts, specifically of Republic Acts 10533 (the Enhanced Basic Education Act of 2013) and 10931 (the Access to Universal Quality Tertiary Education Act)

Legislative Changes

Two acts of Congress are exerting profound, lasting effects on the private higher education sector: RA 10533 and RA 10931.

RA 10533 is the Enhanced Basic Education Act of 2013, which added kindergarten and senior high school (Grades 11 and 12) to the basic education curriculum. Some of its disruptive consequences include the following:

- Starting School Year (SY) 2016-2017, Grade 10 completers were diverted to senior high school, interrupting student flows to college. In effect, it introduced a five-year transition period during which one or two year-levels of college would not have students and only in SY 2021-2022 would all college year-levels be fully populated again.
- As a result of the decline in their college populations, many colleges and universities retrenched personnel.
- On the bright side, some colleges and universities took advantage of the hiatus to send faculty members to graduate school, funded by CHED scholarship grants.
- There was a mushrooming of senior high schools, another positive, if disruptive development.
- New curriculums for general education and major-subject courses were required to be designed by the CHED so that higher-education academic programs would be aligned with the senior high school programs.

RA 10931, otherwise known as the Universal Access to Quality Tertiary Education Act, has four features: it provides for (a) free college education in SUCs and LUCs, (b) free tech-voc education and training in post-secondary tech-voc institutions of TESDA, (c) a tertiary education subsidy (TES) to indigent students, and (d) a student-loan program.

Of the four features, free tuition in SUCs and LUCs has had the biggest impact thus far. It is segmenting the market for college education, with students who are concerned about affordability opting to attend SUCs and LUCs while others have heightened concerns about the value propositions offered by private HEIs.

(c) prepare for the fast-approaching disruptive future

The disruptive future is coming!

In *21 Lessons for the 21st Century*, the historian Yuval Noah Harari warns that information technology and biotechnology – specifically, artificial intelligence (AI), robotics, and bioengineering – are on convergent development paths, and their merger will radically change both the world of work and life. Many traditional jobs will disappear, and those that remain or replace them will demand high levels of expertise. Moreover, the new jobs are likely to require human-AI interaction, the nature of which will be constantly changing as automation takes over more and more of what workers do.

Harari is also concerned that, as biotechnology and AI algorithms improve, their applications involving big data may pose a danger to democracies and individual liberties as well as to political and economic equality – with power becoming concentrated on the owners of these algorithms and data troves. From people's data trails, AI will increasingly be able to hack and know them better; without people being aware of it, AI algorithms may exploit their preferences and predilections such that the choices they make (or votes they cast) in fact advance the hidden agendas of firms and organizations that control AI and big data.

How do schools prepare its students who would have to live in a world where uncertainty is the norm, where workers may have to change professions every ten years, where humans have to deal with super-intelligent machines, engineered bodies, with AI algorithms that manipulate their emotions and choices?

Recast, the issues were about enhancing access to quality education, exploiting opportunities to expand the delivery of education services and improve capabilities, finetuning the value proposition of an FEU education, and “future-proofing” the FEU school experience.



To address these challenges, the FEU Group of Schools

- further honed its student-centered orientation by focusing on the FEU schooling experience based two important insights: (i) quality education is education that “capacitates” the learner to achieve the life that he or she aspires for and (ii) education is an experience good.

That quality education is a capacitating process for the aspired life draws on the Nobel Laureate Amartya Sen’s Capability Approach to Welfare Economics. Its implication is that a school’s product – the service provided to each student – must be a credible transformative process, taking the learner from who she is at entry in the school system and building her up to who she will be at exit or graduation, i.e., her capacitated self.

That education is an experience good suggests that it is a service whose quality depends on the user experience; the more immersed and engaged the student is in the schooling experience, the greater the likelihood that it will be a transformative and “capacitating” journey.

- expanded the delivery of education services by offering senior high school programs in FEU High School, FEU Alabang, FEU Cavite, and FEU Diliman and incorporating Edustria as a joint venture with the Technological Institute of the Philippines.

FEU Alabang also admitted its first batch of students in college (as in senior high school), offering the same set of academic programs as FEU Tech.

And Edustria was incorporated on August 7, 2019.

- improved the academic credentials and training of the faculty.

In particular, FEU Manila and FEU Tech took advantage of the five-year hiatus in college enrollments brought about by the addition of Grades 11 and 12 to the basic education program to send faculty members to graduate school. FEU Manila also provided extensive training in digital literacy, effective communication, and critical thinking to its faculty, especially but not limited to the teachers of general education subjects.

- sharpened the value proposition of an FEU education.

Recognizing that even as the higher education sector is still underpopulated – there being significantly fewer sophomore and junior students in AY 2018-2019 – RA 10931’s provision of free college education in state universities and colleges (SUCs) and local-government universities and colleges (LUCs) would likely decrease the demand for private higher education, FEU schools polished their articulation strategies and messages to emphasize the value of quality education and the competitive edge of having an FEU education.

- reconsidered the fostering of (soft and life) skills in the light of how they would enable FEU graduates to thrive in a world of disruptive technology.

From Harari (2018), Bok (2013), and Lemann (2014), the soft skills that are deemed particularly important for

an individual to succeed in the technology-disrupted world of the 21st century include critical thinking (specifically, the ability to make sense of the flood of information, distinguish fact from fiction, synthesize disparate bits of data to form a comprehensive and meaningful view of the world, and think deeply), communication (the skill to clearly express in oral and written forms ideas that are absorbed from critical thinking), collaboration (the adeptness to work as an integral part of a team), and creativity (the knack of being resourceful and the ability to generate original, imaginative, and inspired ideas).

Needed as well are the life skills to navigate a world where uncertainty is the norm, such as adaptability (to constantly changing circumstances), resilience (i.e., remaining emotionally stable in the face of adversities), the entrepreneurial spirit to take the initiative, and moral sensitivity and the capacity for self-reflection (so as not to be easily swayed by artificial intelligence algorithms).

In addition to these mostly system-wide responses, the office of the president focused on three interrelated initiatives, which are deemed to be critical support infrastructures backstopping the FEU school experience: FEU on Canvas, the development and use of curriculum maps, and the adoption and deployment of data science and analytics tools.

FEU on Canvas

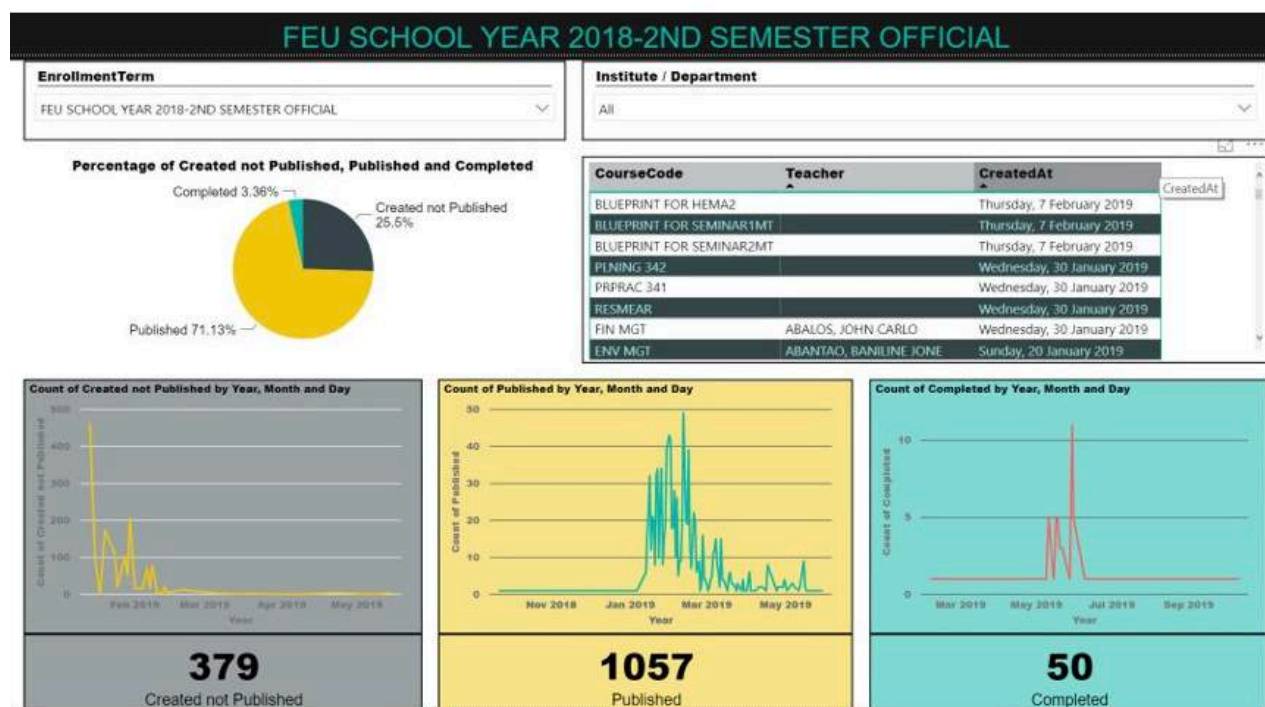
Canvas is the learning management system used in many of the top universities in the world, such as Harvard, Stanford, and Yale. The FEU Group of Schools signed on to Canvas in AY 2016-2017 and rolled out its extensive use as the Group's learning platform in AY 2017-2018. The objectives of FEU on Canvas are to (a) organize content and delivery

in an integrated and technology-enhanced platform that is easy and fun for both students and teachers to use and (b) extend the administrator-teacher-student interfaces such that learning outcomes improve significantly and the student school experience is considerably enhanced.

AY 2018-2019 saw two important developments in Canvas. First, the administration of Canvas was standardized and organized across all schools. In each school, a campus administrator was appointed to manage the academic-support and technical-support activities, and to communicate directly with the Canvas project manager in the office of the president regarding the school's initiatives and concerns; the academic support group would help faculty and students in managing courses and course content; while the technical support group would take care of user accounts and be responsible for troubleshooting technical problems.

To ensure that Canvas would be utilized in a cohesive and consistent fashion across all schools, the Canvas administrators met on a regular basis, and with key people from Instructure (the company that owns Canvas) in some sessions. A somewhat surprising development is that the interaction and collaboration fostered some diversity in that each school started its own Canvas initiatives, conditioned only by these initiatives being consistent with agreed upon policies.

Second, administrators' dashboards on the Canvas usage of teachers started to be developed. The dashboards allow Canvas administrators to easily monitor whether courses are "published" on Canvas (a first school day requirement) and have content (i.e., are not just shells), and they track what activities are being done in the courses and what features of Canvas are used.



The next steps being planned are the development of administrators' dashboards on the Canvas usage of students and the finalization of Canvas policies and key performance indicators.

Curriculum maps

The objective of a curriculum map is to produce the ideal graduate, specified in terms of the complete and exhaustive list of her competencies, values, and behavioral traits. Constructed by backward design, i.e., starting with the graduate attributes, the curriculum map must be able to show where each and every intended outcome is developed and fostered in a student's learning trajectory.

Following Janet Hale (2008), the curriculum maps in FEU-system schools will consist of four types. The essential map, which is common to all schools, is the DepEd or CHED curriculum plus a few hallmarks of FEU (such as the values of fortitude, excellence, and uprightness and an acquaintance with culture and the arts). The consensus map is the essential map plus aspects that stakeholders in a school consider

important in their context. Teachers work with the last two maps: The projected map is a schedule of when connected sets of topics bunched in learning units are intended to be covered in the school calendar; the diary map is the teacher's reflections on how successfully (or not) his learning-unit plans worked with the class as a whole and with particular students.

At the end of each school year, using the reflections in their diary maps, the teachers hold a workshop to do a postmortem on the curriculum map as implemented and to improve on it for the next school year. Teachers across subjects in a grade- or year-level evaluate whether the desired outcomes were attained and identify which strategies worked (or didn't) with the batch and where there could have been better integration of the curriculum. Teachers of a common subject across grade- or year-levels (i.e., "prerequisite-related" subjects) exchange notes on how to better prepare students for the spiraling curriculum so that students in a lower grade- or year-level are primed for the challenges of the next level.

For the rest of the summer, they then work to tweak their projected maps, revise their learning-unit plans, and prepare all the materials they will use in the next school year.

Having a curriculum map provides at least two benefits: First, it sets out an explicit road map of the student's learning journey, which tends to be taken for granted. Second, it inculcates a culture of continuous improvement in the school.

As of AY 2018-2019, various components of the curriculum maps have been developed and are in use. The basic education departments of FEU Cavite and FEU Diliman are implementing fully developed learning-unit plans in English, science, and mathematics in all grade levels. FEU Cavite has also worked on developing its consensus map for the entire basic education curriculum.

In FEU Manila, the accountancy department is slowly building up the curriculum map of the BS Accountancy program, starting with the maps for the basic accountancy subjects. The outputs are then shared with FEU Cavite and FEU Diliman, ensuring that the accountancy program would have a uniform standard throughout the FEU Group of Schools.

In the meantime, FEU Tech has developed a web-based curriculum-map app. Its essential map component is being populated with the DepEd basic education curriculum for all schools to share.

Data science and analytics

It is increasingly claimed that in today's world the most important currency is data. Information technology has facilitated the proliferation, storage, and mining and analysis of data, all of which are being harnessed to improve the user experience of a service. Leveraging on this development, the FEU Group of Schools is beginning to make intensive and extensive use of data on various aspects of the student life cycle (from student admissions to alumni relations).

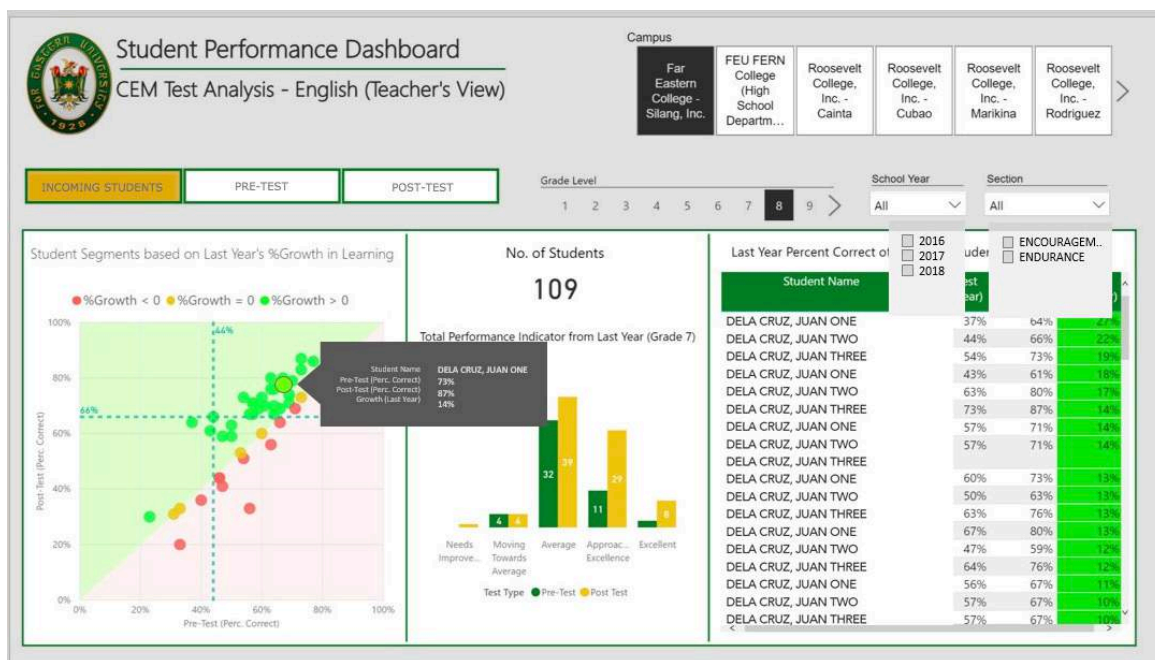
But the project that has made the most headway in this initiative is the CEM dashboards for teachers, which are intended to provide (third-party) feedback to teachers on their students' learning outcomes.

CEM stands for the Center for Educational Measurement. A service it provides is the assessment of learning outcomes through standardized achievement tests, the table of specifications of which is aligned with the learning competencies in the DepEd curriculum. In the FEU Group of Schools, all students from Grades 1 to 10 take the CEM achievement tests in English, science, and mathematics twice – a pre-test at the start of the school year and a post-test at the end. (The tests for Grades 11 and 12 are only starting to be available.) As soon as they are made available by CEM (roughly a month after these tests are taken), these test scores are quickly processed by FEU's information-technology services (ITS) unit using an automated set of programs developed for FEU by Z-Lift Solutions, a data science firm.

Each teacher of an English, science, or mathematics subject is provided with a Microsoft Power BI (business intelligence) dashboard of the test results of his students. At the start of the school year, the teacher sees how his students performed in the subject (i.e., English, science, or mathematics) in the previous grade levels, for the section as a whole and for each student. He is thus able to identify which learning competencies of the previous grade levels his class has or hasn't attained and who among his students are fast or slow learners. The teacher then has to formulate plans on what to do with the information: Does he tweak his projected map to return to topics or competencies that were poorly learned? Does he recommend tutorials for the slow learners to bring them up to speed?

After the pre-test scores are processed, the teacher sees in his dashboard how prepared his class is for the learning competencies that are intended to be developed in the current grade level, again for the class as a whole and for individual students. He is tasked a second time to develop plans: In particular, he has to tweak his projected map to allocate less time on topics his students already know and more time on those that they don't. He also has to propose

CEM Test Analysis



plans on what to do with individual students based on two principles: each student should be neither left behind nor held back in their development.

Finally, after the post-test scores are processed, the teacher receives feedback on his dashboard how effective his interventions were (relative to the pre-test results). He discusses the information with his subject coordinator and principal as an integral part of his professional development and of the culture of continuous improvement of the school. He is also expected to bring his insights to the teachers' summer workshops on the curriculum maps.

These dashboards and intervention templates were developed and beta-tested during the school year. The plan is to develop them further and extract the teachers' intervention data to develop a machine-learning model that would cull best-practice outcomes: what interventions work best for which competency and student-teacher combination.

And so, appropriating and loosely quoting the very first words in Charles Dickens's *A Tale of Two Cities*, AY 2018-2019 for the FEU Group of Schools could be said to be the best of times and the worst of times, ... , the season of Light and Darkness, ... the

spring of hope and the winter of despair – in short, an academic year much like any other. Except that we in FEU see that the positive developments in our school system outnumber the problems we face, and we are more hopeful than ever about the prospects of the FEU Group of Schools. Far Eastern Onward!

References:

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- Hale, Janet. 2008. *A Guide to Curriculum Mapping: Planning, Implementing, and Sustaining the Process*. Thousand Oaks, California: Corwin Press.
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- United Nations. *World Population Prospects 2019* (data base). <https://population.un.org/wpp/Download/Standard/Population/>

STUDENT SUCCESS



Allan Moya

*Radio Veritas Best Male Anchor 2019
Radio Veritas Campus Hour*



Jayvic Valdepina

*1st Place
Twinings Cooluxe Design Competition*



Patricia Mangahas

*Grand Prize Winner
51st Shell National Students
Art Competition*



Remy Manuel C. Pendon

*Top 20 Finalist in the search for
Ten Outstanding Students of the Philippines (TOSP)
in the National Capital Region*

CONGRATULATIONS!
TO OUR 90 NEW TAMARAW CERTIFIED
PUBLIC ACCOUNTANTS
OCTOBER 2018 CPA LICENSURE EXAMINATION

5TH Lanz Adrian Cruz 90.17%

76.32% FIRST-TIME TAKERS
72.00% OVERALL PASSING RATE
25.19% PASSING PERCENTAGE



Lanz Adrian Cruz

5th Placer, October 2018 CPA
Licensure Examination



Engr. Juan Miguel H. Villaroel

3rd Placer, April 2019 Electronics
Board Examination
FEU Institute of Technology

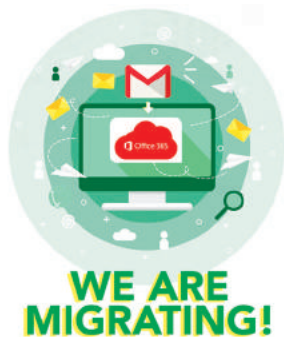


FEU-Diliman bags

9th straight UAAP juniors' football title

UAAP Season 81

INITIATIVES & INNOVATIONS



OFFICE 365 MIGRATION

With the new Office 365, employees can now enjoy greater web and desktop productivity. They can collaborate for free with online versions of Microsoft Word, PowerPoint, Excel, and OneNote. Save documents, spreadsheets, and presentations online in OneDrive.



FEU HUMAN CAPITAL MANAGEMENT SYSTEM

The new FEU Human Capital Management Systems (FEUHCMS) powered by Adrenalin is an integrated system which can handle all HR functions and processes from hiring to separation for both academic and non-academic personnel.



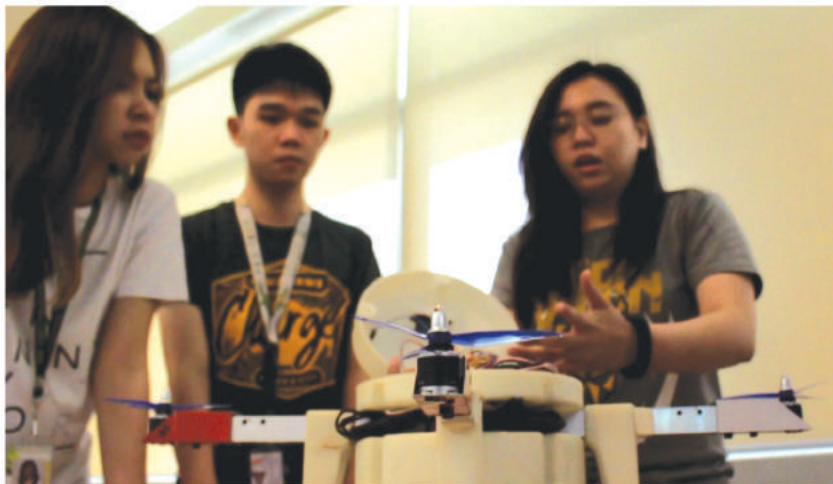
FEU LEARNING JOURNEY

The FEU Learning Journey provides a more formal structure for mentoring that will capacitate students to navigate their academic lifecycle and prepare for career and life goals. It also integrates selected curricular and co-curricular activities as critical components of the students' holistic development.



FEU INNOVATION CENTER

The Innovation Center is envisioned to be a venue for students to turn their ideas into profitable ventures with the help and guidance of industry experts. This facility was built in line with FEU Tech's mission to produce students who will bring significant contributions to the society.



DWARM

DWARM, a drone-based technology can sense warm bodies during disasters. This project was given funding by the Department of Science and Technology.

TAHDERIYYAH APP

A mobile application-based game and film, this app is included in the #LearnSmart program, and is co-developed by FEU Tech, Smart Communications and Bangsamoro Development Agency. The LearnSmart app bagged the Silver Award in the 54th Anvil Awards and two Quill of Excellence in the 17th Quill Awards.



INFRASTRUCTURES & FACILITIES



*Dental Clinic at the
newly renovated UHC*



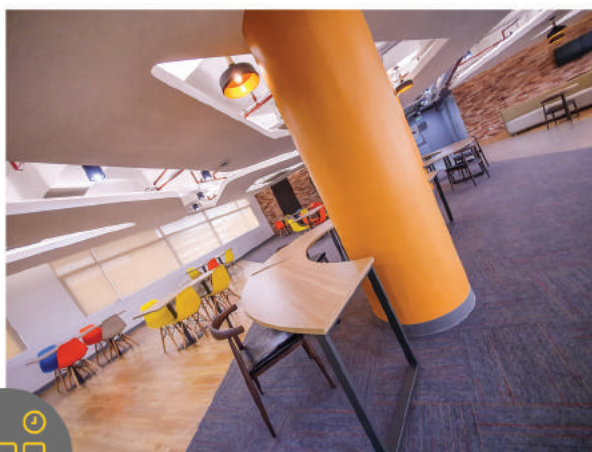
FEU Alabang Facade



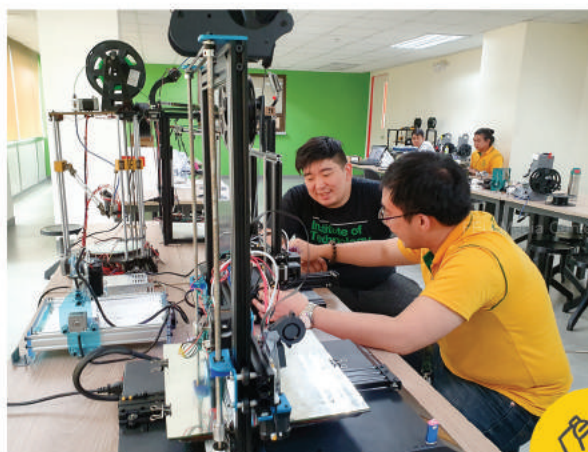
*FEU Diliman
Chemistry Laboratory*



FEU Roosevelt Marikina Facade



Lounge at Innovation Center



Modern workspaces at the Innovation Center



New building of FEU Manila in Lerma Street



The 99.9 kWp Own-Use Rooftop Solar Photovoltaic (PV) System in FEU- Roosevelt in Rizal

BOARD OF TRUSTEES

2019





Lourdes R. Montinola

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

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

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



Aurelio R. Montinola III

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

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

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

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



Michael M. Alba

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

He is President concurrently of East Asia Computer Center, Inc.; Far Eastern College Silang, Inc.; FEU Alabang, Inc.; FEU High School, Inc.; Roosevelt College, Inc.; East Asia Educational Foundation, Inc.; and Nicanor Reyes Educational Foundation, Inc.; and Governor, Nicanor Reyes Memorial Foundation. His affiliations include, among others: FEU Public Policy Center (Chairman); Edustria Incorporated (Chairman); Philippine Association of Colleges and Universities (Board Member; Chair, Research Committee); Association of Southeast Asian Institutions of Higher Learning-National Council of the Philippines (President 2018-2020); Presidents' Forum of Southeast and South Asia and Taiwan Universities (Member, Steering Committee); Foundation for Information Technology Education and Development (President); Philippine Economic Society (Lifetime Member and President, 2007); Action for Economic Reforms (Fellow); and Management Association of the Philippines (Member).

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



Angelina Palanca Jose

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

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

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

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



Paulino Y. Tan

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

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

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



Antonio R. Montinola

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

Other Corporate Affiliations: President and Director FERN Realty Corporation and Monti-Rey, Inc.; Vice Chairman, Treasurer and Director, AMON Trading Corp., Director, Far Eastern College Silang, Inc., and Nicanor Reyes Education Foundation, Inc.; and Trustee, FEU Educational Foundation, Inc.

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

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

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



Jose Tan Sio

79, Filipino: Trustee, Far Eastern University (April 2019 to Present)

Present Affiliations: Chairman of the Board of Directors of SM Investments Corporation; Director of China Banking Corporation, OCLP (Ortigas) Holdings, Inc., Belle Corporation, NLEX Corporation, and Atlas Consolidated Mining and Development Corporation; Adviser to the Board of BDO Unibank, Inc.; Premium Leisure Corporation; Audit and Risk Oversight Committees of SM Prime Holdings, Inc.; President and Trustee of SM Foundation, Inc.; Trustee of Asia Pacific College.

Previous Affiliations: Senior Partner of SGV & Co., Consultant at T. N. Soong & Co., CPA in Taipei, Taiwan and Audit Associate at Ernst and Whinney, CPA in New York, USA.

Mr. Sio was voted as CFO of the year in 2009 by the Financial Executives of the Philippines (FINEX). In various years, he received Asia's Best CFO Award from Hong Kong-based publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset. In 2018, he received the Asian Corporate Director Award from Corporate Governance Asia.

Mr. Sio is a Certified Public Accountant. He obtained his Bachelor of Science in Commerce Major in Accounting from University of San Agustin, Iloilo City. He completed his Master of Business Administration Major in Corporate Finance and Management in New York University, New York, USA.



Sherisa P. Nuesa

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

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

A former Managing Director of conglomerate Ayala Corporation, she held various senior management positions in Ayala subsidiaries: Ayala Land, Inc., Manila Water Company and Integrated Micro Electronics Inc.

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

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



Edilberto C. de Jesus

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

Other Corporate Affiliations: Member, Board of Directors, Cagayan de Oro College and Phinma Corp.; Member, Board of Trustees, Foundation for Liberty and Prosperity; Member, Makati Business Club and of the Advisory Board of Philippine Business for Education; Fellow, Institute of Corporate Directors; Professor Emeritus, Asian Institute of

Management and Independent Trustee, Nicanor Reyes Educational Foundation, Inc. and Roosevelt College, Inc.

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

EXECUTIVE COMMITTEE 2019



Aurelio R. Montinola III
Chairman



Michael M. Alba
Member



Angelina P. Jose
Member



Paulino Y. Tan
Member



Juan Miguel R. Montinola
Member

FINANCIAL HIGHLIGHTS

2019





FAR EASTERN UNIVERSITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of *Far Eastern University, Incorporated and Subsidiaries* (the Group) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended May 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

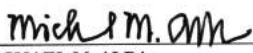
In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to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

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

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

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


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


MICHAEL M. ALBA
President and Chief Operating Officer





GLENN Z. NAGAL
Comptroller

Signed this _____ day of September 2019.

SEP 12 2019

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2019, affiants exhibiting their Tax Identification Numbers (TIN) as follows:

Name	TIN	Place Issued
Aurelio R. Montinola, III	135-558-086	Philippines
Michael M. Alba	157-483-273	Philippines
Glenn Z. Nagal	130-358-924	Philippines

Doe No. 
Page No. 
Book No. 
Series of 2019.

ATTY. JOAQUIN M. CHUA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
BP NO. 1006109-11-22-17-19 ROLL NO. 2520
PTR NO. 6912309-11-24-17-19
MCLE COMPL. NO. 0024315-IV-11-29-17 TIN: 135-914-511
BR 700 BAYANES ST. SAMPALOC, MANILA (PH. 09-7059112)

NOTARY PUBLIC

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1015
(+632) 7777-FEU (338)
(+632) 849-4000
www.feu.edu.ph

Report of Independent Auditors

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

T +63 2 988 2288

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

Opinion

We have audited the consolidated financial statements of The Far Eastern University, Incorporated (the University) and subsidiaries (together hereinafter referred to as the Group), which comprise the consolidated statements of financial position as at May 31, 2019, 2018 and 2017 and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

grantthornton.com.ph

Key Audit Matters

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

(a) Recognition of Tuition and Other School Fees

Description of the Matter

Tuition and other school fees amounted to P3.3 billion, which accounts for 99% of the total revenues of the Group, for the year ended May 31, 2019 as shown in the Group's consolidated statements of profit or loss and in Note 19 to the consolidated financial statements. It involves significant volume of transactions and the Group is dependent on its information technology infrastructure in processing such voluminous transactions. Relative to this, any potential misstatements on tuition and other school fees could be material to the consolidated financial statements. Growth in tuition and other school fees is also one of the key performance measures used to assess the Group's performance. We therefore identified the recognition of tuition and other school fees as a significant risk requiring special audit consideration.

Beginning June 1, 2018, the Group adopted PFRS 15, *Revenue from Contracts with Customers*. Such adoption did not materially impact the Group as its revenue recognition under the new standard for existing revenue streams did not significantly vary from the previous revenue standard. The impact of the adoption of PFRS 15 and the related changes in accounting policies and basis of judgement and estimates are disclosed in Notes 2 and 3 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

- obtaining an understanding of the tuition and other school fees revenue recognition policy of the Group and the related processes and controls, and evaluating the Group's compliance with the requirements of PFRS 15;
- assessing the appropriateness of the Group's application of PFRS 15 transitional requirements as of June 1, 2018 and evaluating the Group's compliance with the disclosure requirements of PFRS 15 in its consolidated financial statements;
- testing of design and operating effectiveness of internal controls, including information technology general controls (i.e., security administration, program maintenance and program execution) and application controls, related to the Group's recognition and recording of tuition and other school fees, including the related scholarship merits and tuition fee discounts, and payments from students;
- examining students' enrollment transactions (i.e., through examination of tuition bills) and grant of scholarships merits and tuition fee discounts on a sampling basis during the academic year;



- performing revenue cut-off test procedures including, among others, examining tuition bill transactions near period end, and analyzing and reviewing revenue adjustments subsequent to period end to determine whether tuition and other school fees are appropriately recognized in the proper period; and,
- performing substantive analytical review procedures over tuition and other school fees such as, but not limited to, current year's components of tuition and other school fees (e.g., by student population and by institute or college) as a percentage of total revenues, and yearly and monthly analyses of enrolment transactions based on our expectations, which include corroborating evidence from other audit procedures, and verifying the underlying data used in the analyses are valid and complete.

(b) Adoption of PFRS 9, Financial Instruments

Description of the Matter

Effective June 1, 2018, the Group adopted PFRS 9, *Financial Instruments*, (PFRS 9) which replaced PAS 39, *Financial Instruments: Recognition and Measurement*. The adoption of this new standard, which primarily affected the Group's classification and measurement of their financial assets, and impairment of financial instruments using the expected credit losses, is considered significant due to the complexities of the accounting requirements and the significant judgement required in determining assumptions to be used in applying the standard. Further, the investments, which are particularly covered by the provisions of PFRS 9, amounts to P2.3 billion as of May 31, 2019 and is considered significant in amount relative to the Group's consolidated total assets.

The impact of the adoption of PFRS 9, and the related changes in accounting policies, basis of judgement and estimates, and risk management are disclosed in Notes 2, 3 and 4 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures included, among others, the following:

(i) Classification and Measurement

- evaluating the appropriateness of the Group's business model for the classification and measurement of financial instruments based on the requirements of PFRS 9;
- reviewing the sufficiency and appropriateness of the business model assessment and contractual cash flows characteristics assessment ("solely payment of principal and interest" testing);
- reviewing the classification and measurement analysis done by the Group regarding the classification of financial assets at fair value through profit or loss, other comprehensive income and at amortized cost; and,
- evaluating the appropriateness of transition adjustments as a result of the adoption of PFRS 9 on classification and measurement of financial assets and determining the adequacy of related financial statement disclosures, including changes in accounting policies and basis of judgment and estimates.

(ii) Impairment

- understanding and assessing appropriateness of expected credit loss (ECL) models used, including reasonableness of overlays or forward looking information;
- evaluating the reasonableness of the inputs and assumptions used by the management in determining the ECL rates, such as the point where receivables are deemed credit-impaired, considered subsequent recoveries, and historical write-offs of receivables;
- evaluating appropriateness of the impairment adjustments resulting in the transition to PFRS 9, including completeness and reasonableness of related ECL disclosures.

(c) Assessment of Goodwill Impairment

Description of the Matter

As at May 31, 2019, the balance of goodwill amounts to P186.5 million, which arose from the acquisition of Roosevelt College, Inc. (RCI) in May 2016 as disclosed in Note 1 to the consolidated financial statements. Under PFRS, goodwill, having indefinite useful life, is not subject to amortization but is required to be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired. We have identified assessment of goodwill impairment as a key audit matter in our audit because management's assessment process is highly subjective being based on significant assumptions, such as revenue growth rate and discount rate, to determine the recoverable amount of the cash generating units (CGUs) where goodwill is allocated to and the future cash flows of that particular CGUs which are affected by expected future market or economic conditions. The more significant management's assumptions include:

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

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

How the Matter was Addressed in the Audit

With the firm's valuation specialists, we independently checked the reasonableness of the assumptions and methodologies (i.e., discounted cash flows method) used by management, particularly those relating to the forecasted tuition fee rates and number of students assumed to project revenue growth and profit margins of RCI. In doing so, we have considered historical and environmental trends. In addition, based on the results of our audit of the financial statements of RCI as of and for the year ended May 31, 2019, we did not identify events or conditions that may cast significant doubt on RCI's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A (but does not include the consolidated financial statements and our auditors' report thereon) and Annual Report for the year ended May 31, 2019. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended May 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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



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

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

PUNONGBAYAN & ARAULLO

By: Mailene Sigue-Bisnar
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 7333687, January 3, 2019, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 1, 2021)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-20-2018 (until Jan. 25, 2021)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

September 10, 2019

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

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MAY 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>2019</u>	<u>2018</u> <u>[As Restated]</u>	<u>2017</u> <u>[As Restated]</u>
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	P 1,520,192,490	P 855,331,501	P 1,526,201,248
Trade and other receivables - net	620,161,736	540,342,199	450,070,055
Financial assets at fair value through profit or loss	837,414,512	-	-
Financial assets at fair value through other comprehensive income	277,750,721	-	-
Investment securities at amortized cost	263,808,437	-	-
Available-for-sale financial assets	-	2,119,491,677	2,139,654,834
Held-to-maturity investments	-	-	95,148,019
Real estate held-for-sale	123,533,559	123,533,559	141,547,959
Other current assets - net	206,017,421	1,110,841,759	274,752,543
Total Current Assets	<u>3,848,878,876</u>	<u>4,749,540,695</u>	<u>4,627,374,658</u>
NON-CURRENT ASSETS			
Trade and other receivables	1,869,046	2,939,451	1,701,014
Financial assets at fair value through other comprehensive income	428,946,151	-	-
Investment securities at amortized cost	523,684,713	-	-
Available-for-sale financial assets	-	176,523,803	138,991,746
Held-to-maturity investments	-	297,284,616	241,418,315
Investment in an associate - net	-	6,490,925	6,585,801
Property and equipment - net	8,708,590,224	7,205,631,433	6,056,297,863
Investment properties - net	154,874,322	150,919,929	185,847,743
Goodwill	186,487,019	186,487,019	186,487,019
Deferred tax assets - net	25,673,121	18,135,377	20,272,377
Other non-current assets	200,954,362	393,441,160	494,866,600
Total Non-current Assets	<u>10,231,078,958</u>	<u>8,437,853,713</u>	<u>7,332,468,478</u>
TOTAL ASSETS	<u>P 14,079,957,834</u>	<u>P 13,187,394,408</u>	<u>P 11,959,843,136</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	P 1,405,750,972	P 1,305,696,027	P 961,758,143
Interest-bearing loans	1,393,571,429	1,183,571,429	332,857,143
Derivative liability	36,720,866	38,255,313	33,365,459
Deferred revenues	258,368,982	176,907,478	75,199,534
Provisions	48,765,588	20,076,543	19,694,375
Income tax payable	27,535,754	17,953,833	22,006,031
Total Current Liabilities	<u>3,170,713,591</u>	<u>2,742,460,623</u>	<u>1,444,880,685</u>
NON-CURRENT LIABILITIES			
Interest-bearing loans	965,000,000	1,333,571,429	1,617,142,857
Post-employment benefit obligation	47,313,579	46,138,632	59,800,703
Deferred tax liabilities - net	22,684,801	19,489,685	10,697,213
Other non-current liabilities	6,171,400	4,336,911	4,696,331
Total Non-current Liabilities	<u>1,041,169,780</u>	<u>1,403,536,657</u>	<u>1,692,337,104</u>
Total Liabilities	<u>4,211,883,371</u>	<u>4,145,997,280</u>	<u>3,137,217,789</u>
EQUITY			
Equity attributable to owners of the parent company			
Capital stock	1,651,435,400	1,651,435,400	1,651,435,400
Treasury stock - at cost	(65,159,830)	(63,265,755)	(49,362,563)
Revaluation reserves	3,264,862	25,739,204	39,707,565
Other reserves	(57,785,452)	(57,785,452)	(57,785,452)
Retained earnings	5,719,598,066	5,357,541,295	5,128,123,327
Total equity attributable to owners of parent company	7,251,353,046	6,862,186,284	6,712,118,277
Non-controlling interests	2,616,721,417	2,179,210,844	2,110,507,070
Total Equity	<u>9,868,074,463</u>	<u>9,041,397,128</u>	<u>8,822,625,347</u>
TOTAL LIABILITIES AND EQUITY	<u>P 14,079,957,834</u>	<u>P 13,187,394,408</u>	<u>P 11,959,843,136</u>

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED MAY 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES			
Educational			
Tuition fees - net	P 3,028,259,008	P 2,429,326,661	P 2,710,248,681
Other school fees	<u>286,993,109</u>	<u>190,854,536</u>	<u>106,582,390</u>
	3,315,252,117	2,620,181,197	2,816,831,071
Rental	<u>43,782,587</u>	<u>42,028,413</u>	<u>43,430,248</u>
	3,359,034,704	2,662,209,610	2,860,261,319
COSTS AND OPERATING EXPENSES	(2,693,558,458)	(2,182,296,116)	(2,095,567,965)
OTHER OPERATING INCOME	<u>2,720,649</u>	<u>3,998,242</u>	<u>2,559,803</u>
OPERATING INCOME	668,196,895	483,911,736	767,253,157
FINANCE INCOME	152,094,620	193,493,393	180,126,492
FINANCE COSTS	(98,276,377)	(95,374,284)	(88,837,546)
OTHER INCOME	212,567,714	58,204,886	69,263,938
OTHER CHARGES	<u>-</u>	(<u>94,876</u>)	(<u>70,933</u>)
PROFIT BEFORE TAX	934,582,852	640,140,855	927,735,108
TAX EXPENSE	(<u>126,111,125</u>)	(<u>92,509,844</u>)	(<u>121,282,797</u>)
NET PROFIT	<u>P 808,471,727</u>	<u>P 547,631,011</u>	<u>P 806,452,311</u>
Net Profit Attributable to:			
Owners of the parent company	P 753,271,625	P 492,229,280	P 749,519,197
Non-controlling interests	<u>55,200,102</u>	<u>55,401,731</u>	<u>56,933,114</u>
	<u>P 808,471,727</u>	<u>P 547,631,011</u>	<u>P 806,452,311</u>
Earnings Per Share			
Basic and Diluted	<u>P 45.86</u>	<u>P 29.96</u>	<u>P 45.61</u>

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED MAY 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
NET PROFIT	<u>P 808,471,727</u>	<u>P 547,631,011</u>	<u>P 806,452,311</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified subsequently to profit or loss			
Net fair value losses (gains) reclassified to profit or loss on debt securities classified as fair value through other comprehensive income	14,833,998	(47,306,106)	11,497,370
Net fair value gains (losses) during the year	4,382,957	(32,877,027)	(40,944,890)
Tax effect	(1,921,696)	8,018,313	2,944,752
	<u>17,295,259</u>	<u>(72,164,820)</u>	<u>(26,502,768)</u>
Item that will not be reclassified subsequently to profit or loss			
Net fair value losses on equity securities classified as financial assets at fair value through other comprehensive income	(15,525,963)	-	-
Gains (losses) on remeasurement of post-employment benefit plan	(8,557,937)	8,183,762	6,980,564
Tax effect	2,408,390	(818,376)	(698,056)
	<u>(21,675,510)</u>	<u>7,365,386</u>	<u>6,282,508</u>
Other Comprehensive Loss	<u>(4,380,251)</u>	<u>(64,799,434)</u>	<u>(20,220,260)</u>
TOTAL COMPREHENSIVE INCOME	<u>P 804,091,476</u>	<u>P 482,831,577</u>	<u>P 786,232,051</u>
Total Comprehensive Income Attributable to:			
Owners of the parent company	P 749,527,120	P 426,782,511	P 726,604,065
Non-controlling interests	<u>54,564,356</u>	<u>56,049,066</u>	<u>59,627,986</u>
	<u>P 804,091,476</u>	<u>P 482,831,577</u>	<u>P 786,232,051</u>

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	Attributable to Owners of the Parent Company					Non-controlling Interests	Total Equity
	Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Retained Earnings Appropriated	Total	
Balance at June 1, 2018	P 1,651,435,400	(P 63,265,755)	(P 25,739,204)	(P 57,785,452)	P 2,513,808,195	P 5,357,541,295	P 9,041,397,128
As previously reported	-	-	32,748,571	-	(45,174,410)	(45,174,410)	(12,425,839)
Effect of adoption of PFRS 9	-	-	7,009,367	(57,785,452)	2,468,633,785	5,312,366,885	9,028,971,289
As restated	<u>1,651,435,400</u>	<u>(63,265,755)</u>	<u>32,748,571</u>	<u>(57,785,452)</u>	<u>2,468,633,785</u>	<u>5,312,366,885</u>	<u>9,028,971,289</u>
Transactions with owners	-	-	-	-	-	-	-
Issuance of shares of stock	-	(1,894,075)	-	-	-	335,500,000	335,500,000
Acquisition of treasury stock	-	-	-	-	(262,805,944)	(35,788,283)	(1,894,075)
Cash dividends	-	-	-	-	(83,234,500)	83,234,500	(298,594,227)
Stock dividends	-	(1,894,075)	-	-	(346,040,444)	(346,040,444)	-
Appropriations of retained earnings	-	-	-	-	-	382,946,217	35,011,698
Reversal of appropriations during the year	-	-	-	-	673,000,000	-	-
Total comprehensive income (loss)	-	-	-	-	753,271,625	753,271,625	808,471,727
Net profit for the year	-	-	(3,744,505)	-	753,271,625	(635,746)	(4,380,251)
Other comprehensive loss	-	-	(3,744,505)	-	753,271,625	54,564,356	804,091,476
Balance at May 31, 2019	<u>P 1,651,435,400</u>	<u>(P 65,159,830)</u>	<u>P 3,264,862</u>	<u>(P 57,785,452)</u>	<u>P 3,548,864,966</u>	<u>P 5,719,598,066</u>	<u>P 9,868,074,463</u>
Balance at June 1, 2017	P 1,651,435,400	(P 49,362,563)	P 39,707,565	(P 57,785,452)	P 2,554,390,227	P 5,128,123,327	P 8,822,625,347
Transactions with owners	-	-	-	-	-	-	-
Issuance of shares of stock	-	(13,903,192)	-	-	(262,811,312)	(262,811,312)	(37,345,292)
Acquisition of treasury stock	-	-	-	-	(262,811,312)	(262,811,312)	(300,156,604)
Cash dividends	-	(13,903,192)	-	-	250,000,000	-	(264,059,796)
Appropriations of retained earnings	-	-	-	-	(520,000,000)	-	-
Reversal of appropriations during the year	-	-	-	-	(270,000,000)	-	-
Appropriations during the year	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	-	492,229,280	492,229,280	547,631,011
Net profit for the year	-	-	(65,446,769)	-	-	647,335	(64,799,434)
Other comprehensive income (loss)	-	-	(65,446,769)	-	492,229,280	492,229,280	482,831,577
Balance at May 31, 2018	<u>P 1,651,435,400</u>	<u>(P 63,265,755)</u>	<u>(P 25,739,204)</u>	<u>(P 57,785,452)</u>	<u>P 2,513,808,195</u>	<u>P 5,357,541,295</u>	<u>P 9,041,397,128</u>

	Attributable to Owners of the Parent Company							Non-controlling Interests	Total Equity
	Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Retained Earnings				
					Appropriated	Unappropriated	Total		
Balance at June 1, 2016	P 1,651,435,400	(P 38,655,641)	P 62,622,697	-	P 2,573,733,100	P 2,166,611,076	P 4,740,344,176	P 1,792,833,887	P 8,208,580,519
Transactions with owners									
Issuance of shares of stock	-	-	-	-	-	-	-	416,500,000	416,500,000
Acquisition of treasury stock	-	(10,706,922)	-	-	-	-	-	-	(10,706,922)
Cash dividends	-	-	-	-	-	(361,740,046)	(361,740,046)	(36,095,292)	(397,835,338)
Reduction in non-controlling interest	-	-	-	(57,785,452)	-	-	-	(122,359,511)	(180,144,963)
	-	(10,706,922)	-	(57,785,452)	-	(361,740,046)	(361,740,046)	258,045,197	(172,187,223)
Total comprehensive income (loss)									
Net profit for the year	-	-	-	-	-	749,519,197	749,519,197	56,933,114	806,452,311
Other comprehensive income (loss)	-	-	(22,915,132)	-	-	-	-	2,694,872	(20,220,260)
	-	-	(22,915,132)	-	-	749,519,197	749,519,197	59,627,986	786,232,051
Balance at May 31, 2017	P 1,651,435,400	(P 49,362,563)	P 39,707,565	(57,785,452)	P 2,573,733,100	P 2,554,390,227	P 5,128,123,327	P 2,110,507,070	P 8,822,625,347

THE FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2019, 2018 AND 2017
(Amounts in Philippine Pesos)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	P 934,582,852	P 640,140,855	P 927,735,108
Adjustments for:			
Depreciation and amortization	372,058,239	306,332,605	302,109,262
Gain on sale of investment in an associate	(140,509,075)	-	-
Interest income	(121,134,236)	(100,670,612)	(105,320,467)
Interest expense	61,418,472	69,098,889	46,753,278
Fair value gains from financial assets at fair value through profit or loss (FVTPL)	(38,473,202)	-	-
Other investment income from financial assets at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) - net	(27,864,048)	-	-
Unrealized foreign exchange gains - net	3,153,258	(36,992,246)	(36,065,062)
Impairment losses on investments	50,138	-	-
Other investment income from available-for-sale (AFS) financial assets	-	(55,830,535)	(38,740,963)
Impairment losses on property and equipment	-	2,804,401	-
Share in net losses of an associate	-	94,876	70,933
Operating profit before working capital changes	1,043,282,398	824,978,233	1,096,542,089
Decrease (increase) in trade and other receivables	(104,584,572)	(5,779,683)	18,261,355
Decrease (increase) in other assets	1,260,185,578	(558,507,470)	(85,788,080)
Increase in real estate held-for-sale	-	(2,913,559)	(46,710,342)
Increase in trade and other payables	50,556,559	283,442,601	103,028,339
Increase (decrease) in deferred revenues	81,461,504	101,707,944	(41,059,209)
Increase (decrease) in provisions	28,689,045	382,168	(28,772,990)
Increase (decrease) in derivative liability	(3,098,063)	4,889,854	12,845,459
Increase (decrease) in post-employment benefit obligation	1,174,947	(13,662,071)	1,372,501
Increase (decrease) in other non-current liabilities	1,834,489	(359,420)	708,739
Cash generated from operations	2,359,501,885	634,178,597	1,030,427,861
Income taxes paid	(120,871,832)	(73,130,079)	(105,811,268)
Net Cash From Operating Activities	<u>2,238,630,053</u>	<u>561,048,518</u>	<u>924,616,593</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at FVOCI	2,852,453,988	-	-
Acquisitions of financial assets at FVOCI	(2,741,291,123)	-	-
Proceeds from disposal of financial assets at FVTPL	1,935,011,835	-	-
Acquisitions of property and equipment	(1,803,401,265)	(1,410,471,003)	(571,978,810)
Acquisitions of financial assets at FVTPL	(1,690,108,239)	-	-
Increase in advances to suppliers and developers	(174,553,324)	(186,413,356)	(404,924,056)
Proceeds from sale of investment in an associate	147,000,000	-	-
Acquisitions of investment securities at amortized cost	(130,119,203)	-	-
Interest received	119,522,816	155,617,427	75,493,688
Proceeds from maturities of investment securities at amortized cost	102,167,384	-	-
Additions to investment properties	(30,236,767)	(22,313,379)	(26,564,345)
Advances granted to related parties	9,229,702	(16,756,062)	(6,832,457)
Acquisition of new subsidiaries	-	-	(180,144,963)
Acquisitions of AFS financial assets	-	(2,664,941,069)	(2,762,841,360)
Acquisitions of HTM investments	-	(52,500,099)	(15,000,000)
Proceeds from disposal of AFS financial assets	-	2,578,601,829	2,792,596,182
Proceeds from maturities of HTM investments	-	102,743,344	30,297,340
Net Cash Used in Investing Activities	<u>(1,404,324,196)</u>	<u>(1,516,432,368)</u>	<u>(1,069,898,781)</u>
<i>Balance carried forward</i>	<u>P 834,305,857</u>	<u>(P 955,383,850)</u>	<u>(P 145,282,188)</u>

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Balance brought forward</i>	<u>P 834,305,857</u>	<u>(P 955,383,850)</u>	<u>(P 145,282,188)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of interest-bearing loans	(428,571,429)	(227,857,142)	(12,333,334)
Proceeds from issuance of preferred shares to a related party under common management	335,500,000	50,000,000	416,500,000
Proceeds from interest-bearing loans	270,000,000	795,000,000	470,000,000
Dividends paid	(249,095,841)	(242,812,818)	(374,228,241)
Interest paid	(95,072,981)	(80,647,392)	(32,540,909)
Acquisition of treasury shares	(1,894,075)	(13,903,192)	(10,706,922)
Net Cash From (Used in) Financing Activities	(169,134,326)	279,779,456	456,690,594
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(310,542)	4,734,647	1,442,262
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	664,860,989	(670,869,747)	312,850,668
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>855,331,501</u>	<u>1,526,201,248</u>	<u>1,213,350,580</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>P 1,520,192,490</u>	<u>P 855,331,501</u>	<u>P 1,526,201,248</u>

Supplemental Information on Noncash Investing and Financing Activities:

- 1) Prior to 2017, the University acquired 17.73% equity interest in Roosevelt College, Inc. for P179.7 million. In 2017, the University acquired additional interest of 79.72%. The purchase of interest resulted in recognition of Retention payable. No similar transaction occurred in 2019 and 2018.
- 2) In 2019 and 2018, the Group capitalized borrowing costs amounting to P33.7 million and P15.9 million as part of acquisitions of property and equipment.
- 3) In 2019, 2018 and 2017, certain assets amounting to P8.5 million, P4.1 million and P48.1 million, respectively, were reclassified from Investment Property to Property and Equipment, respectively, while certain assets amounting to P28.1 million and P31.8 million, were reclassified from Real Estate Held for Sale to Investment Property in years 2018 and 2017, respectively.
- 4) During the years ended May 31, 2019, 2018 and 2017 the University declared cash dividends totaling P263.6 million, P262.8 million and P361.7 million, respectively, of which, P17.2 million, P18.6 million and P21.9 million, respectively, were not paid in the year of declaration.
- 5) During the year ended May 31, 2017, the University reclassified investments from Available-for-sale Financial Assets amounting to P335.8 million to Held-to-maturity Investments.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
Financial Soundness Indicators
May 31, 2019, 2018 and 2017

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current / liquidity ratio	1.21	1.73	3.20
Quick ratio	1.13	1.62	3.01
Debt-to-equity ratio	0.43	0.46	0.36
Debt-to-asset ratio	0.30	0.31	0.26
Equity-to-asset ratio	0.70	0.69	0.74
Interest coverage ratio	10.8	8.6	20.8
Return on assets	6%	4%	7%
Return on equity	8%	6%	9%
Earnings per share	P 45.86	P 29.96	P 45.61

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

Current ratio - current assets divided by current liabilities

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

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

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

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

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

Interest coverage - earnings before interest and taxes (EBIT) divided by interest charges

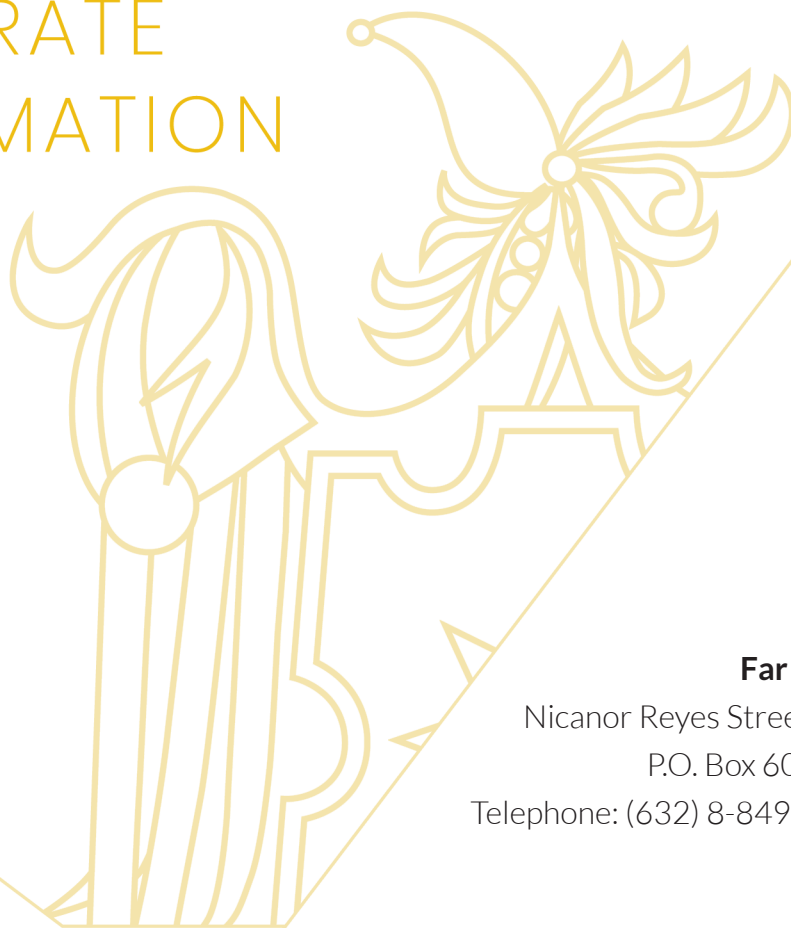
TEST OF PROFITABILITY refers to the Group's earning capacity. This includes the Group's ability to earn reasonable amount of income in relation to total investment.

Return on assets - net income divided by total assets

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

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

CORPORATE INFORMATION



Far Eastern University

Nicanor Reyes Street, Sampaloc, Manila
P.O. Box 609, Philippines 1015
Telephone: (632) 8-849-4000 / 8-7777338

Stock Transfer Services, Inc.

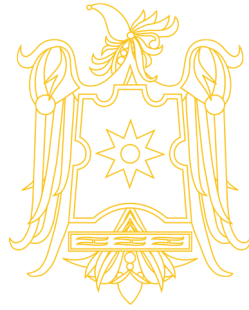
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City
(632) 8-403-2410 / 8-403-2412 / 8-403-3433
rdregala@stocktransfer.com.ph

Office of the Corporate Secretary

2nd Floor Administration Building
Far Eastern University
Nicanor Reyes Street, Sampaloc, Manila
DL: (632) 8-735-8686 / 8-849-4000 local 106
sgarcia@feu.edu.ph

Investor Relations

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



CORE VALUES

Fortitude

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

Excellence

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

Uprightness

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



Nicanor Reyes Street,
Sampaloc, Manila



www.feu.edu.ph



+632-8-7777-338
(trunkline)



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