

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
Feb 28, 2022
2. SEC Identification Number
PW538
3. BIR Tax Identification No.
000-225-442
4. Exact name of issuer as specified in its charter
FAR EASTERN UNIVERSITY, INC.
5. Province, country or other jurisdiction of incorporation or organization
PHILIPPINES
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
Nicanor Reyes Street, Sampaloc, Manila
Postal Code
1015
8. Issuer's telephone number, including area code
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	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

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



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	Feb 28, 2022
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Feb 28, 2022	May 31, 2021
Current Assets	5,785,423,276	4,161,325,964
Total Assets	16,908,944,565	15,421,368,977
Current Liabilities	2,636,210,978	1,767,839,097
Total Liabilities	4,984,140,819	4,156,236,088
Retained Earnings/(Deficit)	6,683,030,791	6,030,766,918
Stockholders' Equity	11,924,803,746	11,265,132,889
Stockholders' Equity - Parent	8,993,083,724	8,355,574,287
Book Value per Share	375.2	348.51

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	1,206,698,852	905,085,149	2,792,876,541	2,443,503,279
Gross Expense	705,150,427	671,951,370	1,836,703,075	1,767,426,362
Non-Operating Income	40,314,977	61,462,171	224,830,710	196,044,101
Non-Operating Expense	14,087,256	9,290,985	45,933,326	75,265,031

Income/(Loss) Before Tax	527,776,146	285,304,965	1,135,070,850	796,855,987
Income Tax Expense	15,133,303	36,078,258	32,766,380	93,705,565
Net Income/(Loss) After Tax	512,642,843	249,226,707	1,102,304,470	703,150,422
Net Income Attributable to Parent Equity Holder	510,208,286	248,880,073	1,084,570,687	689,414,672
Earnings/(Loss) Per Share (Basic)	21.29	10.38	45.25	28.75
Earnings/(Loss) Per Share (Diluted)	21.29	10.38	45.25	28.75

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	56.78	26.27
Earnings/(Loss) Per Share (Diluted)	56.78	26.27

Other Relevant Information
-

COVER SHEET

P W 0 0 0 0 0 5 3 8

S.E.C. Registration Number

			F	A	R			E	A	S	T	E	R	N			U	N	I	V	E	R	S	I	T	Y	,				
															I	N	C	O	R	P	O	R	A	T	E	D					

(Company's Full Name)

			N	I	C	A	N	O	R			R	E	Y	E	S			S	T	R	E	E	T						
			S	A	M	P	A	L	O	C	,			M	A	N	I	L	A											

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

Atty. Anthony Raymond A. Goquingco

Contact Person

8 735-8686

Company Telephone Number

SEC Form 17- Q

Quarterly Report - February 28, 2022

FORM TYPE

0	5	3	1
Month		Day	
Calendar year			

1	0	1	6
Month		Day	
Annual Meeting			

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

--

Amended articles Number/Section

1,518

Total No. of Stockholders

Total Number of Barrowings

--

Domestic

--

Foreign

To be accomplished by SEC Personel concerned

--	--	--	--	--	--	--	--	--	--

File Number

L C U

--	--	--	--	--	--	--	--	--	--

Documnt I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



FAR EASTERN UNIVERSITY



**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**

Nicanor Reyes Street

Sampaloc, Manila

P.O. Box 609 Philippines 1015

(+632) 87777-FEU (338)

(+632) 8849-4000

1. For the Quarter period ended **February 28, 2022**
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, Incorporated**
6. Province, Country or other jurisdiction of Incorporation or organization **Philippines**
7. (SEC use only)
8. Address of Principal Office **Nicanor Reyes Street,
Sampaloc, Manila
Postal Code 1015**
9. Registrant's Telephone Number including Area Code **(632) 8-849-4000**
10. **NOT APPLICABLE**
Former name, former address, and former fiscal year, if changed since last report.
11. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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 [☒] No [☐]
- b) Sections 26 and 141 of the Corporation Code of the Philippines
- Yes [☒] No [☐]

Financial Information

Item 1. Quarterly Financial Statements attached.

FAR EASTERN UNIVERSITY, INCORPORATED



JUAN MIGUEL R. MONTINOLA
Chief Finance Officer and
Chief Risk Officer



GLENN Z. NAGAL
Comptroller and
Compliance Officer



PAMELA M. HERNANDEZ
Chief Accountant and
Budget Director

Manila
11 April 2022

Management's Discussion and Analysis

At the onset of school year (SY) 2021-2022, given the high level of corona virus disease (COVID-19) cases then, Far Eastern University (FEU or the University) seamlessly commenced delivery of instruction at full-online mode. To deliver quality education unabated, readily available learning management systems were fully utilized. While fully aware that online mode is inferior to a fully involved in person learning in a normal class set-up and within a campus setting, FEU continuously strived in optimizing online learning effectiveness by producing high quality digital content and creating virtual environment and engaging student activities to lessen adverse impact of the pandemic to its students' learning journey.

FEU remained committed to continuously uplift academic standards through periodic and continuous curricula review, faculty development, enhanced and prolific research outputs, improved student and alumni services, and best educational content and blended experience whether on campus or remotely via online platforms. As an academic institution, FEU believes in the relevance of education as a core foundation in nation building and its importance to students who benefit from quality instruction, research, and community integration.

As the disruptive effects created by the COVID-19 tapers with the daily COVID-19 cases currently low and vaccination rate increases, the country is moving towards recovery and progressive reopening of economic activities. In mid-February, the University welcomed the first batch of students as they return to campus for limited face-to-face classes, after nearly two years of pure online learning. Strict adherence to government guidelines and mandated health and safety protocols remain in place.

The Group's nine-month results showed significant improvement compared to the same period last year, as second semester enrollment of the FEU Schools remained stable.

Consolidated Financial Position

The consolidated financial position of Far Eastern University, Incorporated and subsidiaries (the Group) remains firm as of February 28, 2022, which is characterized by the sound fundamentals in terms of the Group's liquidity and solvency.

		February 28, 2022	May 31, 2021
Current ratio	Total Current Assets / Total Current Liabilities	2.19 : 1	2.35 : 1
Debt-to-equity ratio	Total Liabilities / Total Stockholders' Equity	42%	37%
Debt-to-asset ratio	Total Liabilities / Total Assets	29%	27%
Equity-to-asset ratio	Stockholders Equity / Total Assets	71%	73%

Consolidated total assets of the Group grew by P1,487.58 million to P16,908.94 million as of the report date. Current assets increased by P1,624.10 million to P5,785.42 million, while noncurrent assets declined by P136.52 million to P11,123.52 million, as of the report date.

Consolidated total liabilities grew by P827.90 million, to P4,984.14 million. Current liabilities went up by P868.37 million, while noncurrent liabilities decreased by P40.47 million.

The increase in student receivables, as a result of second semester enrollment, and operating cash inflows spurred the growth in consolidated total assets, while the corresponding second semester deferred tuition revenues pushed for the increase in consolidated total liabilities.

The Group's consolidated total equity amounts to P11,924.80 million, with a growth of P659.67 million from its beginning balance of P11,265.13 million.

Below are top three real accounts with most significant changes as of February 28, 2022, compared to May 31, 2021.

	February 28	May 31	Increase	%
Cash and cash equivalents	P 1,518,104,230	P 1,191,146,185	P 326,958,045	27%
Trade and other receivables – net	1,485,332,495	799,367,504	685,964,991	86%
Deferred revenues	1,047,051,591	33,672,454	1,013,379,137	3010%

Cash and cash equivalents increase pertain mainly to cash inflow from operating activities.

Trade and other receivables grew on account of significant receivables from students arising from enrollments for the second semester.

Deferred revenues represent the assessed tuition fees which will be realized in income upon delivery of instruction for the remaining period of the second semester. As of May 31, 2021, only the minimal advance payments by incoming freshmen enrollees for the SY 2021-2022 are part of this account balance.

Consolidated Results of Operation

For the nine months ended February 28, 2022, the Group's net income reached P1,102.30 million, a steady improvement compared with the net income registered during the same period in 2021.

The operating income to date improved by 41%. The improvement in core operations, reflected by the growth in education revenues, is due to the increase in student volume rather than rate. Tuition fees have been stable for three years including this school year.

Below are the profitability indicators for the respective periods, which shows an improvement for the current period compared with the same period last year.

		February 28, 2022 (Nine Months)	February 28, 2021 (Nine Months)
Return on assets	Net Income / Average Total Assets	7%	5%
Return on equity	Net Income / Average Total Equity	10%	7%
Earnings per share	Net Income / Average Outstanding Shares	P 45.25	P 28.75

Below are the top three profit or loss accounts during the nine months ended February 28, 2022, and 2021 with significant changes.

	2022	2021	Increase	%
REVENUES				
Educational revenues	P 2,778,632,457	P 2,430,557,115	P 348,075,342	14%
EXPENSES				
Salaries and employee benefits	960,613,343	850,415,858	110,197,485	13%
Depreciation and amortization	396,018,240	381,275,406	14,742,834	4%

Educational revenues increased mainly due to the 14% uptake in enrollment statistics.

Salaries and employee benefits expense proportionately increased due to higher faculty headcount, directly related to higher enrollment population as well as effect of upward salary rate adjustments. Additionally, the significant upswing in employee benefits is mainly attributable to the parent company, i.e., the signing bonus granted after a successful negotiation of the latest Collective Bargaining Agreement and utilization of usage-based medical benefits.

Depreciation expense increased as the Group started depreciation of asset additions from last SY.

On the results of non-core operations, the combined improvement in the financial markets, favorable foreign exchange fluctuations, reduced interest rates, and recognition of miscellaneous income have provided added boost to over-all earnings.

A Look at What Lies Ahead

FEU management remains cognizant of the Group's exposure to the risks in its business environment, particularly the inflationary effects of the Russia-Ukraine war. This SY, however, the Group is expected to maintain a sound financial position and a more stabilized operating results, particularly with its core operations, as it opened the SY 2021-2022 with student population exceeding pre-pandemic levels and sustained such enrollment numbers for the second semester of the same school year.

At reporting date, marked improvements were observed in the country's situation and response to addressing the COVID-19 pandemic. Vaccination rates are high, and the daily COVID-19 infections continue to drop and are less life threatening. Accordingly, Metro Manila has been placed under the lowest pandemic warning level which basically relaxed all previously imposed pandemic restrictions – already allowed face-to-face classes, athletic trainings and events and full capacity in-person on-site reporting of administrative staff. The Group continues adherence to the minimum health and safety protocols, and to adapting all feasible safeguards to ensure a balance of service delivery to all stakeholders, students, and employees, alike, without compromise to safety.

FEU management is optimistic of the Group's year-end results but remains conservative with its outlook on the financial market and the overall economy. Management will continue to be prudent in the implementation of its business continuity plans, both at the corporate and the academic operational levels, to mitigate any foreseen negative impacts on the overall operations. Cost efficiency and strict monitoring will continue to be the norm.

The Group remains committed to the vision of value-driven, accessible, and relevant quality education for students and a purposeful career for its faculty and employees.

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

I. Test of Liquidity

The Group's financial position shows capacity to meet obligations maturing currently

II. Test of Solvency

The Group's financial position also presents its ability to pay off its long-term obligations to creditors. Moreover, the Group's assets are still mainly attributable to its shareholders, while maintaining a balanced leverage on creditor-provided financing.

III. Test of Asset Utilization and Profitability

There were no indications that may cast a doubt on the Group's earning capacity or profitability.

IV. Product/Service Standard

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

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

The University's high standard of quality is substantiated by numerous recognitions from the Commission on Higher Education (CHED), local 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 (PAASCU), foreign accreditation from the ASEAN University Network (AUN), and other higher education-related local and international groups and organizations.

FEU

- Designated the **Autonomous Status** by the CHED on July 25, 2012; latest extended validity is until May 31, 2023
- Member of the **ASEAN University Network – Quality Assurance (AUN-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)**
- Ranked 79th overall, 16th in the Ethical Value Category, 42nd in Entrepreneurial Spirit Category, and 12th on Crisis Management Category in the Top 100 Innovative Universities in the world by **World's Universities With Real Impact (WURI)**, released on June 2021 – the only Philippine higher education institution in the said ranking

Local and international accreditation of various programs:

- ASEAN University Network – Quality Assurance (AU-QA) accreditation (program assessment completed last November 2020, March 2021, and November 2021; program assessment preparations are underway for the September 2022 and August 2023 assessments)
- CHED designation of the Teacher Education Program as **Center of Excellence**
- CHED designation of the BS in Business Administration program as **Center of Development**
- Asia-Pacific Institute for Events Management (APIEM) accreditation of the BS in Tourism Management program as a **Center of Excellence**
- PACUCOA Level IV accreditation status from December 2015 to December 2025
- PACUCOA Level III re-accredited status from January 2020 to 2022
- PAASCU Level III re-accredited status from August 2018 until November 2022 (preparations are underway for re-accreditation for Level IV in September 2022)
- PACUCOA Level II re-accredited status from January 2020 to 2025
- PACUCOA Level II accreditation status from May 2018 to 2023
- PACUCOA Candidate status from May 2018 to May 2020 (PACUCOA Preliminary Visits were conducted in January 2022; results of the accreditation visit will be released after two to three months)
- PAASCU Candidate status from December 2018 to November 2020 (PAASCU Visit was conducted in February 2022; results of the accreditation visit will be released after two to three months)

Awards, recognitions, and certifications:

- Awarded “One Golden Arrowhead Recognition” by the **Institute of Corporate Directors** in recognition of being a top-performing publicly listed company in the Philippines under the **2019 ASEAN Corporate Governance Scorecard**
- Selected as a benchmark for best practices in the management of student formation programs in the country by the **Philippine Association of Practitioners of Student Affairs and Services (PAPSAS)** during a benchmarking session of a specialist certificate course on student affairs and services. PAPSAS is the country’s largest national professional organization of student affairs practitioners.
- Among the recipient of the **Asia Pacific Entrepreneurship Awards 2019 Philippines** for Education and Training Industry
- Recipient of six awards in the **18th Philippine Quill Awards** by the **International Association of Business Communicators (IABC)**, including two awards of Excellence in the categories of Communication Skills and Customer Relations. The Philippine Quill is the country’s most prestigious awards program in the field of business communication
- **ISO 9001:2015, effective March 03, 2021 to January 17, 2024**

FEU Institute of Technology (operated by East Asia Computer Center, Inc.)

FEU Tech offers innovative academic programs that are complemented by strong industry and academic partnerships, which provide students additional opportunities for immersive learning experiences.

Ranked 24th among the WURI under Entrepreneurial Spirit Category and Global Top 101-200 Rank of Innovative Universities.

Local accreditation of various programs:

- PAASCU Level III re-accreditation (ongoing application for Computer Science and Information Technology)
- PAASCU Level II re-accreditation status until May 2024 (Civil and Computer Engineering)
- Philippine Technological Council – Accreditation and Certification Board for Engineering and Technology (PTC-ACBET) accreditation (Engineering programs)

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

FEU Cavite also offer courses that are extension programs of FEU.

Awards, recognitions, and certifications:

- FEU Cavite's Basic Education and Senior High School Departments merited ***“highly evident marks”*** during the Monitoring and Onsite Validation of Alternative Delivery Modes of Learning Implementation conducted by the officials of the Department of Education (Division of Cavite and District of Silang). This validates FEU Cavite's readiness and commitment to deliver quality education even on remote learning modality.
- As a testament to providing the best facilities and learning environment, the FEU Cavite Basic Education Building, designed by Archion Architects, was awarded the People's Choice Award at the Haligi ng Dangal Awards 2020 (Citation of Merit in Architecture and the Allied Arts).

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

Occupying a portion of the iconic FEU Manila Campus, 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)*
- *Accountancy, Business and Management (ABM)*
- *Humanities and Social Sciences (HUMSS)*
- *General Academic Strand (GAS)*

Starting first quarter of SY 2021-2022, junior high school was offered.

FEU Roosevelt (operated by Roosevelt College, Inc.)

FEU Roosevelt is expected to carry FEU's distinctive marks of quality education and excellent facilities, while improving the accessibility of such to more Filipino family, with its campuses in Marikina City, Metro Manila, and the municipalities of Cainta and Rodriguez, both of which are in the province of Rizal.

FEU Alabang (operated by FEU Alabang, Inc.)

FEU Alabang is authorized to offer programs in Senior High School, Engineering, Information Technology, Business courses, Computer Studies, and Multimedia Arts.

Awards, recognitions, and certifications:

In 2020, for its work on the FEU Alabang Campus, Casas + Architects, Inc earned the Asia Pacific Property Award 5 Stars for Public Architecture.

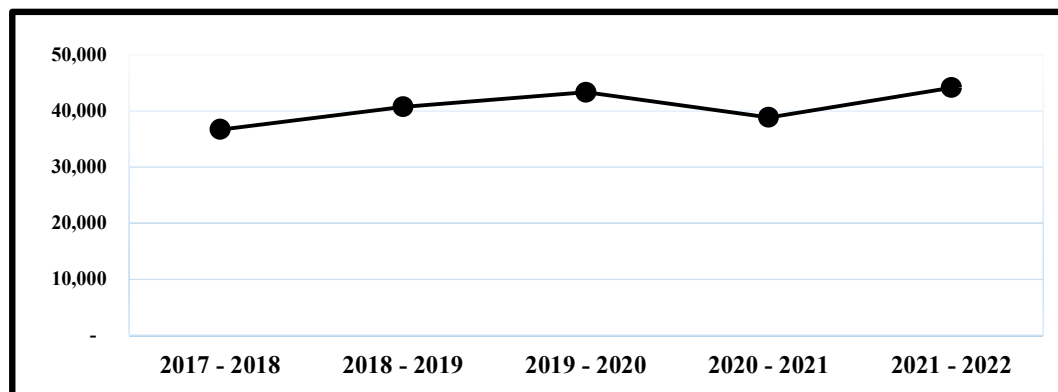
Edustria High School (operated by Edustria Incorporated)

Edustria was established by the University in partnership with the Technological Institute of the Philippines. It offers Junior and Senior High School programs.

Edustria works in partnering with key firms in the Lima Technology Center at Lipa City, Batangas, to help create a bespoke student journey which is life-ready to either pursue further college education or be industry-ready and earn a decent living.

V. Market Acceptability

Below is a graph showing the stable trend of the Group's first semester enrollment for the past five years.



The FEU Group of Schools remains to be a strong choice of its target market. The enrollment numbers of SY 2021-2022 is predictive of the diminished impact of K-12, as all year levels have normalized. It is notable that the Group exceeded pre-pandemic enrollment levels i.e., SY 2019- 2020.

Other Items

1. The current economic condition remains stable but certain economic factors are still expected to affect the Group's educational income from operations.
2. There are no known events that would result in any default or acceleration of an obligation.
3. There are no known events that will trigger direct or contingent financial obligation that may be material to the Group.
4. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons which are created during the reporting period.
5. The Group does not foresee any cash flow or liquidity problem in the next 12 months immediately following the report date. The Group and each of the component entities can easily meet all its commitments with its present reserves and expected earnings.
6. There are no significant elements of income or loss from continuing operations.
7. There are no Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FEBRUARY 28, 2022 AND MAY 31, 2021
(Amounts in Philippine Pesos)

	February 28, 2022	May 31, 2021
	<u>(Unaudited)</u>	<u>(Audited)</u>
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash and cash equivalents	P 1,518,104,230	P 1,191,146,185
Trade and other receivables - net	1,485,332,495	799,367,504
Financial assets at fair value through profit or loss	1,826,736,837	1,605,507,781
Financial assets at fair value through other comprehensive income	595,916,977	231,920,855
Investment securities at amortized cost	58,421,863	83,206,231
Other current assets - net	<u>300,910,874</u>	<u>250,177,408</u>
Total Current Assets	<u>5,785,423,276</u>	<u>4,161,325,964</u>
NON-CURRENT ASSETS		
Financial assets at fair value through other comprehensive income	1,287,600,454	1,179,709,098
Investment securities at amortized cost	511,927,782	501,560,477
Property and equipment - net	8,647,904,021	8,887,089,812
Investment properties - net	267,420,514	277,070,909
Goodwill	186,487,019	186,487,019
Deferred tax assets - net	20,884,621	24,756,321
Other non-current assets	<u>201,296,878</u>	<u>203,369,377</u>
Total Non-current Assets	<u>11,123,521,289</u>	<u>11,260,043,013</u>
TOTAL ASSETS	<u>P 16,908,944,565</u>	<u>P 15,421,368,977</u>

Forward

- 2 -

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	P 1,458,919,110	P 1,527,355,514
Interest-bearing loans	93,809,524	187,619,048
Deferred revenues	1,047,051,591	33,672,454
Provisions	18,698,054	18,698,054
Income tax payable	17,732,699	494,027
Total Current Liabilities	<u>2,636,210,978</u>	<u>1,767,839,097</u>
NON-CURRENT LIABILITIES		
Lease liabilities	24,512,241	24,512,241
Interest-bearing loans	2,237,857,143	2,284,761,905
Post-employment benefit obligation	51,510,188	47,010,188
Deferred tax liabilities - net	15,116,765	15,116,765
Other non-current liabilities	<u>18,933,504</u>	<u>16,995,892</u>
Total Non-current Liabilities	<u>2,347,929,841</u>	<u>2,388,396,991</u>
Total Liabilities	<u>4,984,140,819</u>	<u>4,156,236,088</u>
EQUITY		
Equity attributable to owners of the parent company		
Capital stock	2,406,799,300	2,406,799,300
Treasury stock - at cost	(71,355,836)	(67,194,836)
Revaluation reserves	32,394,921	42,988,357
Other reserves	(57,785,452)	(57,785,452)
Retained earnings		
Appropriated	844,233,100	844,233,100
Unappropriated	<u>5,838,797,691</u>	<u>5,186,533,818</u>
Total equity attributable to owners of parent company	8,993,083,724	8,355,574,287
Non-controlling interests	<u>2,931,720,022</u>	<u>2,909,558,602</u>
Total Equity	<u>11,924,803,746</u>	<u>11,265,132,889</u>
TOTAL LIABILITIES AND EQUITY	<u>P 16,908,944,565</u>	<u>P 15,421,368,977</u>

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	December 1, 2021 - February 28, 2022	December 1, 2020 - February 28, 2021	June 1, 2021 - February 28, 2022	June 1, 2020 - February 28, 2021
REVENUES				
Educational				
Tuition fees - net	P 1,182,392,454	P 879,257,976	P 2,699,511,917	P 2,357,545,065
Other school fees	<u>22,066,771</u>	<u>22,678,483</u>	<u>79,120,540</u>	<u>73,012,050</u>
	1,204,459,225	901,936,459	2,778,632,457	2,430,557,115
Rental	<u>2,227,413</u>	<u>2,300,602</u>	<u>14,169,484</u>	<u>10,667,055</u>
	1,206,686,638	904,237,061	2,792,801,941	2,441,224,170
OPERATING EXPENSES	(705,150,427)	(671,951,370)	(1,836,703,075)	(1,767,426,362)
OTHER OPERATING INCOME	<u>12,214</u>	<u>848,088</u>	<u>74,600</u>	<u>2,279,109</u>
OPERATING INCOME	501,548,425	233,133,779	956,173,466	676,076,917
FINANCE INCOME	38,611,546	42,562,956	160,228,564	155,468,780
FINANCE COSTS	(14,087,256)	(9,290,985)	(45,933,326)	(75,265,031)
OTHER INCOME - NET	<u>1,703,431</u>	<u>18,899,215</u>	<u>64,602,146</u>	<u>40,575,321</u>
INCOME BEFORE TAX	527,776,146	285,304,965	1,135,070,850	796,855,987
TAX EXPENSE	(<u>15,133,303</u>)	(<u>36,078,258</u>)	(<u>32,766,380</u>)	(<u>93,705,565</u>)
NET INCOME	<u>P 512,642,843</u>	<u>P 249,226,707</u>	<u>P 1,102,304,470</u>	<u>P 703,150,422</u>
Net Income Attributable to:				
Owners of the parent company	P 510,208,286	P 248,880,073	P 1,084,570,687	P 689,414,672
Non-controlling interests	<u>2,434,557</u>	<u>346,634</u>	<u>17,733,783</u>	<u>13,735,750</u>
	<u>P 512,642,843</u>	<u>P 249,226,707</u>	<u>P 1,102,304,470</u>	<u>P 703,150,422</u>
Earnings Per Share				
Basic and Diluted	<u>P 21.29</u>	<u>P 10.38</u>	<u>P 45.25</u>	<u>P 28.75</u>

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	December 1, 2021 - February 28, 2022	December 1, 2020 - February 28, 2021	June 1, 2021 - February 28, 2022	June 1, 2020 - February 28, 2021
NET INCOME	<u>P 512,642,843</u>	<u>P 249,226,707</u>	<u>P 1,102,304,470</u>	<u>P 703,150,422</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Net fair value losses on debt securities classified as financial assets at fair value through other comprehensive income	(6,168,765)	(6,083,011)	(9,079,487)	(11,385,854)
Item that will not be reclassified subsequently to profit or loss				
Net fair value gains (losses) on equity securities classified as financial assets at fair value through other comprehensive income	5,874,519	(2,030,952)	6,780,447	5,953,506
Loss on remeasurement of post-employment benefit plan	(2,428,577)	(658,537)	(3,866,759)	(6,502,688)
	<u>3,445,942</u>	<u>(2,689,489)</u>	<u>2,913,688</u>	<u>(549,182)</u>
Other Comprehensive Loss	(2,722,823)	(8,772,500)	(6,165,799)	(11,935,036)
TOTAL COMPREHENSIVE INCOME	<u>P 509,920,020</u>	<u>P 240,454,207</u>	<u>P 1,096,138,671</u>	<u>P 691,215,386</u>
Total Comprehensive Income Attributable to:				
Owners of the parent company	<u>P 504,699,606</u>	<u>P 240,107,573</u>	<u>P 1,073,977,251</u>	<u>P 677,479,637</u>
Non-controlling interests	<u>5,220,414</u>	<u>346,634</u>	<u>22,161,420</u>	<u>13,735,749</u>
	<u>P 509,920,020</u>	<u>P 240,454,207</u>	<u>P 1,096,138,671</u>	<u>P 691,215,386</u>

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED
SEC Form 17-Q
February 28, 2022
- 13 -

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company										Non-controlling Interests	Total Equity
	Capital Stock	Stock Dividends Distributable	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Retained Earnings		Total	Total			
						Appropriated	Unappropriated					
Balance at June 1, 2021	P 2,406,799,300	P -	(P 67,194,836)	P 42,988,357	(P 57,785,452)	P 844,233,100	P 5,186,533,818	P 6,030,766,918	P 8,355,574,287	P 2,909,558,602	P 11,265,132,889	
Transactions with owners												
Acquisition of treasury stock	-	-	(4,161,000)	-	-	-	-	-	(4,161,000)	-	(4,161,000)	
Cash dividends	-	-	-	-	-	-	(432,306,814)	(432,306,814)	(432,306,814)	-	(432,306,814)	
	-	-	(4,161,000)	-	-	-	(432,306,814)	(432,306,814)	(436,467,814)	-	(436,467,814)	
Total comprehensive income												
Net income for the period	-	-	-	-	-	-	1,084,570,687	1,084,570,687	1,084,570,687	17,733,783	1,102,304,470	
Other comprehensive income (loss)	-	-	-	(10,593,436)	-	-	-	-	(6,165,799)	-	(6,165,799)	
	-	-	-	(10,593,436)	-	-	1,084,570,687	1,084,570,687	1,073,977,251	22,161,420	1,096,138,671	
Balance at February 28, 2022	P 2,406,799,300	P -	(P 71,355,836)	P 32,394,921	(P 57,785,452)	P 844,233,100	P 5,838,797,691	P 6,683,030,791	P 8,993,083,724	P 2,931,720,022	P 11,924,803,746	
Balance at June 1, 2020	P 1,651,435,400	P 755,431,300	(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 7,556,481,871	P 2,861,354,532	P 10,417,836,403	
Transactions with owners												
Issuance of shares of stock	755,363,900	(755,431,300)	-	-	-	-	-	-	(67,400)	-	(67,400)	
Subscription of subsidiary's preferred shares by a related party under common management	-	-	-	-	-	-	-	-	-	40,000,000	40,000,000	
Cash dividends	-	-	-	-	-	-	(191,899,424)	(191,899,424)	(191,899,424)	-	(191,899,424)	
	755,363,900	(755,431,300)	-	-	-	-	(191,899,424)	(191,899,424)	(191,966,824)	40,000,000	(151,966,824)	
Appropriations of retained earnings												
Reversal of appropriations during the period	-	-	-	-	-	(605,500,000)	605,500,000	-	-	-	-	
Total comprehensive income (loss)												
Net income for the period	-	-	-	-	-	-	689,414,672	689,414,672	689,414,672	13,735,750	703,150,422	
Other comprehensive loss	-	-	-	(11,935,036)	-	-	-	-	(11,935,036)	-	(11,935,036)	
	-	-	-	(11,935,036)	-	-	689,414,672	689,414,672	677,479,636	13,735,750	691,215,386	
Balance at February 28, 2021	P 2,406,799,300	P -	(P 67,194,836)	P 6,106,139	(P 57,785,452)	P 1,304,233,100	P 4,449,836,432	P 5,754,069,532	P 8,041,994,683	P 2,915,090,282	P 10,957,084,965	

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Amounts in Philippine Pesos)
(UNAUDITED)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 1,135,070,850	P 796,855,987
Adjustments for:		
Depreciation and amortization	396,018,240	381,275,406
Fair value gains from financial assets at fair value through profit or loss (FVTPL)	(53,464,231)	(85,602,872)
Impairment loss on receivables	51,080,453	162,869,017
Interest expense and other finance cost	45,933,326	56,373,586
Other investment income from financial assets at FVTPL and other comprehensive income (FVOCI) - net	(42,315,886)	(42,026,099)
Unrealized foreign exchange loss (gain) - net	(37,032,124)	18,891,445
Interest income	(27,416,323)	(27,839,809)
Operating income before working capital changes	1,467,874,305	1,260,796,661
Increase in trade and other receivables	(737,006,681)	(517,078,870)
Decrease in real estate held-for-sale	-	653,400
Increase in other assets	(39,788,666)	(31,303,971)
Decrease in trade and other payables	(312,098,722)	(438,320,502)
Increase in deferred revenues	1,013,379,137	785,429,962
Increase (decrease) in post-employment benefit obligation	633,241	(2,152,688)
Increase in other non-current liabilities	1,937,612	4,198,487
Cash generated from operations	1,394,930,226	1,062,222,479
Income taxes paid	(15,527,708)	(90,638,491)
Net Cash From Operating Activities	<u>1,379,402,518</u>	<u>971,583,988</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisitions of financial assets at FVOCI	(474,186,518)	(379,043,943)
Net acquisitions of financial assets at FVTPL	(135,663,143)	(499,608,903)
Acquisition of property and equipment	(134,130,838)	(194,290,909)
Interest received	69,732,209	69,865,908
Net proceeds from maturities of investment securities at amortized cost	19,308,742	169,748,477
Additions to investment properties	(15,515,176)	(18,171,713)
Increase in advances to suppliers and developers	(8,872,301)	(10,209,606)
Proceeds from disposal of property and equipment	2,463,960	-
Net Cash Used in Investing Activities	<u>(676,863,065)</u>	<u>(861,710,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(188,751,950)	(118,394,895)
Repayments of interest-bearing loans	(140,714,286)	(1,228,809,524)
Interest paid	(41,954,172)	(78,704,132)
Acquisition of treasury shares	(4,161,000)	-
Proceeds from additional interest-bearing loans	-	1,092,857,143
Net Cash Used in Financing Activities	<u>(375,581,408)</u>	<u>(333,051,408)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	326,958,045	(223,178,109)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>1,191,146,185</u>	<u>1,798,366,234</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 1,518,104,230	P 1,575,188,125

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE OF AGING OF RECEIVABLES
FEBRUARY 28, 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

	Current				
	One to Six Months	Seven Months to One Year	More than One Year	Past Due	Total
<i>Non-trade Receivables:</i>					
Advances to Employees - Official and Personal	P 19,207,047	-	-	P -	P 19,207,047
Advances for SSS Sickness/Maternity Benefits	2,687,354	-	-	-	2,687,354
Receivables from:					
Nicanor Reyes Educational Foundation	-	-	24,534,438	-	24,534,438
East Asia Educational Foundation	-	-	20,681,699	-	20,681,699
FEU Health, Welfare and Retirement Fund Plan	-	3,574,208	-	-	3,574,208
Others	-	227,563,976	7,614,247	-	235,178,223
TOTALS	P 21,894,401	P 231,138,184	P 52,830,384	P -	P 305,862,969

**FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2022
(With Comparative Figures as of May 31, 2021)
(Amounts in Philippine Pesos)
(UNAUDITED)**

1. CORPORATE INFORMATION

1.1 Background of the University

The Far Eastern University, Incorporated (the University or FEU or Parent Company) is a 93-year-old Philippine-based proprietary educational institution founded in June 1928 and registered with the Securities and Exchange Commission (SEC) on October 27, 1933 and became a publicly-listed corporation with the Philippine Stock Exchange (PSE) on July 11, 1986.

The University is a nonsectarian institution of learning, embracing equal opportunity, inclusivity and diversity. FEU is comprised of seven institutes as follows, under each, handling distinct courses and programs of study:

- 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.

FEU has been designated the Autonomous Status by the Commission on Higher Education (CHED) on July 25, 2012, with extended validity until May 31, 2023. Among the University's flagship programs are the Teacher Education and Business Administration which are recognized by the CHED as Center of Excellence and Center of Development, respectively.

On top of existing highly accredited programs of local accreditors, eight additional programs received the highest accreditation by the Philippine Association of Colleges and Universities Commission on Accreditation in 2021. Parallel International certifications by the ASEAN University Network – Quality Assurance were also granted similarly for eight programs namely Accountancy, Business Administration, Biology, Medical Technology, Psychology, Communication, Elementary and Secondary Education. While the Nursing program is accredited by the Philippine Accrediting Association of Schools, Colleges and Universities.

Further in the 2021 World's Universities with Real Impact (WURI) Ranking, FEU placed 79th in the Global Top 100 Innovative Universities. The University ascended the international rankings from last year's 91st position. Compared to other educational ranking systems, which evaluate quantitative metrics such as the number of journal publications and employment rate of graduates, WURI evaluates universities' flexible and innovative efforts to cultivate contributions to a workforce that meets the demands from industry and society at large.

As at February 28, 2022 and May 31, 2021, the University holds interest in the following subsidiaries which were all incorporated and are operating in the Philippines:

Company Name	Percentage of Effective Ownership	
	February 28	May 31
East Asia Computer Center, Inc. (EACCI)	100%	100%
Far Eastern College – Silang, Inc. (FEC SI)	100%	100%
FEU Alabang, Inc. (FEU AI)	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)	38.18%	38.18%

*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, 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, junior and 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 several campuses of RCI.

1.2 Approval for Issuance of Condensed Consolidated Financial Statements

The Condensed Consolidated Financial Statements (CCFS) of the Group for the nine months ended February 28, 2022 (including the comparatives for the nine months ended February 28, 2021) were authorized for issue by the Audit Committee of the Board of Trustees (BOT) on April 7, 2022.

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, 2021.

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, 2021.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2022 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 2022.

(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:

<u>Subsidiaries:</u>	<u>Report Date</u>
FRC	March 31
RCEE	March 31
FECSI	May 31
FEU High	May 31
RCI	May 31
Edustria	May 31
EACCI	June 30
FEUAI	June 30

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 2022 that are Relevant to the Group

The sole relevant amendment namely, PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021* (effective from April 1, 2021), extends for one year the use of practical expedient, not to assess whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modification and instead to account for those rent concessions as if they are not lease modifications. This amendment had no significant impact to the Group's interim financial statements.

(b) Effective Subsequent to Fiscal Year 2022 but not Adopted Early

There are other amendments and annual improvements to existing standards effective for annual periods subsequent to Fiscal Year 2022, which are adopted by the Financial Reporting Standards Council. Management will adopt the relevant pronouncements in accordance with their transitional provisions, as presented below. It is expected to have no significant impact on the Group's CCFS.

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
PAS 16 (Amendments)	:	Property, Plant and Equipment - Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
PFRS 3 (Amendments)	:	Business Combination – Reference to the Conceptual Framework
PFRS 10 and PAS 28 (Amendments)	:	Consolidated Financial Statements, and Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities.
PFRS 16 (Amendments)	:	Lease Incentives

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 below and in the succeeding pages.

4.1 *Market Risk*

(a) Foreign Currency Risk

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

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.

	February 28, 2022 (Unaudited)		May 31, 2021 (Audited)	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
At FVOCI –				
Debt and equity securities	P 1,883,517,431	P 1,883,517,431	P 1,411,629,953	P 1,411,629,953
At FVTPL –				
Equity securities and UITF	1,826,736,837	1,826,736,837	1,605,507,781	1,605,507,781
At amortized cost –				
Debt securities	570,349,645	570,295,164	584,766,708	590,706,382
Refundable deposits	20,407,541	20,407,541	22,819,818	22,819,818
Receivables	1,463,438,094	1,463,438,094	782,189,376	782,189,376
	<u>P 5,764,449,548</u>	<u>P 5,764,395,067</u>	<u>P 4,406,913,636</u>	<u>P 4,412,853,310</u>
Financial liabilities				
At amortized cost –				
Interest-bearing loans	P 2,331,666,667	P 2,309,979,448	P 2,472,380,953	P 2,299,852,978
Lease liability	34,510,986	34,510,986	34,510,986	34,510,986
	<u>P 2,366,177,653</u>	<u>P 2,344,490,434</u>	<u>P 2,506,891,939</u>	<u>P 2,334,363,964</u>

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>February 28, 2022 (Unaudited)</u>				
Financial assets at FVOCI –				
Debt and equity securities	P1,882,017,431	P 1,500,000	P -	P 1,883,517,431
Financial assets at FVTPL –				
Equity securities and UITF	982,253,524	844,483,313	-	1,826,736,837
Investment securities at amortized cost –				
Debt securities	<u>570,295,164</u>	<u>-</u>	<u>-</u>	<u>570,295,164</u>
	<u>P 3,434,119</u>	<u>P 845,983,313</u>	<u>P -</u>	<u>P 4,280,549,432</u>
<u>May 31, 2021 (Audited)</u>				
Financial assets at FVOCI –				
Debt and equity securities	P1,410,129,953	P 1,500,000	P -	P 1,411,629,953
Financial assets at FVTPL –				
Equity securities and UITF	898,992,320	706,515,461	-	1,605,507,781
Investment securities at amortized cost –				
Debt securities	<u>590,706,382</u>	<u>-</u>	<u>-</u>	<u>590,706,382</u>
	<u>P2,899,828,655</u>	<u>P 708,015,461</u>	<u>P -</u>	<u>P 3,607,844,116</u>

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 February 28, 2022 and May 31, 2021, 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 ask 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 February 28, 2022 and May 31, 2021, the fair value of debt securities categorized as investments at amortized cost amounted to P552.5 million and P590.7 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 February 28, 2022, and May 31, 2021, 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 February 28, 2022 and May 31, 2021, 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	<u>103,932,373</u>
	<u>P 293,462,780</u>

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 based on 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 period for its non-financial assets. Also, there were no transfers into or out of the different levels of the fair value hierarchy as of February 28, 2022 and May 31, 2021.

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 February 28, 2022, and May 31, 2021.

7. SEGMENT INFORMATION

7.1 Business Segments

The Group is organized into different business units based on separate entities' operational significance and timing of academic operations for purposes of management assessment of each segment. In identifying its operating segments, management generally assesses each FEU schools' contribution to the Group's operations, and groups these entities as FEU Main (being the largest semestral entity), Trimestral Schools and Other Schools (all other schools excluding those on trimestral basis). This is the basis of the Group in its decision-making as reported to its strategic steering committee.

The Group also reports on geographical segments, based on two major geographical areas where FEU schools are located, i.e., NCR and Outside NCR.

7.2 Segment Assets and Liabilities

Segment assets are allocated based on their direct association with a specific segment and they 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, investment properties, and property and equipment.

Segment liabilities include all operating liabilities as presented in the consolidated statements of financial position.

7.3 Intersegment Transactions

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

7.4 Analysis of Segment Information

The Group's business segments, analyzed based on operational significance and timing of academic operations, for the nine months ended February 28, 2022, and 2021, and as of February 28, 2022, and May 31, 2021 follows (in thousands).

	<u>FEU Main</u>	<u>Trimestral Schools</u>	<u>Other Schools</u>	<u>Total</u>
<u>February 28, 2022 (Unaudited)</u>				
Segment revenues				
From external customers	P 1,698,460	P 706,047	P 375,151	P 2,779,657
Intersegment revenues	<u>60,497</u>	<u>-</u>	<u>-</u>	<u>60,497</u>
Total revenues	1,758,957	706,047	375,151	2,840,155
Operating expenses excluding depreciation and amortization, and impairment loss	(939,511)	(294,605)	(285,868)	(1,519,984)
	819,447	411,442	89,283	1,320,171
Depreciation and amortization	(176,745)	(146,886)	(62,230)	(385,861)
Impairment loss	(5,545)	(31,832)	(13,704)	(51,080)
Finance income	132,498	49,262	859	182,618
Finance cost	(35,138)	(6,999)	(11,172)	(53,309)
Other income – net	<u>23,601</u>	<u>52,790</u>	<u>2,456</u>	<u>78,848</u>
Income before tax	758,116	327,777	5,492	1,091,386
Tax expense	(11,620)	(5,192)	(511)	(17,323)
Segment net income	<u>P 746,496</u>	<u>P 322,584</u>	<u>P 4,982</u>	<u>P 1,074,062</u>
Segment assets	<u>P 10,948,583</u>	<u>P 5,784,432</u>	<u>P 3,299,125</u>	<u>P 20,032,139</u>
Segment liabilities	<u>P 4,850,769</u>	<u>P 848,118</u>	<u>P 1,606,457</u>	<u>P 7,305,344</u>
<u>February 28, 2021 (Unaudited)</u>				
Segment revenues				
From external customers	P 1,391,829	P 691,656	P 350,207	P 2,433,692
Intersegment revenues	<u>60,384</u>	<u>-</u>	<u>-</u>	<u>60,384</u>
Total revenues	1,452,214	691,656	350,207	2,494,077
Operating expenses excluding depreciation and amortization, and impairment loss	(799,771)	(263,421)	(269,254)	(1,332,445)
	652,443	428,235	80,954	1,161,631
Depreciation and amortization	(179,160)	(150,154)	(42,072)	(371,387)
Impairment loss	(111,844)	(36,252)	(14,773)	(162,869)
Finance income	135,044	21,351	928	157,322
Finance cost	(73,272)	-	(3,343)	(76,615)
Other income – net	<u>10,536</u>	<u>30,039</u>	<u>1</u>	<u>40,575</u>
Income before tax	433,747	293,219	21,693	748,659
Tax expense	(44,934)	(29,911)	(3,305)	(78,151)
Segment net income	<u>P 388,813</u>	<u>P 263,307</u>	<u>P 18,388</u>	<u>P 670,508</u>
<u>May 31, 2021 (Audited)</u>				
Segment assets	<u>P 10,005,439</u>	<u>P 5,449,852</u>	<u>P 3,282,531</u>	<u>P 18,737,822</u>
Segment liabilities	<u>P 4,209,030</u>	<u>P 838,153</u>	<u>P 1,552,324</u>	<u>P 6,599,507</u>

The Group's geographical segment, which is based on the location of all the Group's school campuses, for the nine months ended February 28, 2022 and 2021, and as of February 28, 2022, and May 31, 2021 follows (in thousands):

	<u>NCR</u>	<u>Outside NCR</u>	<u>Total</u>
<u>February 28, 2022 (Unaudited)</u>			
Segment revenues			
From external customers	P 2,541,710	P 237,948	P 2,779,657
Intersegment revenues	<u>60,497</u>	<u>-</u>	<u>60,497</u>
Total revenues	2,602,207	237,948	2,840,155
Operating expenses excluding depreciation and amortization, and impairment loss	(1,338,851)	(181,133)	(1,519,984)
	1,263,357	56,815	1,320,171
Depreciation and amortization	(327,698)	(58,163)	(385,861)
Impairment loss	(44,237)	(6,843)	(51,080)
Finance income	182,336	282	182,618
Finance cost	(42,147)	(11,163)	(53,309)
Other income – net	<u>76,391</u>	<u>2,456</u>	<u>78,848</u>
Income (loss) before tax	1,108,002	(16,616)	1,091,386
Tax expense	(17,035)	(288)	(17,323)
Segment net income (loss)	<u>P 1,090,967</u>	<u>(P 16,904)</u>	<u>P 1,074,062</u>
Segment assets	<u>P 17,063,552</u>	<u>P 2,968,588</u>	<u>P 20,032,139</u>
Segment liabilities	<u>P 5,874,034</u>	<u>P 1,431,310</u>	<u>P 7,305,344</u>
<u>February 28, 2021 (Unaudited)</u>			
Segment revenues			
From external customers	P 2,258,395	P 175,297	P 2,433,692
Intersegment revenues	<u>60,384</u>	<u>-</u>	<u>60,384</u>
Total revenues	2,318,780	175,297	2,494,077
Operating expenses excluding depreciation and amortization, and impairment loss	(1,162,589)	(169,856)	(1,332,445)
	1,156,190	5,441	1,161,631
Depreciation and amortization	(335,696)	(35,690)	(371,387)
Impairment loss	(156,943)	(5,926)	(162,869)
Finance income	157,066	256	157,322
Finance cost	(73,328)	(3,287)	(76,615)
Other income – net	<u>40,575</u>	<u>1</u>	<u>40,575</u>
Income before tax	787,864	(39,206)	748,659
Tax income (expense)	(80,935)	<u>2,785</u>	(78,151)
Segment net income (loss)	<u>P 706,929</u>	<u>(P 36,421)</u>	<u>P 670,508</u>
<u>May 31, 2021 (Audited)</u>			
Segment assets	<u>P 15,842,994</u>	<u>P 2,894,828</u>	<u>P 18,737,822</u>
Segment liabilities	<u>P 5,266,928</u>	<u>P 1,332,579</u>	<u>P 6,599,507</u>

7.5 Reconciliation

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

	2022 <u>(Unaudited)</u>	2021 <u>(Unaudited)</u>
Revenues		
Segment revenues	P 2,840,155	P 2,494,077
Unallocated corporate revenues	13,219	9,811
Elimination of intersegment revenues	(60,497)	(60,384)
Revenues as reported in condensed consolidated statements of profit or loss	<u>P 2,792,877</u>	<u>P 2,443,503</u>
Profit or loss		
Segment net income	P 1,074,062	P 670,508
Unallocated corporate income	46,568	34,178
Elimination of intersegment transactions	(18,326)	(1,536)
Net income as reported in condensed consolidated statements of profit or loss	<u>P 1,102,304</u>	<u>P 703,150</u>
	February 28, 2022 <u>(Unaudited)</u>	May 31, 2021 <u>(Audited)</u>
Assets		
Segment assets	P 20,032,139	P 18,737,822
Unallocated corporate assets	1,760,222	1,687,701
Elimination of intercompany accounts	(4,883,417)	(5,004,154)
Total assets reported in condensed consolidated statements of financial position	<u>P 16,908,945</u>	<u>P 15,421,369</u>
Liabilities		
Segment liabilities	P 7,305,344	P 6,599,507
Unallocated corporate liabilities	96,799	78,170
Elimination of intercompany accounts	(2,418,003)	(2,521,441)
Total liabilities reported in condensed consolidated statements of financial position	<u>P 4,984,141</u>	<u>P 4,156,236</u>

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of February 28, 2022, and May 31, 2021, are shown below.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Cost	P 12,048,268,957	P 11,916,602,079
Impairment loss	(2,804,402)	(2,804,402)
Accumulated depreciation and amortization	(<u>3,397,560,534</u>)	(<u>3,026,707,865</u>)
Net carrying amount	<u>P 8,647,904,021</u>	<u>P 8,887,089,812</u>

A reconciliation of the carrying amounts of property and equipment at the beginning and end of nine months ended February 28, 2022, and year ended May 31, 2021, are shown below.

	February 28, 2022 (Unaudited)	May 31 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	P 8,887,089,812	P 9,363,421,490
Additions	134,130,838	201,349,631
Disposals	(2,463,960)	-
Reclassifications	-	(155,134,625)
Depreciation and amortization charges for the period	(<u>370,852,669</u>)	(<u>522,546,684</u>)
Balance at end of period net of accumulated depreciation and amortization	<u>P 8,647,904,021</u>	<u>P 8,887,089,812</u>

Right-of-use asset, amounting to P31.5 million, was recognized as part of Property and Equipment in the consolidated statements of financial position.

9. LEASES

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

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublease 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 the 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 P10.0 million as of February 28, 2022, and May 31, 2021. The non-current portion amounting to P24.5 million is presented separately in the consolidated statement of financial position as of February 28, 2022, and May 31, 2021.

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 February 28, 2022, and May 31, 2021, are shown below.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Cost	P 578,637,083	P 563,121,907
Accumulated depreciation and amortization	(311,216,569)	(286,050,998)
Net carrying amount	<u>P 267,420,514</u>	<u>P 277,070,909</u>

A reconciliation of the carrying amounts of investment property at the beginning and end of nine months ended February 28, 2022, and year ended May 31, 2021, is shown below.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	P 277,070,909	P 194,193,727
Additions	15,515,176	26,719,418
Reclassifications	-	89,127,641
Depreciation and amortization charges for the period	(25,165,571)	(32,969,877)
Balance at end of period net of accumulated depreciation and amortization	<u>P 267,420,514</u>	<u>P 277,070,909</u>

10.1 Related Income and Direct Expenses

The total rental income earned by the Group from its investment properties amounted to P14.2 million and P10.7 million for the nine months ended February 28, 2022, and 2021, 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 P293.5 million as of February 28, 2022, and May 31, 2021. 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 is shown below.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Current	P 93,809,524	P 187,619,048
Non-current	<u>2,237,857,143</u>	<u>2,284,761,905</u>
	<u>P 2,331,666,667</u>	<u>P 2,472,380,953</u>

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

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Balance at beginning of period	P 2,472,380,953	P 2,605,238,096
Availment	-	1,142,857,143
Payments	(<u>140,714,286</u>)	(<u>1,275,714,286</u>)
Balance at end of period	<u>P 2,331,666,667</u>	<u>P 2,472,380,953</u>

The total interest incurred by the Group on all of these loans, amounting to P39.3 million and P48.5 million for the nine months ended February 28, 2022, and 2021, respectively, are presented as part of Finance Costs in the condensed consolidated statements of profit or loss, while any outstanding interest payable is recognized as part of Trade and Other Payables in the condensed consolidated statements of financial position.

As of February 28, 2022, and May 31, 2021, 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 February 28, 2022 and May 31, 2021, 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 February 28, 2022, and May 31, 2021, 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 February 28, 2022, and May 31, 2021, of which 24,093,094 were issued and outstanding and with par value of P100 per share.

Below is the ownership structure of the University's outstanding shares as of February 28, 2022, and May 31, 2021.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Number of shares held by related parties	15,213,820	15,959,877
Number of shares held by the public	<u>8,754,828</u>	<u>8,016,071</u>
Total shares issued and outstanding	<u><u>23,968,648</u></u>	<u><u>23,975,948</u></u>

As of February 28, 2022, and May 31, 2021, the public owns 36.53% and 33.43%, respectively, of the University's listed shares.

As of February 28, 2022, and May 31, 2021, there are 1,509 holders of the listed common shares owning at least one share.

All shares of the University are listed on the PSE, there had been no follow-on listing since the initial listing in 1986 at an offer price of P100. The closing price of the University's listed shares was P532 and P570 per share as of February 28, 2022, and May 31, 2021, respectively.

12.2 Treasury Stock

This account includes the University's common shares acquired by FRC in various dates during and held as of February 28, 2022, and May 31, 2021. 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 P71.4 million and P67.2 million as of February 28, 2022, and May 31, 2021, 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 crossholding 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 February 28, 2022, and May 31, 2021 the University's Appropriated Retained Earnings consists of appropriations for:

Property acquisition and investment	P 493,500,000
Purchase of equipment, furniture, and fixtures	257,000,000
Contingencies	90,000,000
Treasury shares	<u>3,733,100</u>
	<u><u>P 844,233,100</u></u>

Appropriations are annually assessed and updated, the changes in the appropriated retained earnings are shown below.

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Balance at beginning of period	P 844,233,100	P 1,909,733,100
Reversal of appropriations	-	(1,155,500,000)
Appropriations during the period	-	90,000,000
Net carrying amount	<u>P 844,233,100</u>	<u>P 844,233,100</u>

(b) Dividend Declaration

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

February 28, 2022:

	Declaration	Date of Record	Payment/Issuance	Amount
Cash dividend of P8 per share	September 21, 2021	October 5, 2021	October 20, 2021	P 191,749,184
Cash dividend of P10 per share	February 15, 2022	March 2, 2022	March 17, 2022	240,557,630
				<u>P 432,306,814</u>

May 31, 2021:

	Declaration	Date of Record	Payment/Issuance	Amount
Cash dividend of P3 per share	November 17, 2020	December 3, 2020	December 16, 2020	71,826,401
Cash dividend of P5 per share	February 16, 2021	March 3, 2021	March 15, 2021	119,710,668
				<u>P 191,537,069</u>

12.4 Subsidiaries with Material Non-controlling Interest

(a) FRC

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. The University holds 38.18% interest in FRC as of February 28, 2022, and May 31, 2021.

(b) EACCI and FEUAI

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

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 P1.2 billion as of February 28, 2022, and May 31, 2021.

In 2021, 2020 and 2019, FEUAI also issued its newly authorized preferred shares to EAEF. Total cost of preferred shares issued and outstanding amounts to P750.0 million as of February 28, 2022, and May 31, 2021.

(c) *Edustria Incorporated*

Upon incorporation of Edustria, the Parent Company subscribed to 255.0 million shares, representing 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 condensed consolidated statements of financial position.

13. EARNINGS PER SHARE

Earnings per share amounts for the nine months ended February 28, 2022, and 2021 were computed as follows:

	2022 (Unaudited)	2021 (Unaudited)
Net income attributable to owners of the parent company	P1,084,570,687	P 689,414,672
Divided by weighted average number of number of shares outstanding, net of treasury stock	<u>23,968,648</u>	<u>23,975,948</u>
Basic and diluted earnings per share	<u>P 45.25</u>	<u>P 28.75</u>

The University has no dilutive potential common shares as of February 28, 2022, and 2021; the diluted earnings per share and the basic earnings per share is the same.

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 February 28, 2022, FRC has commitments of about P66.0 million for the condominium units acquired at pre-selling stage that are currently under construction.

14.2 Operating Lease Commitments as Lessor

FRC lease out certain buildings to EAEF and NREF for varying periods. FRC also lease out certain land and building 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

	February 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Within one year	P 2,769,007	P 4,497,842
After one year but not more than five years	<u>7,491,823</u>	<u>8,770,915</u>
	<u>P 10,260,830</u>	<u>P 13,268,757</u>

14.3 Other Contingencies

There are other contingencies that arise in the normal course of business that are not recognized in the Group's financial statements. Management believes that losses, if any, arising from these commitments and contingencies will not materially affect its financial statements, however, the University opted to 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 adjusts it, in tandem to 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

The Group monitors capital based on debt-to-equity ratio, which is calculated as total adjusted liabilities i.e., 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 28, 2022 (Unaudited)	May 31, 2021 (Audited)
Total adjusted liabilities	P 3,937,089,228	P 4,122,563,634
Total adjusted equity attributable to owners of the parent company	<u>9,089,830,091</u>	<u>8,437,566,218</u>
Debt-to-equity ratio	<u>0.43 : 1.00</u>	<u>0.49 : 1.00</u>

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 periods 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. Revenue for a particular school year (SY) started to be earned only in August, based on the current academic calendar.

For the University and FECSI (FEU Cavite), there are three school terms within a fiscal year: Midyear term (June to July); First semester (August to December); and Second semester (January to May).

The first semester has the highest number of students enrolled. The second semester enrollment is approximately at least 90% of the first semester's enrollment, while the midyear term is the lowest at an approximate at least of 30%. The maximum load, in terms of subject units, of a student during the midyear 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/trimester of a particular SY. Thus, old rates are followed during the midyear term/third trimester of the previous SY, while new rates are applied during the first semester/trimester and succeeding terms of the current SY.

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

In March 14 and March 22, 2022, FRC acquired 10,000 shares and 1,000 shares, respectively, of the University's shares bringing its total holdings to 98,115 shares of the University.