SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Aug 31, 2020
2. SEC Identification Number
   538
3. BIR Tax Identification No.
   000-225-442
4. Exact name of issuer as specified in its charter
   FAR EASTERN UNIVERSITY, INC.
5. Province, country or other jurisdiction of incorporation or organization
   PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   Nicanor Reyes Street, Sampaloc, Manila
   Postal Code
   1015
8. Issuer's telephone number, including area code
   (632) 8735-8686
9. Former name or former address, and former fiscal year, if changed since last report
   Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P100.00 par value	24,055,763

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ◉ Yes ○ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange, Inc.
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

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

Yes No

Far Eastern University, Incorporated
FEU

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

For the period ended	Aug 31, 2020
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Aug 31, 2020	May 31, 2020
Current Assets	5,670,969,166	4,531,846,290
Total Assets	16,351,011,642	15,186,605,752
Current Liabilities	4,095,824,959	2,913,577,744
Total Liabilities	6,041,276,088	4,768,769,349
Retained Earnings/(Deficit)	5,107,756,586	5,256,554,284
Stockholders' Equity	10,309,735,554	10,417,836,403
Stockholders' Equity - Parent	7,411,539,768	7,556,481,871
Book Value per Share	309.14	315.18

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	284,837,503	614,059,571	284,837,503	614,059,571
Gross Expense	439,208,468	575,527,423	439,208,468	575,527,423
Non-Operating Income	43,929,083	57,839,980	43,929,083	57,839,980

Non-Operating Expense	33,780,044	20,939,820	33,780,044	20,939,820
Income/(Loss) Before Tax	-144,221,926	75,432,308	-144,221,926	75,432,308
Income Tax Expense	7,734,518	13,832,536	7,734,518	13,832,536
Net Income/(Loss) After Tax	-151,956,444	61,599,772	-151,956,444	61,599,772
Net Income Attributable to Parent Equity Holder	-148,797,698	32,977,170	-148,797,698	32,977,170
Earnings/(Loss) Per Share (Basic)	-6.21	2.01	-6.21	2.01
Earnings/(Loss) Per Share (Diluted)	-6.21	2.01	-6.21	2.01

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	18.34	33.14
Earnings/(Loss) Per Share (Diluted)	18.34	33.14

Other Relevant Information
-

COVER SHEET

PW00000538

S.E.C. Registration Number

FAR EASTERN UNIVERSITY

(Company's Full Name)

NICANOR REYES STREET

SAMPALOC, MANILA

(Bussiness Address : No. Street City / Town / Province)

Atty. Anthony Raymond A. Goqingco

Contact Person

8 735-8686

Company Telephone Number

0	5		3	1

Month Day

Calandar year

SEC Form 17- Q

Quarterly Report Ending August 31, 2020

FORM TYPE

1	0		1	7

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended articles Number/Section

Total Number of Barrowings

1,498

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personel concerned

File Number

LCU

Dicument I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

FAR EASTERN UNIVERSITY

Nicanor Reyes Street
Sampaloc, Manila
P.O. Box 609 Philippines 1015
(+632) 87777-FEU (338)
(+632) 8849-4000

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SEC RULE 17 (2) (b) THEREUNDER

1.	For the Quarter period ended	**August 31, 2020**
2.	SEC Identification Number	**538**
3.	PSE Code	
4.	BIR Tax Identification No.	**000-225-442**
5.	Exact Name of Registrant as specified in its charter	**Far Eastern University, Inc.**
6.	Province, Country or other jurisdiction of Incorporation or organization	**Philippines**
7.	______________ (SEC use only)	
8.	Address of Principal Office Postal Code	**Nicanor Reyes Street, Sampaloc, Manila** **1015**
9.	Registrant's Telephone Number including Area Code	**(632) 8-849-4000**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱100.00 par value	**24,055,763**
Bond with Non-Detachable Warrant, ₱1.00 per unit	**Not Applicable**

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

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

    a) Sections 17 of the Code and SRC Rule 17

    Yes [x] No [ ]

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

    Yes [x] No [ ]

Financial Information

Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY

JUAN MIGUEL R. MONTINOLA
Chief Finance Officer

GLENN Z. NAGAL
Comptroller

PAMELA M. HERNANDEZ
Chief Accountant

Manila
14 October 2020

Management's Discussion and Analysis or Plan of Operation

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

FEU is committed to continuously uplift academic standards through updating of its curricula, developing the faculty, improving the services to students and providing the best educational facilities.

With the ongoing worldwide pandemic caused by the outbreak of the new corona virus disease (COVID-19), FEU, as a community, is in solidarity with the nation in its call for adherence to the health protocols required by the Philippine Government such as avoidance of group gatherings and public assemblies, limiting face-to-face meetings, social distancing, disinfection of facilities, temperature checks and contact tracing mechanisms in the work place, and health status monitoring of its employees and students, among others. Face-to-face classroom instruction remains suspended, however, with FEU's strategic implementation of its learning management system since three school years (SY) ago, coupled with its current technological resources and capability to deliver online lessons, adverse impact to its students' learning journey has been minimized and managed.

First quarter results in 2020 were lower than the previous year's comparative quarter due primarily to this school year's later start of classes, lower enrolment and tuition fee discounts for online classes. All were a result of the measures that were undertaken in view of the COVID-19 and the ensuing economic hardship of students.

Consolidated Financial Position

The consolidated financial position of Far Eastern University, Incorporated and subsidiaries (the Group) remains firm as of August 31, 2020, the end of the first three months of the new fiscal year (FY), which covers the midyear (summer) term of SY 2019-2020.

Consolidated total assets of the Group grew by P1,164.41 million to P16,351.01 million as of the report date. Current and non-current assets both increased by P1,139.12 million and P25.28 million, respectively.

Majority or 83% of asset growth is attributed to Trade and other receivables, which pertain mostly to receivable from first semester enrollments of students for SY 2020-2021.

Consolidated total liabilities was at P6,041.28 million, higher by P1,272.51 million compared to its May 31, 2020 balance. Current and non-current liabilities went up by P1,182.25 million and P90.26 million, respectively. The increase in total liabilities is driven by the expected ballooning of Deferred revenues pertaining to unearned tuition and other school fees for the SY 2020-2021.

The Group's consolidated total equity as of August 31, 2020 is at P10,309.74 million, as it decreased by P108.10 million, compared to the current period's beginning balance of P10,417.84 million, mainly on account of the net loss for the first quarter of the current FY.

Consolidated Results of Operation

The Group's result of operations for the three months ended August 31, 2020 is at a net loss of P151.96 million, compared to a net income of P61.60 million earned during the same period last FY.

The results from core operations significantly suffered as the Operating income during the period registered negative earnings of P154.37 million compared to that of the same period last FY, which accounted for an operating income of P38.53 million.

Total revenues declined by 51%, mainly due to the drop in educational revenues resulting from decrease in enrollment during the midyear term and FEU's movement of the start of first semester classes towards the end of August, affecting the timing of revenue recognition. Moreover, tuition fee charges were discounted as all classes were conducted using online mode, as compared to the regular tuition fees for the traditional classroom instruction.

Also, during the same period last year, Fern Realty Corporation (FRC) booked a one-off gain from sale of its real estate.

Operating expenses went down by 24% resulting from the decline in the amounts incurred for Outside services, Utilities and communication and Supplies and material expenses. This resulted from the suspension of face-to-face classes and limited on-site work during the period. Moreover, Taxes and licenses expense recognized during the period was lower compared to the same period last FY, as last year's amount included an accrual for the payment of local business taxes in arrears; no same liability exist during the period.

On the non-core operations, Finance income from various investments registered a significant decline as it dropped by 48%, to only P20.30 million from last year's P39.27 million. This is due to the continued slump in the financial markets which is still in the process of recovery after the lockdowns earlier this year. Finance cost likewise posted an increased amount of P33.78 million, which is 61% higher from last year's P20.94 million, mainly due to foreign exchange (forex) loss on US Dollar (USD) denominated financial assets, as the Philippine peso continues to strengthen.

Other comprehensive income mainly pertains to mark-to-market movement of Financial assets at fair value through other comprehensive income (FVOCI).

A Look at What Lies Ahead

The consolidated financial position and the consolidated results of operations of the Group are expected to remain operationally stable at its core until year-end, however, it anticipates certain drop in revenues and net income, while managing expenses to remain flat if not constrict. For the first semester of SY 2020-2021, total student population was at 39k, lower than last year's 44k level, an 11% decline.

With the new corona virus disease (COVID-19) pandemic currently affecting the Philippines and almost all countries around the world, the management recognizes the Group's exposure to the risks in its business environment. Particularly, the schools' inability to hold face-to-face classes and the expected adverse economic impact on the general public's household income are among the significant factors which lead to lower number of enrollments for the SY 2020-2021.

Accordingly, the management has activated business continuity plans, both at the corporate and the academic operational levels, to mitigate the perceived negative impacts on the overall operations.

With this, the Group does not foresee any significant impairment of its financial assets, significant effect on market share and service, nor any breach from its existing loan covenants and other obligations.

Moving forward, continuous cost efficiency will have to prevail.

The Group endeavors to achieve constant effective and efficient management of its schools and other entities within the Group, to maintain resiliency and stability of operations. It remains committed to the core values of affordable and accessible quality education for students and meaningful career for its faculty and employees.

Significant changes in real accounts as of August 31, 2020, compared to May 31, 2020
(Amounts in Philippine Peso)

		August 31	May 31	Increase (Decrease)	%
1	Cash and cash equivalents	**P 2,033,712,764**	P 1,798,366,234	P 235,346,530	13%
2	Trade and other receivables – net	**1,961,960,945**	990,599,625	971,361,320	98%
3	Financial assets at fair value through profit or loss (FVTPL)	**941,843,192**	888,517,158	53,326,034	6%
4	Investments at amortized cost	**470,374,335**	530,618,267	(60,243,932)	-11%
5	Property and equipment – net	**9,305,619,322**	9,363,421,490	(57,802,168)	-1%
6	Other non-current assets – net	**222,337,046**	190,915,174	31,421,872	17%
7	Trade and other payables	**1,533,142,438**	1,902,035,050	(368,892,612)	-19%
8	Interest-bearing loans	**2,513,095,239**	2,605,238,096	(92,142,857)	-4%
9	Deferred revenues	**1,813,943,183**	94,744,453	1,719,198,730	1815%
10	Income tax payable	**42,422,236**	29,528,758	12,893,478	44%
11	Retained earnings	**5,107,756,586**	5,256,554,284	(148,797,698)	-3%
12	Non-controlling interest	**2,898,195,786**	2,861,354,532	36,841,254	1%

Causes of material changes in real accounts as of August 31, 2020, compared to May 31, 2020

TOTAL ASSETS

Consolidated total assets of the Group grew by P1,164.41 million. Significant movements in the accounts were as follows:

1. **Cash and cash equivalents increased by P235.35 million or 13%**

   This is mainly due to cash inflows from operating activities, which is partially offset by significant cash outflows for fixed asset acquisitions, investments in financial assets at FVTPL, and loan and interest payments.

2. **Trade and other receivables increased by P971.36 million or 98%**

   Mainly due to tuition fee receivables from students pertaining to first semester enrollments for SY 2020-2021.

3. **Financial assets at FVTPL increased by P53.33 million or 6%**

   Pertains to net additional investments, mainly in equity securities, made by FEU and East Asia Computer Center, Inc. (EACCI).

4. **Investments at amortized cost decreased by P60.24 million or 11%**

   This is due to maturity of various corporate bonds held by FEU.

5. **Property and equipment decreased by P57.80 million or 1%**

   Mainly resulting from the net amount of current period depreciation, partially offset by asset additions.

6. **Other non-current assets – net increased by P31.42 million or 17%**

   This pertains mainly to FRC increase in Advances to developers and various other assets of the entities within the Group.

TOTAL LIABILITIES

Consolidated total liabilities of the Group increased by P1,272.51 million. Significant movements in the accounts were as follows:

7. Trade and other payables decreased by P368.89 million or 19%

Decline in balance due to timing of settlement of various trade payables mainly that of FEU. As of May 31, 2020, the University made significant accrual of payables for purchases and incurred expenses which are pending payment process; significant portion already paid during the period. Also, certain payables of EACCI, FEU High and Roosevelt College, Inc. (RCI) as of previous year-end were settled during the period.

8. Interest-bearing loans decreased by P92.14 million or 4%

The outstanding balance of bank loans went down due principal payments made by FEU. Total loan promissory note (PN) settlements amounted to P635.00 million, while there were new PNs contracted with a total outstanding amount of P542.86 million. This includes currently-maturing PNs which were refinanced with new loans with longer payment terms.

9. Deferred revenue increased by P1,719.20 million or 1,815%

Growth in balance pertains to tuition fees collected and billed charges which were not yet earned as of the report date. As of the end of the three-month report period, only an insignificant portion (none for FEU) was recognized as tuition income from first semester fees by the other FEU subsidiary schools. As of May 31, 2019, the balance of the account is lower as the deferred revenues pertain only to incoming freshmen students as the enrollment for the midyear term has not yet started.

10. Income tax payable increased by P12.90 million or 44%

The increase is mainly attributable to the corresponding increase in tax payables of the EACCI and FRC.

EQUITY

Consolidated total equity of the Group decreased by P108.10 million. Significant movements in equity were as follows:

11. Retained Earnings decreased by P148.80 million or 3%

Decline in balance is mainly due to the current period net loss attributable to the owners of the parent company.

12. NCI increased by P36.84 million or 1%

The increase is mainly due to the subscription of preferred shares of EACCI, which is accounted as part of NCI.

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

		2020	2019	Increase (Decrease)	%
REVENUE					
1	Educational revenues - net	**P 279,786,751**	P 565,951,896	(P 286,165,145)	-51%
2	Other operating income	**195,797**	38,294,381	(38,098,584)	-100%
3	Finance income	**20,300,585**	38,269,536	(18,968,951)	-48%
COST AND EXPENSES					
1	Depreciation and amortization	**P 107,271,810**	P 89,019,260	P 18,252,550	21%
2	Employee benefits	**40,427,237**	49,890,950	(9,463,713)	-19%
3	Finance cost	**33,780,044**	20,939,820	12,840,224	61%
4	Utilities and communication	**10,962,371**	35,100,737	(24,138,366)	-69%
5	Outside services	**9,773,716**	33,698,233	(23,924,517)	-71%
6	Taxes and licenses	**6,746,337**	35,561,937	(28,815,600)	-81%
7	Supplies and materials	**1,957,392**	21,632,645	(19,675,253)	-91%
8	Others	**6,291,852**	16,763,735	(10,471,882)	-63%

Causes of material changes in revenue, expense and other income and cost items during the same period (three months ended August) this year and in prior year

The Group's consolidated net income (income after tax) was down by P213.56 million. Significant movements in profit or loss were as follows:

REVENUE

1. **Educational revenues decreased by P286.17 million or 51%**

   The decline is due to consolidated effect of 11% drop in enrollment, timing of income recognition due to later date of start of classes, and lower or discounted tuition fees resulting from full online mode of classes during the period.

2. **Other operating income decreased by P38.10 million or 100%**

   Last year's amount includes a one-off income recognized by FRC, amounting to P38.0 million, resulting from the sale of its condominium units which were classified as investment properties. No same transaction has occurred during the period.

3. **Finance income decreased by P18.97 million or 48%**

   The slide in this income stream resulted from lower income generated from investments resulting from the slack in the financial markets.

COST AND EXPENSES

1. **Depreciation and amortization increased by P18.25 million or 21%**

   The increase in depreciation expense is mainly attributable to FEU Alabang. During the period between the current year and last year's report date, it reclassified a significant portion of its Construction-in-progress account to Building account, and started depreciating its building which is readily available for use.

2. **Employee benefit decreased by P9.46 million or 19%**

   The decrease in the expense item is mainly attributable to FEU and EACCI. For FEU, this is particularly on usage-based benefits availed by employees such as the Medical benefits, while for EACCI, this relates to non-renewal of certain contractual employees.

3. **Finance costs increased by P12.84 million or 61%**

   This is mainly attributable to FEU's forex losses on USD-denominated investment in bonds and various funds, resulting from the appreciation of the Philippine peso.

4. **Utilities and communication decreased by P24.14 million or 69%**

   Lesser amount incurred due to the continuous suspension of face-to-face classes/classroom instructions in favor of online classes, and minimal on-site work as most of the administrative offices are in work-from-home arrangement.

5. Outside services decreased by P23.92 million or 71%

This is due to the lesser outsourced services contracted since classes are on-line and most administrative operations are on work-from-home arrangement.

6. Taxes and licenses decreased byP28.82 million or 81%

The significant expense during the same period last year includes the amount accrued by FEU for the payment of its local business tax in arrears. No same outstanding liability exist during the current period.

7. Supplies and materials decreased by P19.68 million or 91%

Less usage of supplies due to on-line mode of classes and mostly work-from-home arrangement for employees.

8. Other expenses decreased by P10.47 million or 63%

Pertains to various other expenses; decreased amount due to on-line mode of classes and mostly work-from-home set-up for administrative work.

Top Five (5) Key Performance Indicators / Financial Soundness Indicators

I. Test of Liquidity

Liquidity refers to the Group's ability to pay its short-term current liabilities as they fall due. This is measured by any of the following:

1. The current ratio measures the number of times that the current liabilities could be paid with the available current assets. (Adequate: at least 1.5:1)

August 31, 2020	May 31, 2020	August 31, 2019
1.38 : 1	1.56 : 1	1.38 : 1

2. Quick ratio measures the number of times that the current liabilities could be paid with the available quick assets. (Adequate: at least 1:1)

August 31, 2020	May 31, 2020	August 31, 2019
1.33 : 1	1.48 : 1	1.36 : 1

II. Test of Solvency

Solvency refers to the Group's ability to pay all its debts whether such liabilities are current or non-current. It is somewhat similar to liquidity, except that solvency involves a longer time horizon. This is measured by any of the indicators as presented below.

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

August 31, 2020	May 31, 2020	August 31, 2019
59%	46%	55%

2. Debt-to-asset ratio measures the amount of assets provided by the creditors relative to the total amount of assets of the Group. (Adequate: 50% or less)

August 31, 2020	May 31, 2020	August 31, 2019
37%	31%	36%

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

August 31, 2020	May 31, 2020	August 31, 2019
63%	69%	64%

III. Test of Asset Utilization and Profitability

Profitability refers to the Group's earning capacity. It also refers to the Group's ability to earn a reasonable amount of income in relation to its total investment. It is measured by any of the following:

1. Return on total assets measures how well management has used its assets under its control to generate income (Adequate: at least equal to the prevailing industry rate).

August 31, 2020 ***(Three Months)***	May 31, 2020 *(One Year)*	August 31, 2019 *(Three Months)*
-0.9%	4%	0.4%

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

August 31, 2020 ***(Three Months)***	May 31, 2020 *(One Yea)*	August 31, 2019 *(Three Months)*
-1.5%	7%	0.6%

3. Earnings (loss) per share measure the net income (loss) per share.

August 31, 2020 ***(Three Months)***	May 31, 2020 *(One Year)*	August 31, 2019 *(Three Months)*
(P 6.21)	P25.92	P 2.01

Formula Used:

I. Liquidity

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

II. Solvency

1	Debt to Equity ratio	=	$\frac{\text{Total liabilities}}{\text{Total equity}}$
2	Debt to Asset ratio	=	$\frac{\text{Total liabilities}}{\text{Total assets}}$
3	Equity to Asset ratio	=	$\frac{\text{Total equity}}{\text{Total assets}}$

III. Profitability

1	Return on assets	=	$\frac{\text{Net profit}}{\text{Total assets}}$
2	Return on owner's equity	=	$\frac{\text{Net profit}}{\text{Total equity}}$
3	Earnings per share	=	$\frac{\text{Net profit}}{\text{Weighted average outstanding shares}}$

IV. Product/Service Standard

Teaching performance is constantly being monitored to maintain superior level of quality.

The University's high standard of quality is substantiated by numerous recognitions from the Commission on Higher Education (CHED), accrediting bodies such as the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) and the Philippine Accrediting Association of Schools, Colleges and Universities (PACUCOA), and other higher education-related local and international groups and organizations.

Moreover, performance of the graduates of the different FEU schools in their respective Professional Licensure Examinations is generally better than national passing rates.

FEU

- Designated the **Autonomous Status** by the Commission on Higher Education (CHED) on July 25, 2012; latest extended validity is until March 31, 2021

- ***Bachelor of Science in Business Administration*** was awarded **Center of Development** by the CHED

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

- One of the only 13 Philippine universities that are members of the **ASEAN University Network – Quality Assurance (AU-QA)**

- Member of the **Association to Advance Collegiate Schools of Business (AACSB)**

- Member of the **International Center of Excellence in Tourism and Hospitality Education (THE-ICE)**

- ITHM's ***Bachelor of Science in Tourism Management*** program is also accredited by the **Asia-Pacific Institute for Events Management (APIEM)** as a **Center of Excellence**, effective February 2017 to February 2021

- Identified as among the Top 100 Innovative Universities in the world, the only Philippine university, by **World's Universities With Real Impact (WURI)** released on June 2020

Accreditation of various programs:

- PACUCOA Level IV Status from December 2015 to December 2020
- PACUCOA Level III Re-accredited Status from January 2020 to 2022
- PACUCOA Level II Re-accredited Status from January 2020 to 2025
- PACUCOA Level II Status from May 2018 to 2023
- PACUCOA Candidate status from May 2018 to May 2020
- PAASCU Level III Status from August 2018 until November 2021

FEU Institute of Technology ***(operated by EACCI)***

FEU Tech offers innovative academic programs that are complemented by strong industry and academic partnerships, which provide students additional opportunities for immersive learning experiences. Students receive real-world training and work experience from an intense and well-designed internship program with industry partners – a network of some 800 technology and engineering corporations nationwide.

Certain engineering programs are granted Level II Re-accreditation from PAASCU.

FEU Cavite ***(operated by Far Eastern College – Silang, Inc.)***

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

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

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

The FEU Senior High School offers the following strands under the Academic Track of the senior high school program:

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

FEU Roosevelt ***(operated by RCI)***

RCI has a long history of establishing good-quality nonsectarian private high schools, first as Marikina Academy in 1933 and as RCI starting 1946.

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

- Basic Education Program: K-12
- Developmental Kindergarten for 4-year old
- Special Science Program for Junior High School students with high aptitude in Science, Math, and English *(RCI Cainta)*

- Senior High School
    - *Academic Track: ABM, HUMSS, and STEM strands*
    - *Tech-Vocational: Home Economics strand (RCI Rodriguez only)*

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

    Undergraduate Programs
    - *Bachelor of Elementary Education with Specialization in Early Childhood Education*
    - *Bachelor of Elementary Education*
    - *Bachelor of Secondary Education Major in English*
    - *Bachelor of Secondary Education Major in Mathematics*
    - *Bachelor of Secondary Education Major in Science*
    - *Bachelor of Secondary Education Major in Filipino*
    - *Bachelor of Secondary Education Major in Social Studies*
    - *Bachelor of Secondary Education Major in Values Education*
    - *BS in Information Technology (RCI Marikina)*
    - *BSBA major in Human Resources Management (RCI Marikina/Cainta)*
    - *BSBA major in Operations Management (RCI Marikina/Cainta)*
    - *BSBA major in Marketing Management (RCI Marikina/Cainta)*
    - *BS in Hotel and Restaurant Management*

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

<u>FEU Alabang</u> ***(operated by FEU Alabang, Inc.)***

Founded on January 2013, FEU Alabang, Inc., carries FEU's mission to provide quality education to the south of Metro Manila. It is located in Filinvest City, Alabang, one of the most progressive areas in Southern Metro Manila. Opened in August 2018, the 1.8-hectare campus welcomed students to its 17-story academic building, which is equipped with modern classrooms and laboratories, as well as a campus accented by lush green spaces and featuring a 200-seat chapel and gymnasium.

During the year, for its work on the FEU Alabang Campus, Casas + Architects, Inc earned the Asia Pacific Property Award 5 Stars for Public Architecture.

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

Senior High School

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

College of Engineering

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

College of Computer Studies and Multimedia Arts

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

<u>Edustria Senior High School</u> ***(operated by Edustria, Incorporated)***

Edustria was established by the University in partnership with the Technological Institute of the Philippines. Short for "Education for Industry", Edustria rightly describes its primary purpose which is to deliver education that is relevant to industry needs.

Strategically located in the Lima Technology Center at Lipa City, Batangas, where there are more than 100 manufacturing companies from various industries, Edustria aims to partner with key firms in the techno park to ensure that its students are taught the necessary knowledge, skills, and values for success.

It offers Junior High School programs (Grade 7) and Senior High School academic track in three strands: STEM, ABM and GAS. It welcomed its first batch of students starting SY 2020-2021.

V. Market Acceptability

Below is a schedule of the Group's first semester enrollment for the past five years.

School Year	No. of Students	Increase / (Decrease)
2016 - 2017	36,839	-
2017 - 2018	36,688	-0.41%
2018 - 2019	40,713	10.97%
2019 - 2020	44,069	8.24%
2020 - 2021	39,361	-10.68%

The still substantial enrollment, despite difficult times coupled with the effects of the K-12 program, and currently the COVID-19 pandemic, is an indication that the FEU Group of Schools remains to be among the better choices among the various colleges and universities in Metro Manila and in Rizal and Cavite provinces. Also, the Group continues to expand its reach in senior high school and basic education with the most recent inclusion of Edustria in the Group.

Other Items

1. The current economic condition remains stable but, certain economic factors are still expected to affect the Group's revenue from operations.

2. There are no known events that would result in any default or acceleration of an obligation.

3. There are no known events that will trigger direct or contingent financial obligation that may be material to the Group.

4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons which are created during the reporting period.

5. The Group does not foresee any cash flow or liquidity problem in the next 12 months immediately following the report date. The Group and each of the component entities can easily meet all its commitments with its present reserves and expected earnings.

6. There are no significant elements of income or loss from continuing operations. The losses in quarter one of FY2020-2021 are heavily driven by timing of revenue recognition more than the impact of enrollment decline due to pandemic.

7. There are no Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AUGUST 31 AND MAY 31, 2020
(Amounts in Philippine Pesos)

		August 31, 2020 (Unaudited)		May 31, 2020 (Audited)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**2,033,712,764**	P	1,798,366,234
Trade and other receivables - net		**1,961,960,945**		990,599,625
Financial assets at fair value through profit or loss		**941,843,192**		888,517,158
Financial assets at fair value through other comprehensive income		**264,008,821**		329,290,221
Investment securities at amortized cost		**180,070,907**		227,576,146
Real estate held-for-sale		**123,533,559**		123,533,559
Other current assets - net		**165,838,978**		173,963,347
Total Current Assets		**5,670,969,166**		4,531,846,290
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income		**458,058,147**		387,166,693
Investment securities at amortized cost		**290,303,428**		303,042,121
Property and equipment - net		**9,305,619,322**		9,363,421,490
Investment properties - net		**187,704,276**		194,193,727
Goodwill		**186,487,019**		186,487,019
Deferred tax assets - net		**29,533,238**		29,533,238
Other non-current assets		**222,337,046**		190,915,174
Total Non-current Assets		**10,680,042,476**		10,654,759,462
TOTAL ASSETS	**P**	**16,351,011,642**	P	15,186,605,752

Forward

	August 31, 2020 (Unaudited)	May 31, 2020 (Audited)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	**P 1,533,142,438**	P 1,902,035,050
Interest-bearing loans	**687,619,048**	868,571,429
Deferred revenues	**1,813,943,183**	94,744,453
Provisions	**18,698,054**	18,698,054
Income tax payable	**42,422,236**	29,528,758
Total Current Liabilities	**4,095,824,959**	2,913,577,744
NON-CURRENT LIABILITIES		
Lease liabilities	**34,507,453**	34,507,453
Interest-bearing loans	**1,825,476,191**	1,736,666,667
Post-employment benefit obligation	**63,367,618**	61,917,618
Deferred tax liabilities - net	**14,659,400**	14,659,400
Other non-current liabilities	**7,440,467**	7,440,467
Total Non-current Liabilities	**1,945,451,129**	1,855,191,605
Total Liabilities	**6,041,276,088**	4,768,769,349
EQUITY		
Equity attributable to owners of the parent company		
Capital stock	**2,409,376,800**	1,651,435,400
Stock dividends distributable	**-**	755,431,300
Treasury stock - at cost	**(67,194,836)**	(67,194,836)
Revaluation reserves	**19,386,670**	18,041,175
Other reserves	**(57,785,452)**	(57,785,452)
Retained earnings		
Appropriated	**1,304,233,100**	1,909,733,100
Unappropriated	**3,803,523,486**	3,346,821,184
Total equity attributable to owners of parent company	**7,411,539,768**	7,556,481,871
Non-controlling interests	**2,898,195,786**	2,861,354,532
Total Equity	**10,309,735,554**	10,417,836,403
TOTAL LIABILITIES AND EQUITY	**P 16,351,011,642**	P 15,186,605,752

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	2020	2019
REVENUES		
Educational		
Tuition fees - net	**P 267,716,856**	P 538,081,419
Other school fees	**12,069,895**	27,870,477
	279,786,751	565,951,896
Rental	**4,854,955**	9,813,294
	284,641,706	575,765,190
OPERATING EXPENSES	**(439,208,468)**	(575,527,423)
OTHER OPERATING INCOME	**195,797**	38,294,381
OPERATING INCOME (LOSS)	**(154,370,965)**	38,532,148
FINANCE INCOME	**20,300,585**	39,269,536
FINANCE COSTS	**(33,780,044)**	(20,939,820)
OTHER INCOME - NET	**23,628,498**	18,570,444
INCOME (LOSS) BEFORE TAX	**(144,221,926)**	75,432,308
TAX EXPENSE	**(7,734,518)**	(13,832,536)
NET INCOME (LOSS)	**(P 151,956,444)**	P 61,599,772
Net Income (Loss) Attributable to:		
Owners of the parent company	**(P 148,797,698)**	P 32,977,170
Non-controlling interests	**(3,158,746)**	28,622,602
	(P 151,956,444)	P 61,599,772
Earnings (Loss) Per Share		
Basic and Diluted	**(P 6.21)**	P 2.01

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	2020	2019
NET INCOME (LOSS)	**(P 151,956,444)**	P 61,599,772
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will be reclassified subsequently to profit or loss		
Net fair value gains on debt securities classified as financial assets at fair value through other comprehensive income	**2,563,083**	7,548,080
Item that will not be reclassified subsequently to profit or loss		
Net fair value gains on equity securities classified as financial assets at fair value through other comprehensive income	**4,247,955**	3,095,033
Loss on remeasurement of post-employment benefit plan	**(5,465,543)**	-
	(1,217,588)	3,095,033
Other Comprehensive Income	**1,345,495**	10,643,113
TOTAL COMPREHENSIVE INCOME (LOSS)	**(P 150,610,949)**	P 72,242,885
Total Comprehensive Income (Loss) Attributable to:		
Owners of the parent company	**(P 147,452,202)**	P 43,620,283
Non-controlling interests	**(3,158,747)**	28,622,602
	(P 150,610,949)	P 72,242,885

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company										
						Retained Earnings					
	Capital Stock	Stock Dividends Distributable	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Appropriated	Unappropriated	Total	Total	Non-controlling Interests	Total Equity
Balance at June 1, 2020	P 1,651,435,400	P 757,941,400	(P 67,194,836)	P 18,041,175	(P 57,785,452)	P 1,909,733,100	P 3,346,821,184	P 5,256,554,284	P 7,558,991,971	P 2,861,354,532	P 10,420,346,503
Transactions with owners											
Issuance of shares of stock	757,941,400	(757,941,400)	-	-	-	-	-	-	-	-	-
Subscription of subsidiary's preferred shares by a related party under common management	-	-	-	-	-	-	-	-	-	40,000,000	40,000,000
	757,941,400	(757,941,400)	-	-	-	-	-	-	-	40,000,000	40,000,000
Appropriations of retained earnings											
Reversal of appropriations during the period	-	-	-	-	-	(605,500,000)	605,500,000	-	-	-	-
Total comprehensive income (loss)											
Net loss for the period	-	-	-	-	-	-	(148,797,698)	(148,797,698)	(148,797,698)	(3,158,746)	(151,956,444)
Other comprehensive income	-	-	-	1,345,495	-	-	-	-	1,345,495	-	1,345,495
	-	-	-	1,345,495	-	-	(148,797,698)	(148,797,698)	(147,452,203)	(3,158,746)	(150,610,949)
Balance at August 31, 2020	**P 2,409,376,800**	**P -**	**(P 67,194,836)**	**P 19,386,670**	**(P 57,785,452)**	**P 1,304,233,100**	**P 3,803,523,486**	**P 5,107,756,586**	**P 7,411,539,768**	**P 2,898,195,786**	**P 10,309,735,554**
Balance at June 1, 2018	P 1,651,435,400	P -	(P 65,159,830)	P 3,264,862	(P 57,785,452)	P 2,170,733,100	P 3,548,864,966	P 5,719,598,066	P 7,251,353,046	P 2,616,721,417	P 9,868,074,463
Transactions with owners											
Acquisition of treasury stock	-	-	(1,663,586)	-	-	-	-	-	(1,663,586)	-	(1,663,586)
Reduction in non-controlling interest	-	-	-	-	-	-	-	-	-	(12,410,175)	(12,410,175)
	-	-	(1,663,586)	-	-	-	-	-	(1,663,586)	(12,410,175)	(14,073,761)
Total comprehensive income											
Net income for the period	-	-	-	-	-	-	32,977,170	32,977,170	32,977,170	28,622,602	61,599,772
Other comprehensive income	-	-	-	10,643,113	-	-	-	-	10,643,113	-	10,643,113
	-	-	-	10,643,113	-	-	32,977,170	32,977,170	43,620,283	28,622,602	72,242,885
Balance at August 31, 2019	P 1,651,435,400	P -	(P 66,823,416)	P 13,907,975	(P 57,785,452)	P 2,170,733,100	P 3,581,842,136	P 5,752,575,236	P 7,293,309,743	P 2,632,933,844	P 9,926,243,587

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Amounts in Philippine Pesos)
(UNAUDITED)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	(P 144,221,926)	P 75,432,308
Adjustments for:		
Depreciation and amortization	107,271,810	89,086,600
Finance cost	33,780,044	20,939,820
Fair value gains losses from financial assets at fair value through profit or loss (FVTPL)	(15,016,465)	(15,165,136)
Interest income	(8,908,331)	(22,875,863)
Impairment losses on receivables from students	4,311,912	9,119,645
Other investment loss (income) from financial assets at FVTPL and other comprehensive income (FVOCI) - net	3,624,211	(1,228,538)
Gain on sale of investment property	-	(37,988,903)
Operating income (loss) before working capital changes	(19,158,745)	117,319,933
Increase in trade and other receivables	(951,507,077)	(1,064,230,687)
Decrease (increase) in other assets	(20,787,403)	15,196,636
Decrease in trade and other payables	(336,677,662)	(157,458,426)
Increase in deferred revenues	1,719,198,730	1,522,944,523
Increase (decrease) in post-employment benefit obligation	(4,015,543)	1,761,871
Increase in other non-current liabilities	-	132,281
Cash generated from operations	387,052,300	435,666,131
Income taxes paid	(1,147,832)	(19,497,149)
Net Cash From Operating Activities	385,904,468	416,168,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities of investment securities at amortized cost	55,929,400	147,001,506
Net acquisitions of financial assets at FVTPL	(51,078,990)	(269,767,069)
Additions to property and equipment	(41,483,408)	(246,912,890)
Interest received	17,272,862	41,929,822
Decrease in advances to suppliers and developers	3,794,107	12,328,977
Additions to investment properties	(1,496,783)	(26,986,984)
Net proceeds from disposal (acquisitions) of financial assets at FVOCI	609,198	(553,352,335)
Proceeds from disposal of investment property	-	67,289,413
Acquisitions of investment securities at amortized cost	-	(9,000,000)
Net Cash Used in Investing Activities	(16,453,614)	(837,469,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of interest-bearing loans	(635,000,000)	(517,142,857)
Proceeds from additional interest-bearing loans	542,857,143	525,000,000
Interest paid	(41,961,467)	(35,045,368)
Dividends paid	-	(74,336,753)
Acquisition of treasury shares	-	(1,663,586)
Net Cash Used in Financing Activities	(134,104,324)	(103,188,564)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	235,346,530	(524,489,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,798,366,234	1,520,192,490
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 2,033,712,764	P 995,703,348

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
AUGUST 31, 2020
(Amounts in Philippine Pesos)
(UNAUDITED)

	Current				
	One to Six Months	**Seven Months to One Year**	**More than One Year**	**Past Due**	**Total**
Non-trade Receivables:					
Advances to Employees - Official and Personal	P 20,766,125	P 808,899	P 2,018,558	P -	P 23,593,582
Advances for SSS Sickness/Maternity Benefits	1,331,871	3,679	-	-	1,335,550
Receivables from:					
Nicanor Reyes Educational Foundation	92,197,338	-	-	-	92,197,338
FEU Public Policy Foundation	12,392,421	-	-	-	12,392,421
East Asia Educational Foundation	44,966,420	-	-	-	44,966,420
FEU Health, Welfare and Retirement Fund Plan	1,451,793	-	-	-	1,451,793
Others	6,224,187	80,724	61,419	-	6,366,330
TOTALS	**P 179,330,155**	**P 893,302**	**P 2,079,977**	**P -**	**P 182,303,434**

FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2020
(With Comparative Figures as of May 31, 2020)
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

1.1 Background of the University

The Far Eastern University, Incorporated (the University, FEU or parent company) is a domestic educational institution founded in June 1928, incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on October 27, 1933. On October 27, 1983, the University extended its corporate life to another 50 years. It became a listed corporation in the Philippine Stock Exchange (PSE) on July 11, 1986.

The University is a private, non-sectarian institution of learning comprising the following institutes that offer specific courses, namely, Institute of Arts and Sciences; Institute of Accounts, Business and Finance; Institute of Education; Institute of Architecture and Fine Arts; Institute of Nursing; Institute of Tourism and Hotel Management; and, Institute of Law.

Several programs of FEU, such as Liberal Arts, Applied Mathematics, Biology, Accountancy, Business Administration, Tourism, Fine Arts, and Education, are accredited by the Philippine Association of Colleges and Universities Commission on Accreditation.

As at August 31 and May 31, 2020, the University holds interest in the following subsidiaries which were all incorporated and are operating in the Philippines:

	Percentage of Effective Ownership	
Company Name	**August 31**	May 31
Subsidiaries:		
East Asia Computer Center, Inc. (EACCI)	**100%**	100%
Far Eastern College – Silang, Inc. (FECSI)	**100%**	100%
FEU Alabang, Inc. (FEUAI)	**100%**	100%
FEU High School, Inc. (FEU High)	**100%**	100%
Roosevelt College, Inc. (RCI)	**97.43%**	97.43%
Roosevelt College Educational Enterprises (RCEE)*	**97.43%**	97.43%
Edustria Incorporated (Edustria)	**51%**	51%
Fern Realty Corporation (FRC)	**38.04%**	38.04%

**Indirectly through the University's ownership of RCI which owns 100% ownership interest in RCEE.*

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

Except FRC, which is a real estate company leasing most of its investment properties to the University and other related parties, all other directly owned subsidiaries are operating as educational institutions offering basic education, senior high school and/or tertiary and post graduate courses of study. RCEE, prior to the cessation of its operations, was engaged in selling educational school supplies and food items in campuses of RCI.

As of August 31, 2020, Edustria has not yet started educational operations. On August 24 and October 5, 2020, respectively, the senior and junior high school departments welcomed its first batch of Grade 11 and 7 students.

1.2 Approval for Issuance of Condensed Consolidated Financial Statements

The Condensed Consolidated Financial Statements (CCFS) of the Group for the three months ended August 31, 2020 (including the comparatives for the three months ended August 31, 2019) were authorized for issue by the Audit Committee of the Board of Trustees (BOT) on October 13, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these CCFS are summarized below and in the succeeding pages. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of Preparation of the Condensed Consolidated Financial Statements

(a) Statement of Compliance with Interim Financial Reporting Standards

These CCFS have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Philippine Financial Reporting Standards (PFRS) and should be read in conjunction with the Group's audited consolidated financial statements (ACFS) as of and for the fiscal year ended May 31, 2010.

The CCFS have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense.

(b) Application of PFRS

The significant accounting policies and methods of computation used in the preparation of these CCFS are consistent with those applied in the ACFS as of and for the fiscal year ended May 31, 2020.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2021 but were not early adopted in the preparation of the CCFS. The CCFS, therefore, do not reflect the impact of any adoption of these new PFRS, annual improvements and interpretations to existing standards effective for periods subsequent to 2021.

(c) Presentation of the Condensed Consolidated Financial Statements

The presentation of the CCFS is consistent with the most recent ACFS presentation. Regrouping of certain accounts in the comparative prior period presented was made to conform to the current period's presentation so that comparability is not impaired.

The Group presents the consolidated statement of comprehensive income separately from the consolidated statement of profit or loss in its annual financial statements and it also use this format for this CCFS.

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

Subsidiaries:	Reporting Period
FECSI	March 31, 2020
FRC	March 31, 2020
FEU High	May 31, 2020
RCI	May 31, 2020
RCEE	May 31, 2020
Edustria	May 31, 2020
EACCI	June 30, 2020
FEUAI	June 30, 2020

As allowed by PFRS, these subsidiaries follow their respective school years (i.e., trimestral and semestral), hence, the use of different reporting dates (non-coterminous year-ends) as compared with that of the University.

(d) Functional Currency and Presentation Currency

These CCFS are presented in Philippine pesos, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the CCFS are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.2 Adoption of Amended PFRS

(a) Effective in Fiscal Year 2021 that are Relevant to the Group

The Group adopted the following amendments to PFRS and revisions, which are mandatorily effective for the annual periods beginning on or after January 1, 2020:

PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions
PAS 1 (Amendments)	:	Presentation of Financial Statements
PAS 8 (Amendments)	:	Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
Revised Conceptual Framework for Financial Reporting		

Discussed below are relevant information about these amendments and revisions, the application of which, unless otherwise noted, had no significant impact to the Group's CCFS:

(i) PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions*. The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

(ii) PAS 1 (Amendments), *Presentation of Financial* Statements, and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(iii) Revised Conceptual Framework for Financial Reporting. The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

    No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(b) Effective Subsequent to Fiscal Year 2021 but not Adopted Early

PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture (effective date deferred indefinitely)*. The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

Management will adopt the above pronouncement in accordance with their transitional provisions. It is expected to have no significant impact on the Group's CCFS.

3. USE OF ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the CCFS in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

There were no changes in estimates of amounts reported in prior financial periods that have a material effect in the current interim period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks in relation to financial instruments. Its main purpose for its dealings in financial instruments is to fund operational and capital expenditures. The BOT has overall responsibility for the establishment and oversight of the Group's risk management framework. It has a risk management committee headed by an independent trustee that is responsible for developing and monitoring the Group's policies, which address risk management areas.

Management is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of these policies in relation to the risks faced by the Group.

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

4.1 Market Risk

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange risk arise from certain cash and cash equivalents, financial assets at FVOCI and investment securities at amortized cost which are denominated in United States dollars (USD).

To mitigate the Group's exposure to foreign currency risk, non-Philippine peso cash flows are monitored and kept at a reasonable level to needs.

(b) Interest Rate Risk

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

All other financial assets and financial liabilities have fixed interest rates.

The Group manages its interest risk by leveraging the fixed interest rate financial instruments over the floating interest rate financial instruments.

(c) Other Price Risk

The Group's exposure to price risk arises from its investments in equity securities, which are classified as part of the Financial Assets at FVTPL and Financial Assets at FVOCI accounts in the consolidated statements of financial position. These consist of publicly-listed equity securities which are carried at fair value.

The Group manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

Except for those that are held for trading, managed by trustee-banks, the investments in listed equity securities are considered medium to long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored; to ensure that returns of these equity instruments are timely utilized or reinvested, and voting rights arising from these equity instruments are in the Group's favor.

4.2 Credit Risk

Credit risk represents the loss that the Group would incur if the counterparty fails to perform its contractual obligations. The credit risk for cash and cash equivalents, short-term investments (presented as part of Other Current Assets), financial assets at FVOCI and investment securities at amortized cost is considered negligible, since the counterparties are reputable financial institutions and private companies with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements. These are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

The Group's exposure to credit risk on its receivables related primarily to the inability of the debtors, majority of which are students, to fully settle the unpaid balance of tuition fees and other charges which are owed to the Group based on installment payment schemes. The Group has established controls and procedures to minimize risks of non-collection. Students are not allowed to enroll in the following semester unless the unpaid balance in the previous semester has been paid or reconsidered through a promissory note. The Group also withholds the academic records and clearance of the students with unpaid balances, thus ensuring that collectability is reasonably assured. The Group's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits.

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

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

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

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

4.3 Liquidity Risk

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and ensures that future cash collections are sufficient to meet them in accordance with internal policies. The Group invests in short-term placements when excess cash is obtained from operations.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of financial assets and financial liabilities measured at fair value and an investment carried at amortized cost but whose fair value is required to be disclosed are shown below.

	August 31, 2020 (Unaudited)		May 31, 2020 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
At FVOCI –				
Debt and equity securities	**P 722,066,968**	**P 722,066,968**	P 716,456,914	P716,456,914
At FVTPL –				
Equity securities and UITF	**941,843,192**	**941,843,192**	888,517,158	888,517,158
At amortized cost –				
Debt securities	**470,374,335**	**471,984,055**	530,618,267	535,734,400
Refundable deposits	**15,163,657**	**15,163,657**	16,235,991	16,235,991
Receivables	**1,961,960,945**	**1,961,960,945**	970,146,864	970,146,864
	P 4,111,409,097	**P 4,113,018,817**	P 3,121,975,194	P 3,127,091,327
Financial liabilities				
At amortized cost –				
Interest-bearing loans	**P 2,513,095,239**	**P 2,513,095,239**	P 2,605,238,096	P 2,555,915,182
Lease liability	**46,572,571**	**46,572,571**	46,572,571	46,572,571
	P 2,559,667,810	**P 2,559,667,810**	P 2,651,810,667	P 2,602,487,753

Except for the financial assets and financial liabilities presented above, cash and cash equivalents, short-term investments, long-term investments, trade and other payables and refundable deposit, the Group has no other financial assets and/or financial liabilities that are carried at fair value or that are not carried at fair value but are required to be disclosed at fair value (see Note 6.3).

Management determined that the carrying amounts of the other financial instruments are equal to or approximate their fair values; hence, no further comparison between their carrying amounts and fair values is presented.

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 4.

5.2 Offsetting of Financial Assets and Financial Liabilities

All other financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (i.e., related parties) will have the option to settle all such amounts on a net basis through the approval by both parties' BOT or BOD. As such, the Group's outstanding receivables from and payables to the same related parties, if any, can potentially be offset to the extent of their corresponding outstanding balances.

6. FAIR VALUE MEASUREMENT AND DISCLOSURES

6.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurable date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.2 Financial Instruments Measurement at Fair Value

The foregoing tables show the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as of:

	Level 1	Level 2	Level 3	Total
August 31, 2020 (Unaudited)				
Financial assets at FVOCI –				
Debt and equity securities	P 718,435,168	P 3,631,800	P -	P 722,066,968
Financial assets at FVTPL –				
Equity securities and UITF	529,259,779	412,583,413	-	941,843,192
Investment securities at amortized cost –				
Debt securities	471,984,055	-	-	471,984,055
	P1,719,679,002	**P 416,215,213**	**P -**	**P 2,135,894,215**
May 31, 2020 (Audited)				
Financial assets at FVOCI –				
Debt and equity securities	P 712,825,114	P 3,631,800	P -	P 716,456,914
Financial assets at FVTPL –				
Equity securities and UITF	431,633,214	456,883,944	P -	888,517,158
Investment securities at amortized cost –				
Debt securities	535,734,400	-	-	535,734,400
	P1,680,192,728	**P 460,515,744**	**P -**	**P 2,140,708,472**

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

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

a) Equity Securities

As of August 31 and May 31, 2020, instruments included in Level 1 comprise of listed common and preferred shares which are classified as and designated at financial assets at FVTPL and FVOCI, respectively. The corporate shares were valued based on their market prices quoted in the PSE at the end of each reporting period. On the other hand, the fair value of investments in UITF are classified as Level 2, since fair values are generally measured based on the net asset value of the Group's investment, computed and determined at the end of each reporting period based on the closing market and trade prices of the securities comprising the fund's portfolio. This valuation approach takes into the account the period end performance of the funds including all trades made within the funds and the related income and expenses arising therefrom.

b) *Golf Club Shares*

The Group's golf club shares are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

c) *Debt Securities*

The fair value of the Group's debt securities which consist of government and corporate bonds is estimated by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(i) Fair values of government securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparable.

(ii) For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of as and bid prices as appearing on the Corporate Securities Board Summary.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

As of August 31 and May 31, 2019, the fair value of debt securities categorized as investments at amortized cost amounted to P472.0 million and P535.7 million, respectively, which is Level 1 in the hierarchy of fair values (see Note 5.1).

For interest-bearing loans with more than one year of maturity, its estimated fair value represents the discounted amount of the future cash flows expected to be paid which are discounted at current market rates. The fair values of the Group's interest-bearing loans are classified under Level 3 of the fair value hierarchy.

Other than the investment securities at amortized cost and interest-bearing loans, management determined that due to the short-term duration of the other financial assets and financial liabilities measured at amortized costs of the Group, their fair values as at August 31 and May 31, 2020 equal or approximate their carrying amounts. Accordingly, the Group did not anymore present a comparison of their fair values with their carrying amounts and correspondingly, their level in the fair value hierarchy. Nevertheless, if presented in the hierarchy, only cash and cash equivalents and short-term investments would fall under Level 1 and the rest would be under Level 3.

6.4 Fair Value Measurement for Non-financial Assets

(a) Determining Fair Value of Investment Properties

As of August 31 and May 31, 2020, the total estimated fair value of the Group's parcels of land and building and improvements classified as investment property are categorized as Level 3 in the fair value hierarchy.

Building and improvements	**P**	**189,530,407**
Land		**44,498,295**
	P	**234,028,702**

The fair value of the Group's investment properties, except for certain investment properties owned by FRC which were determined using the discounted cash flows technique since information on appraisal reports is not readily available, are determined on the basis of the appraisals performed by an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management's assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair values of these non-financial assets were determined based on the following approaches:

(i) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

(ii) Fair Value Measurement for Building and Improvements

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

There has been no change to the valuation techniques used by the Group during the year for its non-financial assets. Also, there were no transfers into or out of the different levels of the fair value hierarchy as of August 31 and May 31, 2020.

The carrying amount of investment properties included in Level 3 is presented in Note 10.

(b) Other Fair Value Information

There were no transfers into or out of Level 3 fair value hierarchy during the periods ended August 31 and May 31, 2020.

7. SEGMENT INFORMATION

7.1 Geographic Segments

In identifying its operating segments, management generally follow the Group's two major geographical areas, namely Metro Manila and provincial. These are the basis of the Group in reporting to its strategic steering committee for its strategic decision-making activities.

7.2 Segment Assets and Liabilities

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

Segment assets do not include deferred tax assets and other assets which are not allocated to any segment's assets.

Segment liabilities include all operating liabilities as presented in the consolidated statements of financial position, except for deferred tax liabilities.

7.3 Intersegment Transactions

Segment revenues, expenses and performance include revenues and purchases between geographical segments. Such services and purchases are eliminated in consolidation.

7.4 Analysis of Segment Information

The Group's geographical segment, which is based from location of all the Group's school campuses, for the years ended August 31 and May 31, 2020 follows (in thousands).

	Metro Manila	Provincial	Total
August 31, 2020 (Unaudited)			
Segment revenues			
From external customers	P 273,388	P 31,750	P 305,138
Intersegment revenues	40,773	-	40,773
Total revenues	314,161	31,750	345,911
Operating expenses	(359,152)	(75,128)	(434,280)
Segment operating loss	**(P 44,991)**	**(P 43,478)**	**(P 88,369)**
Total segment assets	**P 18,369,763**	**P 2,997,180**	**P 21,366,943**
Total segment liabilities	**P 7,215,214**	**P 1,279,381**	**P 8,494,594**
August 31, 2019 (Unaudited)			
Segment revenues			
From external customers	P 586,708	P 66,621	P 653,329
Intersegment revenues	41,015	-	41,015
Total revenues	627,723	66,621	694,344
Operating expenses	(493,118)	(72,524)	(565,642)
Segment operating profit (loss)	P 134,605	(P 5,903)	P 128,702
May 31, 2020 (Audited)			
Total segment assets	P 17,425,706	P 2,889,399	P 20,315,105
Total segment liabilities	P 6,203,940	P 1,120,913	P 7,324,853

7.5 Reconciliation

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements (in thousands).

	2020 (Unaudited)	2019 (Unaudited)
Revenues		
Total segment revenues	**P 345,911**	P 694,344
Finance income	**(20,301)**	(39,270)
Other operating income	(**196)**	**(** 38,294)
Elimination of intersegment revenues	**(20,301)**	(41,015)
Revenues as reported in condensed consolidated statements of profit or loss	**P 284,642**	P 575,765

	2020 (Unaudited)	2019 (Unaudited)
Profit or loss		
Segment operating profit (loss)	**(P 88,369)**	P 128,702
Finance costs	**(33,780)**	(20,940)
Tax expense	**(7,735)**	(13,833)
Other income	**23,628**	18,570
Other unallocated expenses	**(45,701)**	(50,899)
Profit (loss) as reported in condensed consolidated statements of profit or loss	**(P 151,956)**	P 61,600

	August 31 (Unaudited)	May 31 (Audited)
Assets		
Segment assets	**P 21,366,943**	P 20,315,105
Goodwill	**186,487**	186,487
Deferred tax assets	**29,533**	29,533
Elimination of intercompany accounts	**(5,231,952)**	(5,344,519)
Total assets reported in condensed consolidated statements of financial position	**P 16,351,012**	P 15,186,606
Liabilities		
Segment liabilities	**P 8,494,594**	P 7,324,853
Deferred tax liabilities	**14,659**	14,659
Elimination of intercompany accounts	**(2,467,978)**	(2,570,744)
Total liabilities reported in condensed consolidated statements of financial position	**P 6,041,276**	P 4,768,768

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of August 31 and May 31, 2020 are shown below.

	August 31 (Unaudited)	May 31 (Audited)
Cost	**P 11,573,598,180**	P 11,870,387,073
Impairment loss	**(2,804,402)**	(2,804,402)
Accumulated depreciation and amortization	**(2,603,446,757)**	(2,504,161,181)
Net carrying amount	**P 9,305,619,322**	P 9,363,421,490

A reconciliation of the carrying amounts of property and equipment at the beginning and end of three months ended August 31, 2020 and year ended May 31, 2020 are shown below.

	August 31 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 9,363,421,490**	P 8,708,590,224
Effect of PFRS 16	-	13,517,469
Additions	**41,483,408**	1,081,026,709
Disposals	**-**	(621,420)
Depreciation and amortization charges for the period	**(99,285,576)**	(439,091,492)
Balance at end of period net of accumulated depreciation and amortization	**P 9,305,619,322**	P 9,363,421,490

Construction in progress pertains to the costs incurred for the on-going constructions of the school buildings of Edustria in Batangas, RCI in Rizal, EACCI in Manila, FEUAI in Alabang and the new building of the University located at Lerma St., Sampaloc, Manila, which are substantially complete as of August 31 and May 31, 2020.

With the adoption of PFRS 16, Right-of-use asset, amounting to P42.1 million, was recognized as part of Property and Equipment in the consolidated statements of financial position.

9. LEASES

The Group has leases for certain university buildings, transportation equipment, and event venues.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an extension of the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over offices, the Group must keep those properties in a good state of repair and return the properties in good condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

Current portion of lease liabilities are presented in the consolidated statement of financial position as part of Trade and other payables amounting to P12.1 million as of August 31 and May 31, 2020. On the other hand, the non-current portion amounting to P34.5 million is presented separately in the consolidated statement of financial position as of August 31 and May 31, 2020.

10. INVESTMENT PROPERTIES

The Group's investment property includes a parcel of land, and buildings and improvements and which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation and amortization of investment property as of August 31 and May 31, 2020 are shown below.

	August 31 (Unaudited)	May 31 (Audited)
Cost	**P 448,771,631**	P 447,274,848
Accumulated depreciation and amortization	**(261,067,355)**	(253,081,121)
Net carrying amount	**P 187,704,276**	P 194,193,727

A reconciliation of the carrying amounts of investment property at the beginning and end of three months ended August 31, 2020 and year ended May 31, 2019 is shown below.

	August 31 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 194,193,727**	P 154,874,322
Additions	**1,496,783**	87,639,288
Disposals	**-**	(15,582,526)
Depreciation and amortization charges for the period	**(7,986,234)**	(32,737,357)
Balance at end of period net of accumulated depreciation and amortization	**P 187,704,276**	P 194,193,727

10.1 Related Income and Direct Expenses

The total rental income earned by the Group from its investment properties amounted to P4.9 million and P9.8 million for the three months ended August 31, 2020 and 2019, respectively. The direct operating expenses, which include depreciation and amortization, insurance, and real property taxes incurred by the Group relating to investment properties, are presented as part of Depreciation and amortization, Property insurance, and Taxes and licenses, under Costs and Operating Expenses in the consolidated statements of profit or loss.

10.2 Fair Values of Investment Properties

Based on the latest appraisal report of an independent appraiser, the total fair value of investment properties amounted to P234.0 million as of August 31 and May 31, 2020. Information about the fair value measurement and disclosures related to investment properties are presented in Note 6.4.

11. INTEREST-BEARING LOANS

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

		August 31 (Unaudited)		May 31 (Audited)
Current	**P**	**687,619,048**	P	868,571,429
Non-current		**1,825,476,191**		1,736,666,667
	P	**2,513,095,239**	P	2,605,238,096

The movement of the Group's outstanding loans are shown below.

		February 29 (Unaudited)		May 31 (Audited)
Balance at beginning of period	**P**	**2,605,238,096**	P	2,358,571,429
Availment		**542,857,143**		1,195,000,000
Payments		**(635,000,000)**		(948,333,333)
Balance at end of period	**P**	**2,513,095,239**	P	2,605,238,096

The total interest incurred by the Group on all of these loans, amounting to P11.16 million and P20.6 million for the three months ended August 31, 2020 and 2019, respectively, are presented as part of Finance Costs in the consolidated statements of profit or loss, while any outstanding interest payable is recognized as part of Trade and Other Payables in the consolidated statements of financial position.

As of August 31 and May 31, 2020, there are no assets used and/or required as collaterals for the Group's interest-bearing loans and borrowings.

Loans obtained from a local commercial bank are subject to loan covenants effective for the periods ended August 31 and May 31, 2020, which require the Group to maintain a debt service coverage ratio of at least 1.2x and debt-to-equity ratio of not more than 2:1. As of August 31 and May 31, 2020, the Group has complied with its loan covenants.

12. EQUITY

12.1 Capital Stock

The University's authorized capital stock was 50,000,000 shares as of May 31, 2020 and 20,000,000 shares as of May 31, 2019 and 2018, of which 16,477,023 were issued and outstanding and with par value of P100 per share.

On July 11, 1986, the SEC approved the listing of the University's common shares, its only listed securities, at an offer price of P100 per share. As of August 31 and May 31, 2020, there are 23,975,948 and 16,422,355 listed shares, respectively, excluding treasury shares, but including shares held by the University's related parties. The University has a total of 15,959,682 and 10,803,172 listed shares, equivalent to 66.57% and 65.78%, respectively, which are held by related parties as at August 31 and May 31, 2020, respectively; while there are 8,016,266 and 5,619,183 listed shares, equivalent to 33.43% and 34.22% of the total outstanding shares, respectively, which are owned by the public as at August and May 31, 2020, respectively.

The closing price of the University's listed shares was P575 and P830 as of August 31 and May 31, 2020.

12.2 Treasury Stock

This account includes the University's common shares held and acquired by FRC in various dates during the periods ended August 31 and May 31, 2020. The changes in market values of these shares, recognized as fair value gains or losses by FRC, were reclassified to treasury stocks, as presented in the consolidated statements of changes in equity. Accordingly, the Group's treasury stocks amounted to P67.2 million as at August 31 and May 31, 2020, respectively.

A portion of the University's retained earnings is restricted from dividend declaration up to the cost of treasury stocks, excluding the amount acquired and held by FRC as this is considered as a cross-holding as of the end of the reporting period.

12.3 Retained Earnings

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

(a) Appropriation of Retained Earnings

As of August 31 and May 31, 2020 the University's Appropriated Retained Earnings consists of appropriations for:

	August 31 (Unaudited)	May 31 (Audited)
Property acquisition and investment	**P 965,500,000**	P 1,448,000,000
Contingencies	**180,000,000**	180,000,000
Purchase of equipment and furniture and fixtures	**155,000,000**	167,000,000
Expansion and improvement of facilities	**-**	111,000,00
Treasury shares	**3,733,100**	3,733,100
	P 1,304,233,100	P 1,909,733,100

The changes in the appropriated retained earnings are shown below.

	August 31 (Unaudited)	May 31 (Audited)
Balance at beginning of period	**P 1,909,733,100**	P 2,170,733,100
Appropriations during the period	**-**	75,000,000
Reversal of appropriations	**(605,000,000)**	(336,000,000)
Net carrying amount	**P 1,304,233,100**	P 1,909,733,100

During the period ended August 31, 2020, the University reversed portions of appropriations for property acquisition and investment, purchase of equipment and furniture and expansion and improvement of facilities, as the purpose for which such appropriations were made had been completed.

(b) Dividend Declaration

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

May 31, 2020:

	Declaration	Date of Record	Payment/Issuance	Amount
Cash dividend of P10 per share	February 18, 2020	March 4, 2020	March 18, 2020	164,505,650
Cash dividend of P10 per share	September 10, 2019	September 24, 2019	October 9, 2019	164,505,650
				P 329,011,300
Stock dividend of 46% per share	September 10, 2019	October 19, 2019	June 18, 2020	P 755,431,300

No dividend was declared during the three months ended August 31, 2020.

12.4 Subsidiaries with Material Non-controlling Interest

(a) FRC

The University holds 38.04% interest in FRC as of August 31 and May 31, 2020. Management considers that the University has de facto control over FRC even though it holds less than 50% of the voting shares of stock of FRC, because it is exposed or has right to variable returns through its power over FRC.

(b) EACCI and FEUAI

Prior to 2017, EACCI issued its newly authorized preferred shares to EAEF, a related party under common management. In 2020 and 2019, EACCI issued additional authorized preferred shares to Nicanor Reyes Educational Foundation (NREF), a related party under common management. Total cost of preferred shares issued and outstanding amounts to P1.3 billion as of August 31 and May 31, 2020.

In 2020, 2019 and 2018, FEUAI also issued its newly authorized preferred shares to EAEF. Total cost of preferred shares issued and outstanding amounts to P728.0 million as of August 31 and May 31, 2020.

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

(c) Edustria Incorporated

Upon incorporation of Edustria, the Parent Company subscribed to 255.0 million shares of Edustria. The shares acquired represent 51% of the total issued and outstanding shares of Edustria. The NCI of Edustria amounting to P171.5 million is presented part of Non-controlling Interest account in the 2020 consolidated statements of financial position.

13. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share amounts for the three months ended August 31, 2020 and 2019 were computed as follows:

	2020 (Unaudited)	2019 (Unaudited)
Net income (loss) attributable to owners of the parent company	**(P 148,797,698)**	P 32,977,170
Divided by weighted average number of shares outstanding, net of treasury stock	**23,976,464**	16,423,971
Basic and diluted earnings (loss) per share	**(P 6.21)**	P 2.01

The University has no dilutive potential common shares as of August 31, 2020 and 2019; the diluted earnings per share is the same as the basic earnings per share in all the periods presented.

14. COMMITMENTS AND CONTINGENCIES

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

14.1 Capital Commitments – Related to Condominium Units Acquired

As of August 31, FRC has commitments of about P116.6 million for the condominium units acquired at pre-selling stage that are currently under construction.

14.2 Operating Lease Commitments

(a) Group as Lessor

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

Future minimum rental receivables, excluding contingent rental, arising from these operating leases are shown below

	August 31 (Unaudited)	May 31 (Audited)
Within one year	**P 10,786,463**	P 12,880,020
After one year by not more than five years	**21,604,566**	22,528,952
More than five years	**606,184**	808,245
	P 32,997,212	P 36,217,217

14.3 Open Legal Cases

As of the May 31, 2020, the University is a defendant in certain civil cases, which are pending before the National Labor Relations Commission, Court of Appeals and the Supreme Court.

As of the same report date, no final decision has been rendered by the courts in the above-mentioned cases; hence, no provision for contingencies is recognized.

14.4 Provisions and Other Contingencies

The Group has entered into transactions which resulted to obligations that will probably result to an outflow of economic resources. Accordingly, the management has recognized the probable losses as Provisions in its statements of financial position. However, as allowed by relevant accounting standards, the Group did not disclose the nature and details of its provisions because it may prejudice the interest and position currently being taken by the Group.

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

15. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group aims to provide returns on equity to shareholders while managing operational and strategic objectives. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or obtain debt financing.

The Group defines capital as paid-in capital stock and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and revaluation reserves are excluded from capital for purposes of capital management. The BOT has overall responsibility for monitoring of capital in proportion to risks. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business, operation and industry.

The University monitors capital on the basis of debt-to-equity ratio, which is calculated as total liabilities excluding deferred revenues divided by total adjusted equity (comprised of capital stock, stock dividends distributable and retained earnings) attributable to owners of the parent company. Capital for the reporting periods is summarized below.

	February 29 (Unaudited)	May 31 (Audited)
Total adjusted liabilities	**P 4,227,332,905**	P 4,674,024,896
Total adjusted equity attributable to owners of the parent company	**7,517,133,386**	7,663,420,984
Debt-to-equity ratio	**0.56 : 1.00**	0.61 : 1.00

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

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio and debt service coverage ratio for all the years presented

There was no significant change in the Group's approach to capital management during the most recent period presented.

16. SEASONAL FLUCTUATIONS

Tuition fee revenue is subject to seasonal fluctuations. During normal times, revenue for a particular School Year (SY) started to be earned only in August, based on a new academic calendar.

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

The first semester has the highest number of students enrolled. The second semester enrollment is approximately 90% of the first semester's enrollment, while the summer term is the lowest at an approximate of 33%. The maximum load, in terms of subject units, of a student during the summer term is only nine units compared to the 21 to 24 units during the first and second semesters.

For EACCI (FEU Tech) and FEUAI (FEU Alabang), there are three regular terms in a fiscal year: First Term (August to November), Second Term (December to March) and Third Term (April to June).

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

For SY 2020-2021, however, due to the COVID-19 pandemic, first semester classes started only on August 24, which resulted to the deferral of income recognition of the supposed tuition income covering the month of August. Tuition revenue for the three months ended August 31, 2020 accounts for only 7.9% as compared to the annual tuition revenue recognized for the fiscal year ended May 31, 2020.