C02824-2023

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report (Date of earliest event reported)

   Apr 18, 2023

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

   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

   0287358686

9. Former name or former address, 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. Indicate the item numbers reported herein

   1

Far Eastern University, Incorporated
FEU

PSE Disclosure Form 4-8 - Change in Directors and/or Officers (Resignation/Removal or Appointment/Election)
References: SRC Rule 17 (SEC Form 17-C) and Section 4.4 of the Revised Disclosure Rules

Subject of the Disclosure
FEU Appointment of Ms. Pamela M. Hernandez as Controller

Background/Description of the Disclosure

In compliance with the disclosure requirements of the Commission, we hereby inform the SEC of the appointment of Ms. Pamela M. Hernandez as Controller of the Far Eastern University, Inc. (FEU), effective 18 April 2023.

Below is Ms. Hernandez' brief profile:

Ms. Pamela M. Hernandez had more than two decades of professional work experience, significantly acquired from public accounting practice, locally and overseas.

Her other prior work exposures were obtained from within corporate and educational sectors, as Financial and Tax Advisor for one of the largest food concessionaires in the Philippines, as Accounting and Budget Manager for a publicly listed cargo shipping company, and early on, as Internal Auditor for a top universal bank and as a Reviewer at her university.

Ms. Hernandez is a Certified Public Accountant with a degree of Bachelor of Science in Accountancy, cum laude, from the Ateneo de Naga University. Her Masters in Management post-graduate degree, with commendation, was completed in 2010.

Resignation/Removal or Replacement

Name of Person	Position/Designation	Effective Date of Resignation/Cessation of term (mmm/dd/yyyy)	Reason(s) for Resignation/Cessation
-	-	-	-

Election or Appointment

Name of Person	Position/Designation	Date of Appointment/Election (mmm/dd/yyyy)	Effective Date of Appointment Election (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
				Direct	Indirect	

Ms. Pamela M. Hernandez	Controller	04/18/2023	04/18/2023	0	0	-

Promotion or Change in Designation

Name of Person	Position/Designation		Date of Approval (mmm/dd/yyyy)	Effective Date of Change (mmm/dd/yyyy)	Shareholdings in the Listed Company		Nature of Indirect Ownership
	From	To			Direct	Indirect	
-	-	-	-	-	-	-	-

Other Relevant Information
None.

Filed on behalf by:

Name	Rosalinda Basilio
Designation	Supervisor

COVER SHEET

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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

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

Atty. Anthony Raymond A. Goqingco

Contact Person

8 735-8686

Company Telephone Number

SEC Form 17-Q

Quarterly Report - February 28, 2023

FORM TYPE

0 5	3 1
Month	Day

Calandar year

1 0	1 5
Month	Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended articles Number/Section

1,541

Total No. of Stockholders

Total Number of Barrowings

Domestic

Foreign

To be accomplished by SEC Personel concerned

File Number

LCU

Dicument I. D.

Cashier

STAMPS

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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, 2023**
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

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, INCORPORATED

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

PAMELA M. HERNANDEZ
Chief Accountant and
Budget Director

Manila
12 April 2023

Management's Discussion and Analysis

As an academic institution, Far Eastern University (FEU, the Group, or the FEU Schools) believes in education as core foundation in nation-building and its importance to students who benefit from quality instruction, research and community integration.

The Group's nine-months results benefited from the increase in student population for school year (SY) 2022-2023 as compared with SY 2021-2022, tempered by the cost effect of last year's full online mode to the current period's face-to-face classes, and the year-on-year fluctuations in finance income, which are market driven. The operating cash flows remain stable, and earnings are expected to be sustained in the last quarter of the year.

FEU Schools opened its campus to face-to-face learning for the second semester of SY 2021 – 2022, on February 14, 2022, one of the first schools to do so and under the guidance of the Commission of Higher Education (CHED) and Department of Health (DOH) Joint Memorandum Circular No. 2021-004. It was a very joyful moment, both for school administration and for the students, to have commenced the path towards normal school operations and activities.

Consolidated Financial Position

As of the February 28, 2023, the Group's consolidated financial position remained stable, as the Group's liquidity and solvency remain consistently sound.

		February 28, 2023	May 31, 2022
Current ratio	Total Current Assets / Total Current Liabilities	1.86 : 1	2.52 : 1
Debt-to-equity ratio	Total Liabilities / Total Stockholders' Equity	39%	32%
Equity-to-asset ratio	Stockholders Equity / Total Assets	72%	75%

Consolidated total assets of the Group increased by P1,730.68 million to P18,005.26 million as of the report date. Both current and non-current assets grew by P1,247.97 million to P6,509.72 million, and by P482.71 million to P11,495.54 million, respectively, as of the report date.

Consolidated total liabilities expanded by P1,099.89 million, to P5,090.62 million as current liabilities increased by P1,412.93 million, while noncurrent liabilities subsided by P313.05 million.

The increase in the consolidated total assets and consolidated total liabilities as of the report date were driven mainly by the normal cycle of student enrollments, particularly for the second semester, as accounts receivable grew with the corresponding increase in deferred tuition revenues.

The Group's consolidated total equity reached P12,914.64 million, a P630.79 million growth from its beginning balance of P12,283.85 million.

Below are real accounts with most significant changes as of February 28, 2023 compared to May 31, 2022.

	February 28, 2023	May 31, 2022	Increase (Decrease)	%
Cash and cash equivalents	**P 2,089,082,472**	P 1,600,121,325	P 488,961,147	31%
Trade and other receivables – net	**1,694,043,558**	897,783,648	796,259,910	89%
Financial assets at fair value through other comprehensive income (FVOCI)	**2,218,604,138**	1,746,367,050	472,237,088	27%
Interest-bearing loans	**1,918,163,265**	2,284,761,905	(366,598,640)	-16%
Deferred revenues	**1,279,461,863**	73,185,176	1,206,276,687	1648%

Cash and cash equivalents grew due to net positive cash flows from operations.

Trade and other receivables increased resulting from the recent second semester SY 2022-2023 enrollment.

Financial assets at FVOCI additions resulted from the reinvestment of finance income and investments made to this investment class.

Interest-bearing loans were reduced as scheduled principal repayments were made.

Deferred revenues represent the assessed tuition fees which will be realized as income upon delivery of instruction. The comparative but higher balance as of February 28, 2023 came from collections and assessments for the second semester enrollment in January 2023, which will be recognized as revenue by the end of the SY 2022-2023 in May 2023. The balance as of May 31, 2022 consists primarily of the advance payments by incoming freshmen enrollees for the SY 2022-2023.

Consolidated Results of Operation

The Group's nine-month net income improved by 12% as it reached P1,235.56 million, higher by P133.25 million compared with the consolidated net income during the same period last year. This is on account of strong operating results due to scale and rational control and monitoring of operating expenses.

Below are the profitability indicators for the respective periods.

		February 28, 2023 (Nine Months)	**February 28, 2022 (Nine Months)**
Return on assets	Net Income / Average Total Assets	7%	7%
Return on equity	Net Income / Average Total Equity	10%	10%
Earnings per share	Net Income / Average Outstanding Shares	P 50.62	P 45.25

The core operations delivered a 17% increase from last year's results due to the increase in enrollment, despite the higher operating expenses resulting from the return to full face-to-face modality for the current SY 1 and inclusive of the supporting administrative work.

While core school operations are now more stable post-pandemic, non-core operations are carefully being monitored as the financial markets continue to fluctuate.

Below are the main profit or loss accounts with significant changes during the nine months ended February 28, 2023, and 2022.

	2023	2022	Increase (Decrease)	%
REVENUES				
Educational revenues	**P 3,322,911,278**	P 2,778,632,457	P 544,278,821	20%
Finance income	**119,417,910**	160,228,564	(40,810,654)	-25%
EXPENSES				
Salaries and employee benefits	**1,114,555,691**	960,613,343	153,924,348	16%
Utilities and communication	**117,498,097**	53,967,587	63,530,510	118%
Outside services	**117,731,069**	65,707,208	52,023,861	79%

Educational revenues grew, despite no increase in tuition rates, mainly due to higher student population.

Finance income includes interests on fixed-terms investments, dividends from equity investments, gain (loss) on sale of investments, fair value gains (losses) in financial assets at FVTPL, and foreign exchange (forex) gains on United States Dollar (USD) denominated investments. The current period decrease is mainly due to the downward market fluctuations affecting the fair value of investments in financial assets at FVTPL. This is partially offset by the periodic interest and dividend income earned, and current period forex gains on USD investments.

Salaries and employee benefits expense rose due to a higher headcount, both for administrative staff and proportionate to scale for teaching personnel, and overall yearly salary rate increases that took effect for the current year.

Utilities and communication expense went up on account of increased electricity, water and internet usage due to shift from full online to onsite classes and onsite administrative work.

Outside services expense increased mainly on account of janitorial and security services, due to shift from full online to onsite classes and onsite administrative work.

A Look at What Lies Ahead

The FEU management remains cognizant of the Group's exposure to the risks in its business environment, particularly inflation caused by the continuous Russia-Ukraine war, and the Central Bank response of higher interest rates. Other extraneous factors include the shutdown of certain banks in the United States and Europe, and various recent geopolitical events like the OPEC + countries' cutdown in oil supply which will certainly have a global economic impact.

For the rest of the year, the Group expects to maintain its sound financial position and sustain its positive results of operations.

FEU expects to boost the results of its core operations in the future. In line with the goal to expand FEU's academic footprint and its trademark of quality educational services to a wider geographical scope, it has undertaken significant financial investments in Good Samaritan Colleges in Nueva Ecija and JPMC College of Health Sciences in Brunei. Moving forward, FEU will focus on providing the needed technical academic support for its new affiliates to ensure its programs are aligned with the regulatory and the Group's quality standards.

On the academic operations, FEU successfully brought back its unique in-campus learning experience to its students as it completed the first semester with an increased student population. It expects to continue this positive trend for the rest of the SY, as evidenced by the stable enrollment for the second semester.

Even with the return of in-campus activities and with practically no government mandated health-related restrictions, the Group, as always, remains committed to strict adherence to the minimum health and safety protocols, and to adapting all feasible safeguards as it endeavors to ensure a balance of service delivery to all stakeholders, students, and employees, alike, without compromise to safety.

Management will continue to be prudent in the implementation of its operations, investment, and business continuity plans, both at the corporate and the academic levels, to mitigate any foreseen negative impacts on the overall operations.

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

I. Test of Liquidity

The Group's financial position shows its 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 in all FEU Schools. Moreover, the performance of the graduates of the different FEU Schools in their respective professional licensure examinations continues to deliver results that are above the national passing rates.

The University's high standard of quality continues to be recognized by the Commission on Higher Education (CHED) and 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 accreditations include those from the ASEAN University Network (AUN), Association to Advance Collegiate Schools of Business (AACSB) and the Asia-Pacific Institute for Events Management (APIEM).

In 2022, FEU (FEU-Manila and FEU Institute of Technology) were again recognized as among the Top 100 Innovative Universities in the world by **World's Universities With Real Impact (WURI)**. In the 19th edition of the Philippine Quill Awards by the International Association of Business Communicators (IABC), FEU received a total of 26 awards including the 1st Runner-Up in the School of the Year category.

V. Market Acceptability

The FEU Group of Schools remains to be a top choice of its target market. The educational revenues earned during the past 10 years show a steady improvement. Despite the challenges of K-12 program (mainly in 2018 where there were no freshmen and sophomore students), and the COVID-19 pandemic (in 2020 to 2022), the revenue stream remains stable due to the unwavering acceptance by the market of the FEU-brand of quality education.

FEU is consistent with its commitment to provide scholarships and financial assistance to its students and is continuously working to even increase the coverage of its student population.

<u>Other Items</u>

1. The current economic condition remains stable but certain economic factors bear watching as they may 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, 2023 AND MAY 31, 2022
(Amounts in Philippine Pesos)

		February 28, 2023 (Unaudited)		May 31, 2022 (Audited)
A S S E T S				
CURRENT ASSETS				
Cash and cash equivalents	**P**	**2,089,082,472**	P	1,600,121,325
Trade and other receivables - net		**1,694,043,558**		897,783,648
Financial assets at fair value through profit or loss		**1,633,712,981**		1,830,571,990
Financial assets at fair value through other comprehensive income		**723,546,626**		547,401,071
Investment securities at amortized cost		**73,015,100**		106,110,590
Other current assets - net		**296,319,923**		279,764,767
Total Current Assets		**6,509,720,660**		5,261,753,391
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income		**1,495,057,512**		1,198,965,979
Investment securities at amortized cost		**559,258,333**		536,853,247
Investment in associates		**160,669,794**		-
Property and equipment - net		**8,461,080,826**		8,605,591,276
Investment properties - net		**201,973,862**		220,098,346
Goodwill		**186,487,019**		186,487,019
Deferred tax assets - net		**33,445,044**		3,921,618
Other non-current assets		**397,570,940**		260,913,615
Total Non-current Assets		**11,495,543,330**		11,012,831,100
TOTAL ASSETS	**P**	**18,005,263,990**	P	16,274,584,491

Forward

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Trade and other payables	**P 1,758,073,282**	P 1,517,457,628
Interest-bearing loans	**426,258,503**	473,163,265
Deferred revenues	**1,279,461,863**	73,185,176
Provisions	**18,637,254**	18,647,254
Income tax payable	**17,563,626**	4,608,544
Total Current Liabilities	**3,499,994,528**	2,087,061,867
NON-CURRENT LIABILITIES		
Lease liabilities	**13,084,637**	13,084,637
Interest-bearing loans	**1,491,904,762**	1,811,598,640
Post-employment benefit obligation	**53,183,248**	49,808,248
Deferred tax liabilities - net	**20,314,780**	20,314,780
Other non-current liabilities	**12,141,196**	8,869,958
Total Non-current Liabilities	**1,590,628,623**	1,903,676,263
Total Liabilities	**5,090,623,151**	3,990,738,130
EQUITY		
Equity attributable to owners of the parent company		
Capital stock	**2,406,799,300**	2,406,799,300
Treasury stock - at cost	**(77,615,275)**	(76,660,836)
Revaluation reserves	**(9,847,799)**	(5,358,290)
Other reserves	**(57,785,452)**	(57,785,452)
Retained earnings		
Appropriated	**1,184,853,389**	1,184,853,389
Unappropriated	**6,457,822,077**	5,917,341,539
Total equity attributable to owners of parent company	**9,904,226,240**	9,369,189,650
Non-controlling interests	**3,010,414,599**	2,914,656,711
Total Equity	**12,914,640,839**	12,283,846,361
TOTAL LIABILITIES AND EQUITY	**P 18,005,263,990**	P 16,274,584,491

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, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	December 1, 2022 - February 28, 2023	December 1, 2021 - February 28, 2022	**June 1, 2022 - February 28, 2023**	June 1, 2021 - February 28, 2022
REVENUES				
Educational				
Tuition fees - net	**P 1,397,602,498**	P 1,182,392,454	**P 3,210,283,457**	P 2,699,511,917
Other school fees	**51,759,132**	22,066,771	**112,627,821**	79,120,540
	1,449,361,630	1,204,459,225	**3,322,911,278**	2,778,632,457
Rental	**7,534,559**	2,227,413	**18,702,178**	14,169,484
	1,456,896,189	1,206,686,638	**3,341,613,456**	2,792,801,941
OPERATING EXPENSES	**(821,336,677)**	(705,150,427)	**(2,232,591,147)**	(1,836,703,075)
OTHER OPERATING INCOME	**9,913,906**	4,602,124	**16,049,854**	4,664,510
OPERATING INCOME	**645,473,418**	506,138,335	**1,125,072,163**	960,763,376
FINANCE INCOME (LOSS)	**(23,673,422)**	38,611,546	**119,417,910**	160,228,564
FINANCE COSTS	**(30,970,597)**	(14,087,256)	**(63,241,533)**	(45,933,326)
OTHER INCOME (CHARGES) - NET	**33,777,923**	(2,886,479)	**88,590,364**	60,012,236
INCOME BEFORE TAX	**624,607,322**	527,776,146	**1,269,838,904**	1,135,070,850
TAX EXPENSE	**(17,267,470)**	(15,133,303)	**(34,282,849)**	(32,766,380)
NET INCOME	**P 607,339,852**	P 512,642,843	**P 1,235,556,055**	P 1,102,304,470
Net Income Attributable to:				
Owners of the parent company	**P 599,306,126**	P 510,208,286	**P 1,212,668,291**	P 1,084,570,687
Non-controlling interests	**8,033,726**	2,434,557	**22,887,764**	17,733,783
	P 607,339,852	P 512,642,843	**P 1,235,556,055**	P 1,102,304,470
Earnings Per Share				
Basic and Diluted	**P 25.02**	P 21.29	**P 50.62**	P 45.25

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, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

	For the Quarter		Year-to-Date	
	December 1, 2022 - February 28, 2023	December 1, 2021 - February 28, 2022	**June 1, 2022 - February 28, 2023**	June 1, 2021 - February 28, 2022
NET INCOME	**P 607,339,852**	P 512,642,843	**P 1,235,556,055**	P 1,102,304,470
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Net fair value gains (losses) on debt securities classified as financial assets at fair value through other comprehensive income	**51,033,033**	(6,168,765)	**(1,033,464)**	(9,079,487)
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	**1,649,414**	5,874,519	**(226,128)**	6,780,447
Income (loss) on remeasurement of post-employment benefit plan	**241,234**	(2,428,577)	**(3,859,793)**	(3,866,759)
	1,890,648	3,445,942	**(4,085,921)**	2,913,688
Other Comprehensive Income (Loss)	**52,923,681**	(2,722,823)	**(5,119,385)**	(6,165,799)
TOTAL COMPREHENSIVE INCOME	**P 660,263,533**	P 509,920,020	**P 1,230,436,670**	P 1,096,138,671
Total Comprehensive Income Attributable to:				
Owners of the parent company	**P 652,124,411**	P 504,699,606	**P 1,207,548,906**	P 1,073,977,251
Non-controlling interests	**8,139,122**	5,220,414	**22,887,764**	22,161,420
	P 660,263,533	P 509,920,020	**P 1,230,436,670**	P 1,096,138,671

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

	Attributable to Owners of the Parent Company									
					Retained Earnings					
	Capital Stock	Treasury Stock - at Cost	Revaluation Reserves	Other Reserves	Appropriated	Unappropriated	Total	Total	Non-controlling Interests	Total Equity
Balance at June 1, 2022	P 2,406,799,300	(P 76,660,836)	(P 5,358,290)	(P 57,785,452)	P 1,184,853,389	P 5,917,341,539	P 7,102,194,928	P 9,369,189,650	P 2,914,656,711	P 12,283,846,361
Transactions with owners										
Additional investment of non-controlling interest	-	-	-	-	-	-	-	-	73,500,000	73,500,000
Acquisition of treasury stock	-	(954,439)	-	-	-	-	-	(954,439)	-	(954,439)
Cash dividends	-	-	-	-	-	(672,187,753)	(672,187,753)	(672,187,753)	-	(672,187,753)
	-	(954,439)	-	-	-	(672,187,753)	(672,187,753)	(673,142,192)	73,500,000	(599,642,192)
Total comprehensive income (loss)										
Net income for the period	-	-	-	-	-	1,212,668,291	1,212,668,291	1,212,668,291	22,887,764	1,235,556,055
Other comprehensive loss	-	-	(4,489,509)	-	-	-	-	(4,489,509)	(629,876)	(5,119,385)
	-	-	(4,489,509)	-	-	1,212,668,291	1,212,668,291	1,208,178,782	22,257,888	1,230,436,670
Balance at February 28, 2023	**P 2,406,799,300**	**(P 77,615,275)**	**(P 9,847,799)**	**(P 57,785,452)**	**P 1,184,853,389**	**P 6,457,822,077**	**P 7,642,675,466**	**P 9,904,226,240**	**P 3,010,414,599**	**P 12,914,640,839**
Balance at June 1, 2021	P 2,406,799,300	(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 (loss)										
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)	-	-	-	-	(10,593,436)	4,427,637	(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 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

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, 2023 AND 2022
(Amounts in Philippine Pesos)
(UNAUDITED)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	P 1,269,838,904	P 1,135,070,850
Adjustments for:		
Depreciation and amortization	390,348,854	396,018,240
Other investment income from financial assets at fair value through profit or loss (FVTPL) and other comprehensive income (FVOCI) - net	(68,074,040)	(42,315,886)
Interest expense and other finance cost	63,241,533	45,933,326
Interest income	(48,311,074)	(27,416,323)
Unrealized foreign exchange gains - net	(34,544,147)	(37,032,124)
Impairment loss on receivables	36,743,065	51,080,453
Fair value loss (gain) from financial assets at FVTPL	32,426,009	(53,464,231)
Operating income before working capital changes	1,641,669,104	1,467,874,305
Increase in trade and other receivables	(832,918,000)	(737,006,681)
Increase in other assets	(51,358,795)	(39,788,666)
Decrease in trade and other payables	(165,765,989)	(312,098,722)
Increase in deferred revenues	1,206,276,687	1,013,379,137
Decrease in provisions	(10,000)	-
Increase (decrease) in post-employment benefit obligation	(484,793)	633,241
Increase in other non-current liabilities	3,271,238	1,937,612
Cash generated from operations	1,800,679,452	1,394,930,226
Income taxes paid	(29,151,461)	(15,527,708)
Net Cash From Operating Activities	1,771,527,991	1,379,402,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisition of financial assets at FVOCI	(473,496,680)	(474,186,518)
Acquisition of property and equipment	(219,011,390)	(134,130,838)
Net disposal (acquisition) of financial assets at FVTPL	195,039,512	(135,663,143)
Investment in associates	(160,669,794)	-
Increase in advances to suppliers and developers	(123,553,418)	(8,872,301)
Interest received	116,385,114	69,732,209
Proceeds from maturities of investment securities at amortized cost	66,651,840	19,308,742
Acquisition of investment securities at amortized cost	(52,108,776)	-
Additions to investment properties	(8,702,530)	(15,515,176)
Proceeds from disposal of property and equipment	-	2,463,960
Net Cash Used in Investing Activities	(659,466,122)	(676,863,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of interest-bearing loans	(366,598,640)	(140,714,286)
Dividends paid	(282,999,885)	(188,751,950)
Additional investment of non-controlling interest in a subsidiary	73,500,000	-
Interest paid	(46,047,758)	(41,954,172)
Acquisition of treasury shares	(954,439)	(4,161,000)
Net Cash Used in Financing Activities	(623,100,722)	(375,581,408)
NET INCREASE IN CASH AND CASH EQUIVALENTS	488,961,147	326,958,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,600,121,325	1,191,146,185
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 2,089,082,472	P 1,518,104,230

See Notes to Condensed Consolidated Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE OF AGING OF NON-TRADE RECEIVABLES
FEBRUARY 28, 2023
(Amounts in Philippine Pesos)
(UNAUDITED)

	Current				
	One to Six Months	**Seven Months to One Year**	**More than One Year**	**Past Due**	**Total**
Advances to Employees - Official and Personal	P 31,643,248	P -	P -	P -	P 31,643,248
Accrued interest income	5,670,180	-	-	-	5,670,180
Receivables from:					
Nicanor Reyes Educational Foundation	43,903,415	-	-	-	43,903,415
FEU Public Policy Center Foundation	7,031,770	-	19,833,397	-	26,865,167
Nicanor Reyes Memorial Foundation	4,031,125	-	-	-	4,031,125
FEU Health, Welfare and Retirement Fund Plan	2,989,887	-	-	-	2,989,887
Others	61,311,587	-	-	-	61,311,587
TOTALS	**P 156,581,212**	**-**	**P 19,833,397**	**P -**	**P 176,414,609**

FAR EASTERN UNIVERSITY, INCORPORATED
AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2023
(With Comparative Figures as of May 31, 2022)
(Amounts in Philippine Pesos)
(UNAUDITED)

1. CORPORATE INFORMATION

The Far Eastern University, Incorporated (the University or FEU or Parent Company) is a 95-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 has been designated the Autonomous Status by the Commission on Higher Education (CHED) on July 25, 2012, with extended validity until May 31, 2023.

On top of existing highly accredited programs from local accreditors, such as the Philippine Association of Colleges and Universities Commission on Accreditation and the Philippine Accrediting Association of Schools, Colleges and Universities, parallel international certifications by the ASEAN University Network – Quality Assurance for a number of programs were also obtained by FEU. In addition, progressive yearly ascent in rankings was noted in the World's Universities with Real Impact.

As at February 28, 2023 and May 31, 2022, the University holds interest in the following subsidiaries and associates:

	Percentage of Effective Ownership	
Company Name	**February 28, 2023**	May 31, 2022
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)	**38.18%**	38.18%
Associates:		
JPMC College of Health Sciences SDN BHD (JCHS)	**40%**	-
Good Samaritan Colleges, Inc. (GSC)	**34%**	-

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

All are incorporated and are operating in the Philippines, except JCHS, which is registered and operating in Brunei.

The parent company and its subsidiaries are consolidated and 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 related merchandise in several campuses of RCI.

JCHS was established to operate a private nursing school in Brunei Darussalam, for which the University provides academic and technical management services. In July 2022, by virtue of an Investment Agreement, the University and Jerudong Park Medical Centre Sendirian Berhad (JPMC) of Brunei, agreed to invest a total of Brunei Dollar (BND) 5.5 million in JCHS, with the University and JPMC to have equity ownerships of 40% and 60%, respectively. In February 2023, the University made its full investment in JCHS amounting to BND 2.2 million, or an equivalent of P90.7 million.

GSC is an educational institution that offers junior and senior high school, tertiary, and graduate school education in Cabanatuan City, Nueva Ecija. In August 2022, with the approval of its Board of Trustees (BOT), the University entered into an Investment Agreement for the acquisition of 77,273 common shares of GSC, representing 34% equity ownership, for P70.0 million. In October 2022, the University completed its investment in GSC.

2. BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These Condensed Consolidated Financial Statements (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, 2022.

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

3. CHANGES TO ACCOUNTING POLICIES

3.1 Effective in Fiscal Year 2023 that are Relevant to the Group

There are other amendments and annual improvements to existing standards effective for annual periods beginning on or after January 1, 2022, which are adopted by the Financial Reporting Standards Council. Management will adopt the relevant pronouncements in accordance with their transitional provisions. These are expected to have no significant impact on the Group's CCFS.

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
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities
Illustrative Examples Accompanying PFRS 16	:	Leases – Lease Incentives

3.2 Effective Subsequent to Fiscal Year 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to fiscal year 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions. None of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sales or Contribution of Assets Between Investor and its Associates or Joint Ventures* (effective date deferred indefinitely)

4. USE OF ACCOUNTING JUDGEMENTS AND ESTIMATE

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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, 2022.

There are new PFRS, annual improvements and interpretations to the existing standards that are effective for periods subsequent to 2023 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 2023.

5.2 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:	Report Date
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.

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.

5.3 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 values of the Group's classes of financial assets and financial liabilities are determined as follows:

a) Equity Securities

The fair value of listed common and preferred 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 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 fair value of the Group's golf club shares are derived from market which is not 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.

5.4 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. SEGMENT INFORMATION

6.1 Business Segments

The Group is organized into different business units based on separate entities' operational significance and the timing of academic operations for purposes of management assessment of each segment. In identifying its operating segments, management generally assesses each FEU school's 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.

6.2 Segment Assets and Liabilities

Segment assets are allocated based on their direct association with a specific segment.

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

6.3 Intersegment Transactions

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

6.4 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, 2023 and 2022, and as of February 28, 2023 and May 31, 2022 are presented in the following page (in thousands).

	FEU Main	Trimestral Schools	Other Schools	Total
February 28, 2023 (Unaudited)				
Segment revenues				
From external customers	P 2,034,070	P 816,353	P 495,706	P 3,346,129
Intersegment revenues	31,832	-	-	31,832
Total revenues	2,065.902	816,353	495,796	3,377,961
Operating expenses excluding depreciation and amortization, and impairment loss	(1.158,389)	(395,887)	(351,504)	(1,905,780)
	907,513	420,466	144,202	1,472,181
Depreciation and amortization	(175,423)	(139,453)	(64,292)	(379,168)
Impairment loss	(1,403)	(21,703)	(13,637)	(36,743)
Finance income	72,106	65,520	2,164	139,790
Finance cost	(49,523)	(3,307)	(13,626)	(66,456)
Other income – net	22,101	52,165	1,808	76,074
Income before tax	775,371	373,688	56,619	1,205,678
Tax expense	(11,253)	(5,879)	(1,046)	(18,178)
Segment net income	**P 764,118**	**P 367,809**	**P 55,573**	**P 1,187,500**
Segment assets	**P 11,256,116**	**P 5,945,179**	**P 3,929,085**	**P 21,130,380**
Segment liabilities	**P 4,771,206**	**P 666,061**	**P 1,729,819**	**P 7,167,086**
February 28, 2022 (Unaudited)				
Segment revenues				
From external customers	P 1,703,050	P 706,047	P 375,151	P 2,784,248
Intersegment revenues	60,497	-	-	60,497
Total revenues	1,763,547	706,047	375,151	2,844,745
Operating expenses excluding depreciation and amortization, and impairment loss	(939,511)	(294,605)	(285,868)	(1,519,984)
	824,036	411,442	89,283	1,324,761
Depreciation and amortization	(176,745)	(146,886)	(62,230)	(385,861)
Impairment loss	(5,545)	(31,832)	(13,704)	(51,081)
Finance income	132,498	49,262	859	182,619
Finance cost	(35,138)	(6,999)	(11,172)	(53,309)
Other income – net	19,010	52,790	2,456	74,256
Income before tax	758,116	327,777	5,492	1,091,385
Tax expense	(11,620)	(5,192)	(511)	(17,323)
Segment net income	P 746,496	P 322,585	P 4,981	P 1,074,062
May 31, 2022 (Audited)				
Segment assets	P 10,379,020	P 5,524,359	P 3,584,296	P 19,487,675
Segment liabilities	P 3,988,897	P 607,870	P 1,553,612	P 6,150,379

The Group's geographical segments, which are based on the location of all the Group's school campuses, for the nine months ended February 28, 2023 and 2022, and as of February 28, 2023 and May 31, 2022 are as follows (in thousands):

	NCR	Outside NCR	Total
February 28, 2023 (Unaudited)			
Segment revenues			
From external customers	P 2,988,963	P 357,166	P 3,346,129
Intersegment revenues	31,832	-	31,832
Total revenues	3,020,795	357,166	3,377,961
Operating expenses excluding depreciation and amortization, and impairment loss	(1,660,934)	(244,846)	(1,905,780)
	1,359,861	112,320	1,472,181
Depreciation and amortization	(318,898)	(60,270)	(379,168)
Impairment loss	(27,278)	(9,465)	(36,743)
Finance income	137,626	2,164	139,790
Finance cost	(52,850)	(13,606)	(66,456)
Other income – net	74,641	1,433	76,074
Income before tax	1,173,102	32,576	1,205,678
Tax expense	(17,487)	(691)	(18,178)
Segment net income	**P 1,155,615**	**P 31,885**	**P 1,187,500**
Segment assets	**P 17,640,229**	**P 3,490,151**	**P 21,130,380**
Segment liabilities	**P 5,688,525**	**P 1,478,561**	**P 7,167,086**
February 28, 2022 (Unaudited)			
Segment revenues			
From external customers	P 2,546,300	P 237,948	P 2,784,248
Intersegment revenues	60,497	-	60,497
Total revenues	2,606,797	237,948	2,844,745
Operating expenses excluding depreciation and amortization, and impairment loss	(1,338,851)	(181,133)	(1,519,984)
	1,267,946	56,815	1,324,761
Depreciation and amortization	(327,698)	(58,163)	(385,861)
Impairment loss	(44,238)	(6,843)	(51,081)
Finance income	182,337	282	182,619
Finance cost	(42,146)	(11,163)	(53,309)
Other income – net	71,800	2,456	74,256
Income (loss) before tax	1,108,001	(16,616)	1,091,385
Tax expense	(17,035)	(288)	(17,323)
Segment net income (loss)	P 1,090,966	(P 16,904)	P 1,074,062
May 31, 2022 (Audited)			
Segment assets	P 16,235,823	P 3,251,852	P 19,487,675
Segment liabilities	P 4,732,915	P 1,417,464	P 6,150,379

6.5 Reconciliation

Presented below is a reconciliation of the Group's segment information, for the nine months ended February 28, 2023 and 2022, and as of February 28, 2023 and May 31, 2022, to the key financial information presented in its CCFS (in thousands).

	2023 (Unaudited)	2022 (Unaudited)
Revenues		
Segment revenues	**P 3,377,961**	P 2,844,745
Elimination of intersegment revenues	**(31,832)**	(60,497)
Unallocated corporate revenues	**11,534**	13,218
Revenues as reported in condensed consolidated statements of profit or loss	**P 3,357,663**	P 2,797,466
Profit or loss		
Segment net income	**P 1,187,500**	P 1,074,062
Unallocated corporate net income	**55,398**	46,568
Elimination of intersegment transactions	**(7,342)**	(18,326)
Net income as reported in condensed consolidated statements of profit or loss	**P 1,235,556**	P 1,102,304

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Assets		
Segment assets	**P 21,130,380**	P 19,487,675
Elimination of intercompany accounts	**(4,962,764)**	(4,979,307)
Other unallocated corporate assets	**1,651,161**	1,579,729
Goodwill	**186,487**	186,487
Total assets reported in condensed consolidated statements of financial position	**P 18,005,264**	P 16,274,584
Liabilities		
Segment liabilities	**P 7,167,086**	P 6,150,379
Elimination of intercompany accounts	**(2,172,359)**	(2,238,240)
Unallocated corporate accounts	**95,896**	78,599
Total liabilities reported in condensed consolidated statements of financial position	**P 5,090,623**	P 3,990,738

7. FINANCIAL ASSETS AND LIABILITIES

7.1 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, 2023 (Unaudited)		May 31, 2022 (Audited)	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
At FVOCI –				
Debt and equity securities	**P 2,218,604,138**	**P 2,218,604,138**	P 1,746,367,050	P 1,746,367,050
At FVTPL –				
Equity securities and UITF	**1,633,712,981**	**1,633,712,981**	1,830,571,990	1,830,571,990
At amortized cost –				
Debt securities	**632,273,433**	**629,290,377**	642,963,837	642,292,373
	P 4,484,590,552	**P 4,481,607,496**	P 4,219,902,877	P 4,219,231,413
Financial liabilities				
At amortized cost –				
Interest-bearing loans	**P 1,918,163,265**	**P 1,771,184,531**	P 2,284,761,905	P 2,192,364,566

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 5.3).

Management has 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 12.

7.2 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**
February 28, 2023 (Unaudited)				
Financial assets at FVOCI –				
Debt and equity securities	P2,215,504,138	P 3,100,000	P -	P 2,218,604,138
Financial assets at FVTPL –				
Equity securities and UITF	924,804,019	708,908,962	-	1,633,712,981
Investment securities at amortized cost –				
Debt securities	629,290,377	-	-	629,290,377
	P3,769,598,534	**P 712,008,962**	**P -**	**P 4,481,607,496**

	Level 1	Level 2	Level 3	Total
May 31, 2022 (Audited)				
Financial assets at FVOCI –				
Debt and equity securities	P1,743,267,050	P 3,100,000	P -	P 1,746,367,050
Financial assets at FVTPL –				
Equity securities and UITF	994,118,153	836,453,837	-	1,830,571,990
Investment securities at amortized cost –				
Debt securities	642,292,373	-	-	642,292,373
	P3,379,677,576	P 839,553,837	P -	P 4,219,231,413

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

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

As of February 28, 2023 and May 31, 2022, the fair value of debt securities categorized as investments at amortized cost amounted to P629.3 million and P642.3 million, respectively, which is Level 1 in the hierarchy of fair values (see Note 7.2).

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, 2023 and May 31, 2022 equal or approximate their carrying amounts. Accordingly, the Group did not 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.

8. INVESTMENT PROPERTIES

The Group's investment properties include 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, 2023 and May 31, 2022, are shown below.

	February 28, 2023 (Unaudited)	May 31,2022 (Audited)
Cost	**P 551,008,368**	P 542,305,838
Accumulated depreciation and amortization	**(349,034,506)**	(322,207,492)
Net carrying amount	**P 201,973,862**	P 220,098,346

A reconciliation of the carrying amounts of investment property at the beginning and end of nine months ended February 28, 2023, and year ended May 31, 2022, is shown below.

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 220,098,346**	P 277,070,909
Additions	**8,702,530**	14,122,745
Reclassifications	**-**	(34,938,814)
Depreciation and amortization charges for the period	**(26,827,014)**	(36,156,494)
Balance at end of period net of accumulated depreciation and amortization	**P 201,973,862**	P 220,098,346

8.1 Related Income and Direct Expenses

The total rental income earned by the Group from its investment properties amounted to P18.7 million and P14.2 million for the nine months ended February 28, 2023 and 2022, respectively. The direct operating expenses, inclusive of depreciation and amortization, insurance, and real property taxes incurred by the Group relating to investment properties, are presented as part of Costs and Operating Expenses in the consolidated statements of profit or loss.

8.2 Fair Value Measurement of Investment Properties

The fair values (which is at Level 3) of the Group's investment properties presented below are determined on the basis of the latest appraisals performed by an independent appraiser in July 2022 covering the period ended February 28, 2023 and the year ended May 31, 2022.

The valuation process was conducted by the appraiser, with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations, to some extent in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location with an average of 5% to 10% adjustment.

Land	**P 553,262,103**
Building and improvements	**211,905,728**
	P 765,167,831

There were no known events that may have devalued the properties from its most recent appraisal.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of February 28, 2023 and May 31, 2022 are shown below.

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Cost	**P 12,376,881,502**	P 12,157,870,112
Impairment loss	**(2,804,402)**	(2,804,402)
Accumulated depreciation and amortization	**(3,912,996,274)**	(3,549,474,434)
Net carrying amount	**P 8,461,080,826**	P 8,605,591,276

A reconciliation of the carrying amounts of property and equipment at the beginning and end of nine months ended February 28, 2023, and year ended May 31, 2022 are shown below.

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Balance at beginning of period net of accumulated depreciation and amortization	**P 8,605,591,276**	P 8,887,089,812
Additions	**219,011,390**	207,442,131
Disposals	**-**	(1,014,867)
Reclassifications	**-**	34,840,769
Depreciation and amortization charges for the period	**(363,521,840)**	(522,766,569)
Balance at end of period net of accumulated depreciation and amortization	**P 8,461,080,826**	P 8,605,591,276

Right-of-use asset, amounting to P20.8 million, was recognized as part of Property and Equipment in the consolidated statements of financial position.

10. 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 P11.9 million as of February 28, 2023 and May 31, 2022. The non-current portion amounting to P13.1 million is presented separately in the consolidated statement of financial position as of February 28, 2023 and May 31, 2022.

11. INTEREST-BEARING LOANS

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

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Current	P 426,258,503	P 473,163,265
Non-current	1,491,904,762	1,811,598,640
	P 1,918,163,265	P 2,284,761,905

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

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Balance at beginning of period	P 2,284,761,905	P 2,472,380,953
Repayments	(366,598,640)	(187,619,048)
Balance at end of period	P 1,918,163,265	P 2,284,761,905

The total interest incurred by the Group on all of these loans, amounting to P55.5 million and P39.3 million for the nine months ended February 28, 2023 and 2022, respectively, are presented as part of Finance Costs in the condensed consolidated statements of profit or loss. 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, 2023 and May 31, 2022, 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, 2023 and May 31, 2022, 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, 2023 and May 31, 2022, the Group has complied with its loan covenants.

12. 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.

12.1 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.

12.2 Credit Risk

Credit risk represents the loss that the Group would incur if the counterparty failed 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.

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. Moreover, 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.

12.3 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.

13. EQUITY

13.1 Capital Stock

The University's authorized capital stock is 50,000,000 shares as of February 28, 2023 and May 31, 2022 with par value of P100 per share, of which 24,093,094 were issued.

Below is the ownership structure of the University's outstanding shares as of February 28, 2023 and May 31, 2022.

	February 28, 2023 (Unaudited)	May 31, 2022 (Audited)
Number of shares held by related parties	**15,216,964**	15,213,820
Number of shares held by the public	**8,739,684**	8,743,828
Total shares issued and outstanding	**23,956,648**	23,957,648

As of February 28, 2023 and May 31, 2022, the public owns 36.48% and 36.50%, respectively, of the University's listed shares.

As of February 28, 2023 and May 31, 2022, there are 1,454 holders of the listed common shares owning at least one board lot.

All shares of the University are listed at the PSE. There has been no follow-on listing since the initial listing at an offer price of P100 in 1986. The closing price of the University's listed shares was P549.50 and P540.00 per share as of February 28, 2023 and May 31, 2022, respectively.

13.2 Treasury Stocks

This account includes the University's common shares acquired by FRC on various dates and held as of February 28, 2023 and May 31, 2022. 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 P77.6 million and P76.7 million as of February 28, 2023 and May 31, 2022, 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.

13.3 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 presented below and in the following page.

(a) Appropriation of Retained Earnings

As of February 28, 2023 and May 31, 2022, the University's Appropriated Retained Earnings consists of appropriations for:

Property and investment acquisition	P	648,500,000
Purchase of equipment and improvements		442,620,289
Contingencies		90,000,000
Treasury shares		3,733,100
	P	1,184,853,389

Appropriations are annually reviewed and updated, if warranted. During the year ended May 31, 2022, the University made an appropriation amounting to P340.6 million; no appropriation or reversal of appropriation has been made for the period ended February 28, 2023.

(b) Dividend Declaration

The University's BOT approved the following dividend declarations during the periods ended:

	Date of				
	Declaration	**Record**	**Payment/Issuance**		**Amount**
February 28, 2023					
Cash dividend of P14 per share	September 20, 2022	October 4, 2022	October 14, 2022	P	336,093,877
Cash dividend of P14 per share	February 21, 2023	March 7, 2023	March 21, 2023		336,093,876
				P	**672,187,753**
May 31, 2022					
Cash dividend of P8 per share	September 21, 2021	October 5, 2021	October 20, 2021	P	192,136,362
Cash dividend of P10 per share	February 15, 2022	March 2, 2022	March 17, 2022		240,170,452
				P	432,306,814

13.4 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.

(b) EACCI and FEUAI

Both non-controlling interests in EACCI and FEUAI relate to non-voting preferred shares. As of February 28, 2023 and May 31, 2022, the total cost of preferred shares issued and outstanding of EACCI and FEUAI amounts to P1.2 billion and P750.0 million, respectively.

(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.

In December 2022, the Parent Company and the owners of NCI fully paid their subscriptions payable amounting to P76.5 million and P73.5 million, respectively.

The NCI of Edustria amounting to P201.6 million is presented as part of Non-controlling Interest account in the condensed consolidated statements of financial position.

14. EARNINGS PER SHARE

Earnings per share amounts for the nine months ended February 28, 2023 and 2022 were computed as follows:

	2023 (Unaudited)	2022 (Unaudited)
Net income attributable to owners of the parent company	**P 1,212,668,291**	P 1,084,570,687
Divided by weighted average number of number of shares outstanding, net of treasury stock	**23,957,092**	23,968,648
Basic and diluted earnings per share	**P 50.62**	P 45.25

The University has no dilutive potential common shares as of February 28, 2023 and 2022; the diluted earnings per share and the basic earnings per share is the same.

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, 2023 (Unaudited)	May 31, 2022 (Audited)
Total adjusted liabilities	**P 3,811,161,288**	P 3,917,552,954
Total adjusted equity attributable to owners of the parent company	**10,049,474,766**	9,508,994,228
Debt-to-equity ratio	**0.38 : 1**	0.41 : 1

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 1:1. 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 2:1 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. COMMITMENTS AND CONTINGENCIES

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

16.1 Capital Commitments

As of February 28, 2023 and May 31, 2022, FRC has commitments of about P51.6 million for the condominium units acquired at pre-selling stage that are currently under construction.

16.2 Operating Lease Commitments as Lessor

FRC leases out certain buildings to EAEF and NREF for varying periods. FRC also leases out certain land and building to several non-related parties for a period of one to ten years. FRC also receives customer and security deposits relevant to its leasing activities as lessor which is recognized under Other Non-current Liabilities in the consolidated statements of financial position.

Future minimum rental receivables, excluding contingent rental, arising from these operating leases which are receivable within one year amounts to P2.9 million and P11.7 million as of February 28, 2023 and May 31, 2022, respectively.

16.3 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.

17. SEASONALITY OF OPERATIONS

Tuition fee revenue is subject to seasonal fluctuations. Recognition of revenue for a particular SY commences 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%. Freshmen and Sophomores in general have the highest unit loads and this tapers off in Junior and Senior years as pre-requisites and general education courses have been fulfilled and the remaining program specialties are being undertaken.

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.

18. APPROVAL FOR THE ISSUANCE OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The CCFS of the Group for the nine months ended February 28, 2023 (including the comparatives for the nine months ended February 28, 2022) were authorized for issue by the Audit Committee of the BOT on April 12, 2023.