



FAR EASTERN UNIVERSITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Far Eastern University, Incorporated (the University)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended May 31, 2025, 2024 and 2023 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

AURELIO R. MONTINOLA III

Chairman of the Board and
Chief Executive Officer

JUAN MIGUEL R. MONTINOLA
President and Chief Operating Officer

ROSANNA E. SALCEDO

Chief Finance Officer and Treasurer



Signed this 19th day of August, 2025.

SEP 03 2025

SUBSCRIBED AND SWORN to before me this _____ day of _____, 2025, affiants exhibiting their Tax Identification Numbers (TIN) as follows:

Name	TIN	Place Issued
Aurelio R. Montinola III	135-558-086	Philippines
Juan Miguel R. Montinola	115-203-243	Philippines
Rosanna E. Salcedo	115-178-175	Philippines

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Book No. II
Series of 2025.

NOTARY PUBLIC
Commission No. 2025-043
valid until December 31, 2026
Notary Public for and in the City of Manila
Rm. 310, FEU Administration Bldg.,
Nicanor Reyes St., Brgy. 395, District IV
Sampaloc, Manila
Roll No. 70141
IBP Lifetime Member Roll No. 017715, 06.21.2017
MCLE Compliance No. VIII-0003078, 06.30.2023
PTR No. 2097109, 01.08.2024 Manila
TIN-340-171-698

COVER SHEET

AFTER THE SIR HAS DULY
STAMPED "RECEIVED."

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

F	A	R	E	A	S	T	E	R	N	BUREAU OF INTERNAL REVENUE LARGE TAXPAYER SERVICE										
I	N	C	O	R	P	O	R	A	T	E	D	UNIVERSITY,								
												09 SEP 2025								
												RECEIVED								
												BY: CHRISTIAN BRAS LENO IS DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION								

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)[illegible]

Form Type

	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

	N	A	
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COMPANY INFORMATION

Company's Email Address

corpsec@feu.edu.ph

Company's Telephone Number

(02) 8735 8686

Mobile Number

09605043941

No. of Stockholders

1,529

Annual Meeting (Month / Day)

3rd Saturday of October

Fiscal Year (Month / Day)

05/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Rosanna E. Salcedo

Email Address

corpsecgroup@feu.edu.ph

Telephone Number/s

N/A

Mobile Number

09605043941

CONTACT PERSON'S ADDRESS

21 Maple St. , Greenwoods Executive Village, Pasig City

NOTE 1 In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

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



Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Far Eastern University, Incorporated (the University), which comprise the parent company statement of financial position as at May 31, 2025, and the parent company statement of profit and loss, parent company statement of comprehensive income, parent company statement of changes in equity and parent company statement of cash flows for the year then ended, and notes to the parent company financial statement, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the University as at May 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Other Matter

The financial statements of the University as at and for the years ended May 31, 2024 and 2023, which are presented for comparative purposes, were audited by another auditor who expressed an unqualified opinion on these statements on August 20, 2024.

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

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



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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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



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

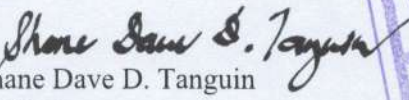
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 31 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the parent company financial statements. Such information is the responsibility of the management of Far Eastern University, Incorporated. The information has been subjected to the auditing procedures applied in our audit of the parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the parent company financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
Shane Dave D. Tanguin.

SYCIP GORRES VELAYO & CO.


Shane Dave D. Tanguin
Partner

CPA Certificate No. 0115818

Tax Identification No. 242-153-393

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-157-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10465390, January 2, 2025, Makati City

August 19, 2025



FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS AT MAY 31, 2025
(With Comparative Figures as at May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

	Notes	2025	2024	2023
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	4	P 147,533,080	P 42,941,355	P 503,084,160
Receivables	5	642,112,452	669,771,646	841,990,661
Financial assets at fair value through profit or loss (FVTPL)	6	1,000,262,170	1,136,200,727	1,148,825,052
Financial assets at fair value through other comprehensive income (FVOCI)	6	105,798,492	64,594,433	48,621,497
Investment securities at amortized cost	6	17,145,386	29,279,056	66,655,463
Prepayments and other current assets	9	168,190,193	104,802,069	70,686,157
Total Current Assets		2,081,041,773	2,047,589,286	2,679,862,990
NON-CURRENT ASSETS				
Financial assets at FVOCI	6	640,144,904	1,000,541,187	808,309,119
Investment securities at amortized cost	6	17,782,685	18,786,927	34,906,398
Investments in subsidiaries, associates and joint venture	7	2,984,248,641	2,984,183,828	2,468,612,234
Investment properties	8	1,292,653,367	1,297,843,260	1,323,060,987
Property and equipment	10	2,929,690,198	3,254,938,691	3,279,951,423
Deferred tax assets - net	21	1,800,943	1,664,553	-
Other non-current assets		49,379,000	14,535,916	3,396,757
Total Non-current Assets		7,915,699,738	8,572,494,362	7,918,236,918
TOTAL ASSETS		P 9,996,741,511	P 10,620,083,648	P 10,598,099,908
<u>LIABILITIES AND EQUITY</u>				
CURRENT LIABILITIES				
Trade and other payables	12	P 1,021,022,242	P 1,131,332,793	P 1,034,270,027
Interest-bearing loan	13	431,020,408	331,020,408	331,020,408
Unearned tuition fees		42,624,918	27,619,048	29,420,147
Income tax payable		-	418,412	-
Total Current Liabilities		1,494,667,568	1,490,390,661	1,394,710,582
NON-CURRENT LIABILITIES				
Interest-bearing loans	13	413,775,510	744,795,918	1,075,816,327
Lease liabilities	11	696,246,054	1,185,428,533	1,190,623,905
Deferred tax liabilities - net	21	-	-	4,098,409
Total Non-current Liabilities		1,110,021,564	1,930,224,451	2,270,538,641
Total Liabilities		2,604,689,132	3,420,615,112	3,665,249,223
EQUITY				
Capital stock	23	2,409,309,400	2,409,309,400	2,409,309,400
Treasury stock - at cost	23	(3,733,100)	(3,733,100)	(3,733,100)
Revaluation reserves	6	13,056,170	(18,109,850)	(4,298,372)
Retained earnings	23			
Appropriated		1,187,733,100	2,172,733,100	1,463,733,100
Unappropriated		3,785,686,809	2,639,268,986	3,067,839,657
Total Equity		7,392,052,379	7,199,468,536	6,932,850,685
TOTAL LIABILITIES AND EQUITY		P 9,996,741,511	P 10,620,083,648	P 10,598,099,908

See Notes to Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED MAY 31, 2025
(With Comparative Figures for the Years Ended May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

	Notes	2025	2024	2023
EDUCATIONAL REVENUES				
Tuition fees - net	15	P 2,782,661,697	P 2,763,852,230	P 2,748,719,663
Other school fees	15	<u>58,849,665</u>	<u>63,408,359</u>	<u>68,358,214</u>
		2,841,511,362	2,827,260,589	2,817,077,877
IMPAIRMENT LOSS	5	(3,563,870)	(6,846,081)	(5,138,804)
OTHER OPERATING EXPENSES	16	(2,118,107,277)	(2,052,370,803)	(1,892,307,067)
OTHER OPERATING INCOME	8, 20	<u>55,153,879</u>	<u>52,964,470</u>	<u>48,809,392</u>
OPERATING INCOME		774,994,094	821,008,175	968,441,398
FINANCE INCOME	17	255,038,753	422,556,152	296,571,343
FINANCE COSTS	17	(203,421,761)	(219,557,923)	(192,067,166)
OTHER INCOME	18	<u>191,280,261</u>	<u>104,181,098</u>	<u>156,091,542</u>
INCOME BEFORE TAX		1,017,891,347	1,128,187,502	1,229,037,117
TAX EXPENSE	21	(86,689,108)	(77,973,757)	(29,036,748)
NET INCOME		P 931,202,239	P 1,050,213,745	P 1,200,000,369
Earnings Per Share				
Basic and Diluted	24	P 38.71	P 43.66	P 49.88



See Notes to Financial Statements.

FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED MAY 31, 2025
(With Comparative Figures for the Years Ended May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

	Note	2025	2024	2023
NET INCOME		P 931,202,239	P 1,050,213,745	P 1,200,000,369
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified subsequently to profit or loss				
Net fair value gains (losses) during the year	6	18,637,226	(23,419,431)	14,709,347
Net fair value losses (gains) reclassified to profit or loss on debt securities classified as FVOCI	6	(2,065,112)	2,827,751	1,816,728
Tax income (expense)		(165,721)	205,917	(165,261)
		<u>16,406,393</u>	<u>(20,385,763)</u>	<u>16,360,814</u>
Items that will not be reclassified subsequently to profit or loss				
Net fair value gains (losses) on equity securities classified as financial assets at FVOCI	6	14,908,714	6,640,692	(72,726)
Tax income (expense)		(149,087)	(66,407)	727
		<u>14,759,627</u>	<u>6,574,285</u>	<u>(71,999)</u>
Other Comprehensive Income (Loss)		<u>31,166,020</u>	<u>(13,811,478)</u>	<u>16,288,815</u>
TOTAL COMPREHENSIVE INCOME		P <u>962,368,259</u>	P <u>1,036,402,267</u>	P <u>1,216,289,184</u>

See Notes to Financial Statements.



FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MAY 31, 2025
(With Comparative Figures for the Years Ended May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

	Capital Stock (See Note 23)	Treasury Stock - at Cost (See Note 23)	Revaluation Reserves (See Note 6)	Retained Earnings (See Note 23)	Total	Total Equity
				Unappropriated		
Balance at June 1, 2024	P 2,409,309,400	(P 3,733,100)	(P 18,109,850)	P 2,639,268,986	P 4,812,002,086	P 7,199,468,536
Transaction with owners - Cash dividends	-	-	-	(769,784,416)	(769,784,416)	(769,784,416)
Appropriations of retained earnings - Appropriations during the year	-	-	-	985,000,000	-	-
Reversal of appropriations during the year	-	-	-	985,000,000	-	-
Total comprehensive income (loss):	-	-	-	931,202,239	931,202,239	931,202,239
Net income for the year	-	-	31,166,020	-	-	31,166,020
Other comprehensive loss - net	-	-	31,166,020	931,202,239	931,202,239	962,368,259
Balance at May 31, 2025	P 2,409,309,400	(P 3,733,100)	P 13,056,170	P 3,785,686,809	P 4,973,419,909	P 7,392,052,379
Balance at June 1, 2023	P 2,409,309,400	(P 3,733,100)	(P 4,298,372)	P 3,067,839,657	P 4,531,572,757	P 6,932,850,685
Transaction with owners - Cash dividends	-	-	-	(769,784,416)	(769,784,416)	(769,784,416)
Appropriations of retained earnings - Appropriations during the year	-	-	-	850,000,000	-	-
Reversal of appropriations during the year	-	-	-	141,000,000	-	-
Total comprehensive income (loss):	-	-	-	709,000,000	-	-
Net income for the year	-	-	-	1,050,213,745	1,050,213,745	1,050,213,745
Other comprehensive loss - net	-	-	(13,811,478)	1,050,213,745	(13,811,478)	(13,811,478)
Balance at May 31, 2024	P 2,409,309,400	(P 3,733,100)	(P 18,109,850)	P 2,639,268,986	P 4,812,002,086	P 7,199,468,536



	Capital Stock (See Note 23)	Treasury Stock - at Cost (See Note 23)	Revaluation Reserves (See Note 6)	Retained Earnings (See Note 23)		Total	Total Equity
				Appropriated	Unappropriated		
Balance at June 1, 2022	P 2,409,309,400	(P 3,733,100)	(P 20,587,187)	P 1,184,853,389	P 2,820,280,363	P 4,005,133,752	P 6,390,122,865
Transaction with owners - Cash dividends	-	-	-	-	(673,561,364)	(673,561,364)	(673,561,364)
Appropriations of retained earnings - Appropriations during the year	-	-	-	360,379,711	(360,379,711)	-	-
Reversal of appropriations during the year	-	-	-	(81,500,000)	81,500,000	-	-
Total comprehensive income:	-	-	-	278,879,711	(278,879,711)	-	-
Net income for the year	-	-	-	-	1,200,000,369	1,200,000,369	1,200,000,369
Other comprehensive income - net	-	-	16,288,815	-	-	16,288,815	16,288,815
	-	-	16,288,815	-	1,200,000,369	1,200,000,369	1,216,289,184
Balance at May 31, 2023	P 2,409,309,400	(P 3,733,100)	(P 4,298,372)	P 1,463,733,100	P 3,067,839,657	P 4,531,572,757	P 6,932,850,685

See Notes to Financial Statements.



FAR EASTERN UNIVERSITY, INCORPORATED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2025
(With Comparative Figures for the Years Ended May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

	Notes	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax		P 1,017,891,347	P 1,128,187,502	P 1,229,037,117
Adjustments for:				
Depreciation and amortization	16	301,543,492	319,426,393	303,418,248
Interest expense	17	190,849,150	205,973,791	178,489,839
Dividend income	7, 17	(141,889,441)	(225,074,822)	(203,307,923)
Other investment loss (income) from financial assets at FVTPL and financial assets at FVOCI - net	6, 17	(102,200,086)	(86,865,827)	16,494,485
Interest income	17	(56,219,796)	(73,733,944)	(62,583,172)
Unrealized foreign exchange gain - net	17	45,270,570	(36,881,559)	(47,174,733)
Impairment loss	5	3,563,870	6,846,081	5,138,804
Gain on sale of property and equipment	18	(1,541,748)	-	-
Operating profit before working capital changes		1,257,267,358	1,237,877,615	1,419,512,665
Decrease (increase) in receivables		(25,904,676)	215,372,934	(75,389,515)
Decrease (increase) in prepayments and other current assets		(66,280,527)	(49,688,347)	4,860,840
Increase (decrease) in trade and other payables		(179,096,552)	5,835,011	(754,749)
Increase (decrease) in unearned tuition fees		15,005,870	(1,801,099)	(5,738,375)
Cash generated from operations		1,000,991,473	1,407,596,114	1,342,490,866
Interest received		3,446,199	13,302,678	8,478,325
Income taxes paid		(87,212,542)	(67,745,871)	(18,193,703)
Net Cash From Operating Activities		917,225,130	1,353,152,921	1,332,775,488
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposals and maturities of investment securities:				
Financial assets at FVOCI	6	975,707,324	250,138,327	464,372,187
Financial assets at FVTPL	6	536,971,886	1,459,334,163	1,328,683,071
Investment securities at amortized cost	6	16,809,000	69,409,482	117,078,090
Acquisition of investment securities:				
Financial assets at FVOCI	6	(594,478,715)	(408,626,735)	(582,502,401)
Financial assets at FVTPL	6	(336,138,086)	(1,354,348,823)	(1,296,031,100)
Investment securities at amortized cost	6	(5,000,000)	(11,900,000)	(43,334,577)
Acquisitions of property and equipment	10	(446,243,902)	(269,195,934)	(303,391,552)
Dividend received	7, 20	191,889,441	175,074,822	203,307,923
Increase in advances to suppliers and contractors		(31,982,049)	(11,139,159)	-
Interest received	6	15,518,048	23,430,711	63,971,253
Proceeds from disposals of property and equipment	10	1,666,406	-	-
Additional investment in a subsidiary	7	(64,813)	(235,571,594)	-
Additions to investment properties	8	-	(23,170,854)	-
Investment in associates and joint venture	7	-	(280,000,000)	(160,669,794)
Payment of subscription payable	7	-	-	(76,499,997)
Net Cash From (Used in) Investing Activities		324,654,540	(616,565,594)	(285,016,897)
Balance carried forward		P 1,241,879,670	P 736,587,327	P 1,047,758,591



	Notes	2025	2024	2023
<i>Balance brought forward</i>		P 1,241,879,670	P 736,587,327	P 1,047,758,591
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	22, 23	(763,390,933)	(705,219,677)	(627,637,230)
Repayment of interest-bearing loans	13, 22	(231,020,408)	(331,020,409)	(377,925,170)
Interest paid on loans payable	13, 22	(76,906,668)	(93,628,602)	(58,476,345)
Payment of lease liability	11, 22	(65,718,308)	(67,706,691)	(64,317,505)
Advances obtained from a related party	20, 22	-	695,000,000	-
Repayment of advances from a related party	20, 22	-	(695,000,000)	-
Net Cash Used in Financing Activities		(1,137,036,317)	(1,197,575,379)	(1,128,356,250)
Effect of Exchange Rate Changes on Cash and Cash Equivalents		(251,628)	845,247	1,013,319
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		104,591,725	(460,142,805)	(79,584,340)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		42,941,355	503,084,160	582,668,500
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 147,533,080	P 42,941,355	P 503,084,160

Supplemental Information on Non-cash Investing and Financing Activities:

- 1) In 2025, the University modified its lease contract with resulting to an adjustment amounting to P470.0 million (see Notes 10 and 11).
- 2) In 2025, the University reclassified certain property and equipment to investment properties amounting to P21.2 million and reversed certain accruals amounting to P5.0 million (see Notes 8 and 10).
- 3) The University declared cash dividends totaling P769.8 million in 2025 and 2024 and P673.6 million in 2023, of which P6.4 million in 2025, P64.6 million in 2024 and P45.9 million in 2023 were not paid in the year of declaration (see Notes 12 and 23).
- 4) The University recognized dividend income from related parties in 2025, 2024 and 2023. The outstanding dividends amounting to P50.0 million in 2024 were collected as of May 31, 2025 (see Note 20). There were no uncollected dividends as of May 31, 2025 and 2023 (see Note 20).
- 5) The University applied as payment for progress billings of various projects, classified under property and equipment, the advances made to its suppliers and contractors amounting to P60.0 million in 2023 (see Note 10).
- 6) In 2023, the University received an investment property from its subsidiary amounting to P23.2 million. The cost of the transferred asset remains unpaid as of May 31, 2023 (see Notes 8 and 20). This has been fully repaid by the University in 2024.
- 7) In 2023, the University recognized additional right-of-use assets and lease liabilities amounting to P8.4 million (see Notes 10 and 11).

See Notes to Financial Statements.



FAR EASTERN UNIVERSITY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
AS AT MAY 31, 2025

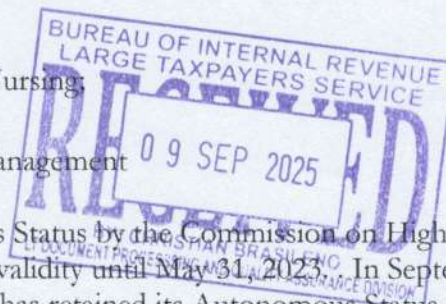
(With Comparative Figures as of and for the Years Ended May 31, 2024 and 2023)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Far Eastern University, Incorporated (the University or FEU) is a 97-year-old Philippine-based proprietary educational institution founded in June 1928 and registered with the Philippine Securities and Exchange Commission (SEC) on October 27, 1933. FEU was listed 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, each handling distinct courses and programs of study:

- Institute of Accounts, Business and Finance;
- Institute of Architecture and Fine Arts;
- Institute of Arts and Sciences;
- Institute of Education;
- Institute of Health Sciences and Nursing;
- Institute of Law; and
- Institute of Tourism and Hotel Management



FEU has been designated an Autonomous Status by the Commission on Higher Education (CHED) on July 25, 2012, with extended validity until May 31, 2023. In September 2024 the CHED confirmed that the University has retained its Autonomous Status for the years 2024 to 2027. 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 by local 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), FEU further strengthened its standing with international recognition. In February 2025, the ASEAN University Network – Quality Assurance (AUN-QA) granted FEU the Institutional Assessment Certification, in addition to its 18 existing Programs Assessment certifications.

The registered office address and principal place of business of the University is located at Nicanor Reyes Street, Sampaloc, Manila. The University also has a campus in Makati, which offers programs mainly in Law, Accountancy and Business Administration.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are prepared as the University's separate financial statements. The University also prepares consolidated financial statements as required under Philippine Financial Reporting Standards (PFRS) Accounting Standards and is available for public use.

2.1 Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the University have been prepared in accordance with PFRS Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS Accounting Standards for each type of asset, liability, income and expense. The recognition and measurement bases of the accounting policies are more fully described in Note 26.

2.2 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The University presents the statement of comprehensive income separate from the statement of profit or loss.

The University presents three comparative periods for the statement of financial position regardless whether the University has or does not have retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

These financial statements are presented in Philippine pesos, the University's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the University are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the University operates.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for adoption of amendments and improvements to existing standards effective in fiscal year 2025 that are relevant to the University. The University has not adopted early any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new pronouncements did not have any significant impact on the University's financial performance or position.

3.1 Effective in Fiscal Year 2025 that are Relevant to the University

The University adopted for the first time the following amendments to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after April 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
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PAS 7 and PFRS 7 (Amendments)	: Statement of Cash Flows, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	: Leases – Lease Liability in a Sale and Leaseback

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the University's parent company financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specify that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the University's parent company financial statements.
- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the University's parent company financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The University has no sale and leaseback transactions.

3.2 Effective Subsequent to Fiscal Year 2025 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to fiscal year 2025 which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; none of these are expected to have significant impact on the University's parent company financial statements:

- (i) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (ii) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (iii) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

(Amounts in PHP)	2025	2024	2023
Cash on hand and in banks	147,533,080	37,595,254	356,695,404
Short-term placements	-	5,346,101	146,388,756
	<u>147,533,080</u>	<u>42,941,355</u>	<u>503,084,160</u>

Cash in banks generally earn interest based on daily bank deposit rates. Short-term/ placements are made for varying periods of up to three months depending on the immediate liquidity needs of the University.

Effective annual interest earned from these short-term placements made in 2025 ranges from 5.5% to 6.4% while in 2024 and 2023 is at 5.9%.

Interest income earned from cash and cash equivalents is presented as part of Finance Income in the statements of profit or loss (see Note 17). The related interest receivable from short-term placements is presented as part of Accrued interest under the Receivables - net account in the statement of financial position (see Note 5).

5. RECEIVABLES

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Tuition and other school fees receivables		445,969,697	420,598,822	444,938,513
Receivables from related parties	20	195,604,977	261,631,148	408,567,115
Accrued interest	4,6,9	37,983,153	42,239,868	9,257,772
Advances to employees		20,417,454	14,350,453	43,919,714
Others		4,131,888	12,447,590	44,045,429
		<u>704,107,169</u>	<u>751,267,881</u>	<u>950,728,543</u>
Allowance for impairment		<u>(61,994,717)</u>	<u>(81,496,235)</u>	<u>(108,737,882)</u>
		<u>642,112,452</u>	<u>669,771,646</u>	<u>841,990,661</u>

Advances to employees is comprised of unsecured and noninterest-bearing advances given to officers and employees in the normal course of operations which are subject to liquidation within 15 days from the earlier between the release of the advances and the event to which the advances are utilized.

Others include receivables from brokers and various other receivables from third party debtors.

A reconciliation of the allowance for impairment on receivables at the beginning and end of May 31, 2025, 2024 and 2023 is presented below.

<i>(Amounts in PHP)</i>	2025	2024	2023
Balance at beginning of year	81,496,235	108,737,882	107,340,554
Receivables written-off during the year	(23,065,388)	(34,087,728)	(3,741,476)
Impairment losses during the year	3,563,870	6,846,081	5,138,804
Balance at end of year	<u>61,994,717</u>	<u>81,496,235</u>	<u>108,737,882</u>

All of the University's receivables have been assessed for impairment. The University applies the PFRS 9 simplified approach in measuring expected credit losses (ECL) taking into consideration the expected loss rates determined through the assessment of credit impairment, which was observed for Tuition and other school fees that are outstanding for at least two semesters and which the student is unenrolled in the previous semester [see Note 14.2(b)].

The breakdown of the allowance for impairment provided on receivables is as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Related parties	40,908,998	37,345,129	30,499,047
Tuition and other school fees	18,793,655	41,859,042	75,946,771
Others	2,292,064	2,292,064	2,292,064
	<u>61,994,717</u>	<u>81,496,235</u>	<u>108,737,882</u>

6. FINANCIAL ASSETS

6.1 Financial Assets at FVTPL

The types of investments classified under financial assets at FVTPL as of May 31 are shown below:

<i>(Amounts in PHP)</i>	2025	2024	2023
Unit Investment Trust Funds (UITF)	685,051,725	745,912,925	694,162,699
Quoted equity securities	315,210,445	390,287,802	454,662,353
	<u>1,000,262,170</u>	<u>1,136,200,727</u>	<u>1,148,825,052</u>

The breakdown of financial assets at FVTPL as to currency denomination is as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Foreign	635,051,402	683,644,926	603,017,809
Local	365,210,768	452,555,801	545,807,243
	<u>1,000,262,170</u>	<u>1,136,200,727</u>	<u>1,148,825,052</u>

An analysis of the movements in the carrying amounts of the University's investments is presented below:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Balance at beginning of year		1,136,200,727	1,148,825,052	1,153,449,411
Disposals		(476,627,364)	(1,428,713,898)	(1,311,993,134)
Additions		336,138,086	1,354,348,823	1,296,031,100
Fair value gains (losses) – net	17.1	36,524,038	36,163,045	(28,224,375)
Foreign currency gains (losses) – net	17.1	(31,973,317)	25,577,705	39,562,050
		<u>1,000,262,170</u>	<u>1,136,200,727</u>	<u>1,148,825,052</u>

Investment income received from financial assets at FVTPL, which includes dividend income and gain or loss on disposal, has been reinvested as part of additions to financial assets at FVTPL. In 2025, 2024 and 2023, net investment income, including changes in fair values, amounted to P96.9 million, P86.0 million and P3.7 thousand, respectively. These are presented as Other investment income from financial assets at FVTPL under Finance Income in the statement of profit or loss (see Note 17.1).

6.2 Financial Assets at FVOCI

As of May 31, the University's financial assets at FVOCI are classified in the statements of financial position as follows:

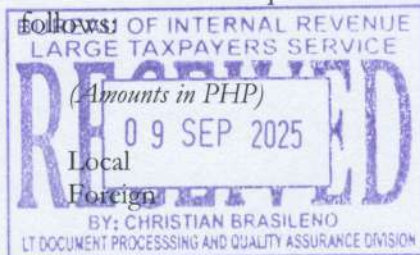
<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current	105,798,492	64,594,433	48,621,497
Non-current	640,144,904	1,000,541,187	808,309,119
	<u>745,943,396</u>	<u>1,065,135,620</u>	<u>856,930,616</u>

The types of investments classified under financial assets at FVOCI as of May 31 are shown below:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Quoted debt securities:			
Government	653,900,896	1,003,013,318	788,621,648
Corporate	45,698,243	30,537,661	30,835,653
	<u>699,599,139</u>	<u>1,033,550,979</u>	<u>819,457,301</u>
Equity securities – Quoted corporate shares	46,344,257	31,584,641	37,473,315
	<u>745,943,396</u>	<u>1,065,135,620</u>	<u>856,930,616</u>

Government securities, which include Philippine and US government-issued securities, bear annual interest rates ranging from 2.0% to 12.1% in 2025, 2024 and 2023. Corporate bonds bear interest ranging from 3.3% to 6.8% in 2025, 3.8% to 5.1% in 2024 and 3.8% to 5.4% in 2023. The fair values of the equity securities and debt securities have been determined based on quoted prices in active markets.

The breakdown of quoted financial assets at FVOCI as to currency denomination is as follows:



<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Local	494,559,404	849,854,237	711,743,209
Foreign	251,383,992	215,281,383	145,187,407
	<u>745,943,396</u>	<u>1,065,135,620</u>	<u>856,930,616</u>

An analysis of the movements in the carrying amounts of the University's investments is presented below.

<i>(Amounts in PHP)</i>	Note	2025	2024	2023
Balance at beginning of year		1,065,135,620	856,930,616	735,473,213
Additions		594,478,715	408,626,735	582,502,401
Disposals		(975,707,324)	(196,389,555)	(482,725,743)
Fair value gains (losses) – net	17.1	73,728,000	(13,811,478)	16,330,467
Foreign currency gains (losses) – net	17.1	(11,694,991)	9,268,476	2,000,521
Amortization of discount (premium) – net		3,376	510,826	3,349,757
Balance at end of year		745,943,396	1,065,135,620	856,930,616

Investment income from financial assets at FVOCI pertaining to interests and gain or loss on disposal has been reinvested as part of additions to financial assets at FVOCI. Net investment income from financial assets at FVOCI, including dividend income, totaling P56.3 million, P56.0 million and P29.8 million for the years ended May 31, 2025, 2024 and 2023, respectively, is presented separately as Interest income from financial assets at FVOCI and as Other investment income (losses) from financial assets at FVOCI under Finance Income in the statement of profit or loss (see Note 17.1). The related outstanding interest is presented as part of Accrued interest under the Receivables account in the statement of financial position (see Note 5).

The total fair value gains on debt securities classified as FVOCI amounting to P2.1 million for the year ended May 31, 2025 and the total fair values losses of P2.8 million and P1.8 million for the years ended May 31, 2024 and 2023, respectively, are presented as an item that will be reclassified subsequently to profit or loss in the statement of comprehensive income. The total fair value gains on equity securities classified as financial assets at FVOCI amounting to P14.9 million and P6.6 million, respectively, for the years ended May 31, 2025, 2024 and total fair value losses amounting to P0.01 million for the year ended May 31, 2023, are presented as an item that will not be reclassified to profit or loss in the statement of comprehensive income.

6.3 Investment Securities at Amortized Cost

As of May 31, the University's investment securities at amortized cost are classified in the statement of financial position as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Current	17,145,386	29,279,056	66,655,463
Non-current	17,782,685	18,786,927	34,906,398
Balance at end of year	34,928,071	48,065,983	101,561,861

As of May 31, 2025, 2024 and 2023, the fair value of debt securities above amounts to P32.5 million, P45.3 million and P98.8 million, respectively, which is Level 1 in the hierarchy of fair values (see Note 6.4).

These investments are composed of corporate bonds denominated in Philippine pesos and US dollars which bear fixed interest rates ranging from 3.0% to 6.8% in 2025 and 2024 and 3.0% to 7.8% in 2023, and have maturities ranging from one to five years.

The breakdown of quoted investment securities at amortized cost as to currency denomination is as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Foreign	11,149,000	29,279,056	39,252,795
Local	23,779,071	18,786,927	62,309,066
Balance at end of year	<u>34,928,071</u>	<u>48,065,983</u>	<u>101,561,861</u>

An analysis of the movements in the carrying amount of the University's investment securities at amortized cost for the years ended May 31, 2025, 2024 and 2023, is presented below:

<i>(Amounts in PHP)</i>	Note	<u>2025</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year		48,065,983	101,561,861	170,806,728
Maturities		(16,809,000)	(66,706,647)	(117,151,840)
Additions		5,000,000	11,900,000	43,334,577
Foreign currency gains (losses) – net	17.1	(1,350,632)	1,190,131	4,598,843
Amortization of discount (premium) – net		21,720	120,638	(26,447)
Balance at end of year		<u>34,928,071</u>	<u>48,065,983</u>	<u>101,561,861</u>

The unamortized discount relating to financial assets at amortized cost amounts to P0.1 million as of May 31, 2024 and 2023 (nil in 2025). Net amortization of discount (premium) during the years ended May 31, 2025, 2024 and 2023 is netted against Interest income from investment securities at amortized cost (see Note 17.1).

6.4 Financial Instruments Measurement at Fair Value

The tables presented below and in the succeeding page show the fair value hierarchy of the University's classes of financial assets and financial liabilities measured at fair value in the statement of financial position on a recurring basis as of the years ended May 31, 2025, 2024 and 2023.

<i>(Amounts in PHP)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
May 31, 2025				
Financial assets at FVOCI:				
Debt securities:				
Government	653,900,896	-	-	653,900,896
Corporate	45,698,243	-	-	45,698,243
Equity securities	46,344,257	-	-	46,344,257
Financial assets at FVTPL – Equity securities	315,210,445	685,051,725	-	1,000,262,170
Investment securities at amortized cost	32,474,957	-	-	32,474,957
	<u>1,093,628,798</u>	<u>685,051,725</u>	<u>-</u>	<u>1,778,680,523</u>

<i>(Amounts in PHP)</i>	Level 1	Level 2	Level 3	Total
<u>May 31, 2024</u>				
Financial assets at FVOCI:				
Debt securities:				
Government	1,003,013,318	-	-	1,003,013,318
Corporate	30,537,661	-	-	30,537,661
Equity securities	31,584,641	-	-	31,584,641
Financial assets at FVTPL –				
Equity securities	390,287,802	745,912,925	-	1,136,200,727
Investment securities at amortized cost	45,302,336	-	-	45,302,336
	<u>1,500,725,758</u>	<u>745,912,925</u>	<u>-</u>	<u>2,246,638,683</u>
<u>May 31, 2023</u>				
Financial assets at FVOCI:				
Debt securities:				
Government	788,621,648	-	-	788,621,648
Corporate	30,835,653	-	-	30,835,653
Equity securities	37,473,315	-	-	37,473,315
Financial assets at FVTPL –				
Equity securities	454,662,353	694,162,699	-	1,148,825,052
Investment securities at amortized cost	98,771,622	-	-	98,771,622
	<u>1,410,364,591</u>	<u>694,162,699</u>	<u>-</u>	<u>2,104,527,290</u>

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

6.5 Carrying Amounts and Fair Values by Category

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

		2025		2024		2023	
(Amounts in PHP)	Notes	Carrying Values	Fair Values	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets:							
At FVOCI:	6.2						
Debt securities		699,599,139	699,599,139	1,033,550,979	1,033,550,979	819,457,301	819,457,301
Equity securities		46,344,257	46,344,257	31,584,641	31,584,641	37,473,315	37,473,315
		<u>745,943,396</u>	<u>745,943,396</u>	<u>1,065,135,620</u>	<u>1,065,135,620</u>	<u>856,930,616</u>	<u>856,930,616</u>
At FVTPL:	6.1						
Equity securities		315,210,445	315,210,445	390,287,802	390,287,802	454,662,353	454,662,353
UITF		685,051,725	685,051,725	745,912,925	745,912,925	694,162,699	694,162,699
		<u>1,000,262,170</u>	<u>1,000,262,170</u>	<u>1,136,200,727</u>	<u>1,136,200,727</u>	<u>1,148,825,052</u>	<u>1,148,825,052</u>
At amortized cost –							
Debt securities		34,928,071	32,474,957	48,065,983	45,302,336	101,561,861	98,771,622
Cash and cash equivalents	4	147,533,080	147,533,080	42,941,355	42,941,355	503,084,160	503,084,160
Short-term investments	9	46,801,765	46,801,765	14,363,980	14,363,980	5,742,794	5,742,794
Receivables*	5	621,694,998	621,694,998	655,421,193	655,421,193	798,070,946	798,070,946
Other non-current assets		3,273,477	3,273,477	3,273,477	3,273,477	3,273,477	3,273,477
		<u>854,231,391</u>	<u>851,778,227</u>	<u>764,065,988</u>	<u>761,302,341</u>	<u>1,411,733,238</u>	<u>1,408,942,999</u>
		<u>2,600,436,957</u>	<u>2,597,983,793</u>	<u>2,965,402,335</u>	<u>2,962,638,688</u>	<u>3,417,488,906</u>	<u>3,414,698,667</u>
Financial Liabilities:							
At amortized cost –							
Interest-bearing loans	13	844,795,918	854,927,156	1,075,816,326	875,488,642	1,406,836,735	1,299,038,256

*Amount excludes advances to employees

Except for the financial assets and financial liabilities presented above, the University has other financial assets and/or financial liabilities that are not carried at fair value but are required to be disclosed at fair value as of May 31, 2025, 2024 and 2023. Management determined that the carrying amounts of the other financial assets and financial liabilities that are carried at amortized costs are equal to or approximate their fair values.

See Note 26.1 for a description of the accounting policies for each category of financial instruments. A description of the University's risk management objectives and policies for financial instruments is provided in Note 14.

7. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

This account consists of the following investments as of May 31:

(Amounts in PHP)	% Interest Held	2025	2024	2023
Investment in:				
Subsidiaries				
Roosevelt College, Inc. (RCI)	97.7%	1,248,055,176	1,247,990,363	1,012,418,769
FEU Alabang, Inc. (FEUAI)*	100.0%	749,999,875	749,999,875	749,999,875
Edustria, Inc. (Edustria)	51.0%	254,999,997	254,999,997	254,999,997
East Asia Computer Center, Inc (EACCI)	100.0%	150,104,999	150,104,999	150,104,999
Fern Reality Corporation (FRC)	38.2%	64,419,300	64,419,300	64,419,300
Far Eastern College - Silang, Inc. (FECSI)	100.0%	51,000,000	51,000,000	51,000,000
FEU High School, Inc. (FEU High)	100.0%	24,999,500	24,999,500	24,999,500
Balance carried forward		<u>2,543,578,847</u>	<u>2,543,514,034</u>	<u>2,307,942,440</u>

(Amounts in PHP)	% Interest Held	2025	2024	2023
Balance brought forward		<u>2,543,578,847</u>	<u>2,543,514,034</u>	<u>2,307,942,440</u>
Associates				
JPMC College of Health Sciences SDN BHD (JCHS)	40.0%	<u>90,669,794</u>	<u>90,669,794</u>	<u>90,669,794</u>
Good Samaritan Colleges, Inc. (GSC)	34.0%	<u>70,000,000</u>	<u>70,000,000</u>	<u>70,000,000</u>
		<u>160,669,794</u>	<u>160,669,794</u>	<u>160,669,794</u>
Joint venture				
Higher Academia, Inc. (HAI)	50.0%	<u>280,000,000</u>	<u>280,000,000</u>	<u>-</u>
		<u>2,984,248,641</u>	<u>2,984,183,828</u>	<u>2,468,612,234</u>

* In 2025, EACCI acquired shares in FEUAI representing 50% of FEUAI's total shares. In 2024 and 2023, the University held 100% ownership of FEUAI. The University retains control over FEUAI through its 50% direct ownership and 50% indirect ownership via its interest in EACCI. As of May 31, 2025, the University's effective ownership in FEUAI remains at 100%.

Except FRC, all subsidiaries, associates and joint venture are educational institutions. FRC primarily operates as a real estate lessor to the University and other related parties.

The subsidiaries', associates' and joint venture's places of incorporation which are the same as their sites of operations are summarized as follows:

RCI	-	J.P. Rizal Street, Malanday, Marikina City
FEUAI	-	Lot 1, Corporate Woods cor. South Corporate Avenues, Woods District, Filinvest City, Alabang, Muntinlupa City
Edustria	-	Blocks R & T Lima Technology Center Barangay Bugtong na Pulo, Lipa City, Batangas
EACCI	-	P. Paredes Street, Sampaloc, Manila
FRC and FEU High	-	Nicanor Reyes Street, Sampaloc, Manila
FECSI	-	Metrogate Silang Estates, Silang, Cavite
JCHS	-	Block 2C East Wing, Ong Sum Ping Condominium Jalan Ong Sum Ping, Bandar Seri Begawan BA 1311, Brunei Darussalam
GSC	-	Burgos Avenue, Cabanatuan City, Nueva Ecija
HAI	-	McArthur Highway, San Isidro, City of San Fernando, Pampanga

Management assessed that these investments are fully recoverable based on expected profitability of the investees in the coming years; hence, no impairment losses were recognized in 2025, 2024 and 2023.

Dividends earned by the University from its subsidiaries and associates were as follows (see Notes 17.1 and 20.1):

(Amounts in PHP)	2025	2024	2023
EACCI	<u>110,109,423</u>	<u>134,559,307</u>	<u>175,499,096</u>
FEU High	<u>20,000,000</u>	<u>73,999,360</u>	<u>19,999,467</u>
FRC	<u>9,010,800</u>	<u>15,618,720</u>	<u>7,809,360</u>
GSC	<u>2,769,218</u>	<u>897,435</u>	<u>-</u>
	<u>141,889,441</u>	<u>225,074,822</u>	<u>203,307,923</u>

7.1 Investment in RCI

In February 2025, the University acquired 12 additional shares of RCI for P64,813. This was fully paid in April 2025.

In January 2024, the University acquired an additional 43,615 shares of RCI for P235.6 million which was fully paid on the same date.

7.2 Investment in Edustria

The outstanding balance of subscription payable amounting to P76.5 million as of May 31, 2022, which is presented as Subscription Payable in the 2022 statement of financial position, was fully paid in December 2022.

7.3 Investment in JCHS

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 having equity ownerships of 40% and 60%, respectively. JCHS was incorporated to operate a private tertiary school of health sciences in Brunei Darussalam. The University also provides technical management services. In February 2023, the University fully paid its investment in JCHS amounting to BND 2.2 million, or an equivalent of P90.7 million.

7.4 Investment in GSC

GSC is an educational institution that offers junior and senior high school, tertiary, and graduate school courses. 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 34.0% equity ownership. In October 2022, the University paid in full its P70.0 million investment in GSC.

7.5 Investment in HAI

In October 2023, the University and MGHI Holdings, Inc. (MGHI) entered into a Shareholders' Agreement to invest a total of P600.0 million in HAI, with the University and MGHI both investing P300.0 million for an equal equity ownership, or 50% each. Accordingly, HAI was incorporated with its primary purpose to establish, maintain, operate and administer an educational institution.

In the same month, the University made its initial investment in HAI amounting to P280.0 million. Except for the remaining investment commitment amounting to P20.0 million, which represents half of the unsubscribed capital of P40.0 million, the Group does not have any commitments made to HAI as of year-end.

On June 17, 2025, the University's BOT approved an additional equity investment of P11.4 million in HAI. This investment will result in the acquisition of 114,286 common shares in HAI. Following the transaction, the University's total shareholding will increase to 2,014,286 shares, representing 51% of HAI's total outstanding capital. As of August 19, 2025, no definitive subscription agreement has been signed, pending finalization.

7.6 Financial Information of Associates and Joint Venture

Presented below and in the succeeding page are the Associates' and Joint Venture's summary of financial information based on its most recent unaudited financial statements as of and for the years ended May 31, 2025, 2024 and 2023

<i>(Amounts in PHP)</i>	<u>JCHS</u>	<u>GSC</u>	<u>HAI</u>
2025:			
Total current assets	86,416,235	98,862,848	8,032,867
Total non-current assets	372,857,362	231,980,718	548,121,234
Total current liabilities	30,898,158	44,031,198	2,528,723
Total non-current liabilities	276,838,402	15,001,088	-
Revenues	90,161,101	246,336,822	44,298,134
Net income (loss)	(55,345,526)	66,227,730	(8,849,268)
2024:			
Total current assets	238,291,265	94,944,179	19,679,588*
Total non-current assets	417,968,302	190,760,538	533,539,276
Total current liabilities	47,601,265	44,233,102	517,736*
Total non-current liabilities	386,757,713	25,311,607	-
Revenues	14,601,121	145,516,805	-
Net income (loss)	(16,198,811)	27,391,792	(7,298,872)
2023:			
Total current assets	210,588,194	113,457,353	-
Total non-current assets	3,904,251	117,545,204	-
Total current liabilities	222,384	31,360,100	-
Total non-current liabilities	-	6,415,537	-
Revenues	17,004,183	108,908,127	-
Net income (loss)	(14,007,481)	27,811,440	-
Other comprehensive income	-	561,979	-

*HAI's total current assets relate only to cash. Also, the joint venture does not have any other financial liabilities as of May 31, 2025 except for accrued expenses which are payable in cash.

As of May 31, 2025, 2024 and 2023, the investments in JCHS, GSC and HAI are carried at cost.

8. INVESTMENT PROPERTIES

This account consists of the building and improvements leased to FECSI and a parcel of land leased to FEUI where its building, gym, chapel and campus are situated. None of the University's investment properties as of May 31, 2025, 2024, and 2023 are used as collateral for any of the University's interest-bearing loans and borrowings.

The gross carrying amounts and accumulated depreciation of investment properties at the beginning and end of the years ended May 31, 2025, 2024 and 2023 are shown below.

<i>(Amounts in PHP)</i>	Land	Building and Improvements	Total
May 31, 2025			
Cost	1,076,829,849	504,604,083	1,581,433,932
Accumulated depreciation	-	(288,780,565)	(288,780,565)
Net carrying amount	<u>1,076,829,849</u>	<u>215,823,518</u>	<u>1,292,653,367</u>
May 31, 2024			
Cost	1,076,829,849	483,376,295	1,560,206,144
Accumulated depreciation	-	(262,362,884)	(262,362,884)
Net carrying amount	<u>1,076,829,849</u>	<u>221,013,411</u>	<u>1,297,843,260</u>
May 31, 2023			
Cost	1,076,829,849	483,376,295	1,560,206,144
Accumulated depreciation	-	(237,145,157)	(237,145,157)
Net carrying amount	<u>1,076,829,849</u>	<u>246,231,138</u>	<u>1,323,060,987</u>

A reconciliation of the carrying amounts of investment properties at the beginning and end of the years ended May 31, 2025, 2024 and 2023 is shown below:

<i>(Amounts in PHP)</i>	Notes	Land	Building and Improvements	Total
Balance at June 1, 2024, net of accumulated depreciation		1,076,829,849	221,013,411	1,297,843,260
Reclassification		-	21,227,788	21,227,788
Depreciation charges for the year	16	-	(26,417,681)	(26,417,681)
Balance at May 31, 2025, net of accumulated depreciation		<u>1,076,829,849</u>	<u>215,823,518</u>	<u>1,292,653,367</u>
Balance at June 1, 2023, net of accumulated depreciation		1,076,829,849	246,231,138	1,323,060,987
Depreciation charges for the year	16	-	(25,217,727)	(25,217,727)
Balance at May 31, 2024, net of accumulated depreciation		<u>1,076,829,849</u>	<u>221,013,411</u>	<u>1,297,843,260</u>
Balance at June 1, 2022, net of accumulated depreciation		1,076,829,849	247,001,041	1,323,830,890
Additions		-	23,170,854	23,170,854
Depreciation charges for the year	16	-	(23,940,757)	(23,940,757)
Balance at May 31, 2023, net of accumulated depreciation		<u>1,076,829,849</u>	<u>246,231,138</u>	<u>1,323,060,987</u>

The total rental income earned from investment properties is presented as Other Operating Income in the statements of profit or loss (see Notes 20.4 and 20.8). The direct operating expenses, which include depreciation and amortization, insurance, and taxes and licenses incurred by the University relating to the investment properties, are presented as part of Depreciation and amortization, Insurance, and Taxes and licenses, respectively, under Operating Expenses in the statement of profit or loss (see Note 16).

The fair values (which is at Level 3) of the University's investment properties presented below are determined on the basis of the latest appraisals performed by an independent appraiser in July 2024 covering the year ended May 31, 2024 and in July 2022 covering the year ended May 31, 2023.

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 University'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.

The fair values of the investment properties are as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Land	4,815,424,000	4,815,424,000	3,791,248,000
Building and improvements	408,062,215	408,062,215	345,848,854
At appraised values	5,223,486,215	5,223,486,215	4,137,096,854

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

9. PREPAYMENTS AND OTHER CURRENT ASSETS

The breakdown of this account is as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Prepaid expenses	65,284,960	54,951,672	25,796,565
Short-term investments	46,801,765	14,363,980	5,742,794
Inventories	37,705,421	29,219,118	17,225,562
Input value-added tax (VAT)	34,864,866	34,864,866	34,864,866
Supplies	10,417,445	6,267,299	4,953,912
Subscription deposit	4,000,000	-	-
Prepaid income tax	2,381,511	-	16,967,324
Refundable deposit	1,599,091	-	-
	<u>203,055,059</u>	<u>139,666,935</u>	<u>105,551,023</u>
Allowance for impairment of input VAT	<u>(34,864,866)</u>	<u>(34,864,866)</u>	<u>(34,864,866)</u>
	<u>168,190,193</u>	<u>104,802,069</u>	<u>70,686,157</u>

Prepaid expenses mainly consist of rentals, insurance and licenses and subscriptions.

Inventories consist of merchandise inventory items relating to the University's bookstore. Inventories of the University are assessed for inventory write-down and are valued at the lower of cost and net realizable value. As of May 31, 2025, 2024 and 2023, all inventories are valued at cost.

Short-term investments include investments in time deposit or special savings deposit accounts. These investments, which earn interest ranging from 1.1% to 5.0% for 2025, 5.0% to 6.4% for 2024, and 1.1% to 5.0% for 2023, have maturities beyond three months but within one year from the end of each of the reporting period. Related accrued interest is presented as part of the Receivables account in the statement of financial position (see Note 5). Interest income earned from short-term investments is presented as part of Finance income in the statement of profit or loss (see Note 17.1).

No impairment on these assets was recognized in 2025, 2024 and 2023.



10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization at the beginning and end of years ended May 31, 2025, 2024 and 2023 are shown below:

<i>(Amounts in PHP)</i>	Land	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Right-of-use Assets	Total
May 31, 2025								
Cost	560,739,388	2,628,708,207	877,677,777	950,203,554	274,648,650	217,837,499	661,990,544	6,171,805,619
Accumulated depreciation and amortization	-	(1,421,610,922)	(724,663,503)	(488,055,809)	(216,476,930)	-	(391,308,257)	(3,242,115,421)
Net carrying amount	<u>560,739,388</u>	<u>1,207,097,285</u>	<u>153,014,274</u>	<u>462,147,745</u>	<u>58,171,720</u>	<u>217,837,499</u>	<u>270,682,287</u>	<u>2,929,690,198</u>
May 31, 2024								
Cost	444,974,270	2,535,637,877	801,342,209	895,435,991	248,835,325	205,059,360	1,129,568,096	6,260,853,128
Accumulated depreciation and amortization	-	(1,335,075,505)	(676,242,681)	(444,152,318)	(208,870,973)	-	(341,572,960)	(3,005,914,437)
Net carrying amount	<u>444,974,270</u>	<u>1,200,562,372</u>	<u>125,099,528</u>	<u>451,283,673</u>	<u>39,964,352</u>	<u>205,059,360</u>	<u>787,995,136</u>	<u>3,254,938,691</u>
May 31, 2023								
Cost	434,956,275	2,535,637,877	744,275,272	895,435,991	219,305,616	32,478,067	1,129,568,096	5,991,657,194
Accumulated depreciation and amortization	-	(1,211,947,459)	(627,118,340)	(400,653,434)	(198,344,616)	-	(273,717,922)	(2,711,705,771)
Net carrying amount	<u>434,956,275</u>	<u>1,323,690,418</u>	<u>117,156,932</u>	<u>494,782,557</u>	<u>20,961,000</u>	<u>32,478,067</u>	<u>855,850,174</u>	<u>3,279,951,423</u>



A reconciliation of the carrying amounts of property and equipment at the beginning and end of periods ended May 31, 2025, 2024 and 2023 is shown below and in the succeeding page.

<i>(Amounts in PHP)</i>	Land	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Right-of-use Assets	Total
Balance at June 1, 2024, net of accumulated depreciation and amortization	444,974,270	1,200,562,372	125,099,528	451,283,673	39,964,352	205,059,360	787,995,136	3,254,938,691
Additions	115,765,118	27,647,955	84,456,391	53,265,694	33,578,751	116,111,795	15,418,198	446,243,902
Disposals	-	(25,075)	(84,225)	-	(15,360)	-	-	(124,660)
Reclassification	-	65,470,511	8,162,889	1,501,870	1,947,890	(103,333,656)	-	(26,250,496)
Modifications	-	-	-	-	-	-	(469,991,428)	(469,991,428)
Depreciation and amortization charges for the year	-	(86,558,478)	(64,620,309)	(43,903,492)	(17,303,135)	-	(62,739,619)	(275,125,811)
Balance at May, 31, 2025, net of accumulated depreciation and amortization	560,739,388	1,207,097,285	153,014,274	462,147,745	58,171,720	217,837,499	270,682,287	2,929,690,198
Balance at June 1, 2023, net of accumulated depreciation and amortization	434,956,275	1,323,690,418	117,136,932	494,878,557	20,961,000	32,478,067	855,850,174	3,279,951,423
Additions	10,017,995	-	57,066,937	-	29,529,709	172,581,293	-	269,195,934
Depreciation and amortization charges for the year	-	(123,128,046)	(49,104,341)	(43,594,884)	(10,526,357)	-	(67,855,038)	(294,208,666)
Balance at May, 31, 2024, net of accumulated depreciation and amortization	444,974,270	1,200,562,372	125,099,528	451,283,673	39,964,352	205,059,360	787,995,136	3,254,938,691



<i>(Amounts in PHP)</i>	Land	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Miscellaneous Equipment	Construction in Progress	Right-of-use Assets	Total
Balance at June 1, 2022, net of accumulated depreciation and amortization	389,229,440	1,224,360,302	67,827,242	538,473,442	27,971,939	23,976,403	915,790,642	3,187,629,410
Additions	45,726,835	215,646,889	89,441,228	-	2,426,118	10,177,744	8,380,690	371,799,504
Reclassification	-	1,676,080	-	-	-	(1,676,080)	-	-
Depreciation and amortization charges for the year	-	(117,992,853)	(40,131,538)	(43,594,885)	(9,437,057)	-	(68,321,158)	(279,477,491)
Balance at May, 31, 2023, net of accumulated depreciation and amortization	434,956,275	1,323,690,418	117,136,932	494,878,557	20,961,000	32,478,067	855,850,174	3,279,951,423



As of May 31, 2025, 2024 and 2023, certain fully depreciated and amortized assets with acquisition cost of P1,268.2 million, P1,147.2 million, and P1,199.0 million, respectively, are still being used in the University's operations.

The table below describes the nature of the University's leasing activities by type of Right-of-use asset (ROUA) for the years ended May 31, 2025, 2024 and 2023, which is recognized in the statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
University buildings	5	2 – 16 years	10 years	5	5

Total rental income earned from the sublease of one of the University buildings amounted to P44.1 million for the year ended May 31, 2022, and is part of Other Operating Income in the statements of profit or loss. Effective June 1, 2022, the University no longer has any subleasing arrangements.

The amount of depreciation is presented as part of Depreciation and amortization which is presented under Operating Expenses account (see Note 16).

None of the University's property and equipment as at May 31, 2025 are used as collateral for any of the University's interest-bearing loans and borrowings.

11. LEASES

The University has leases for certain university buildings, transportation equipment, and event venues. With the exception of leases of low value underlying assets pertaining to transportation equipment and event venues, each lease is reflected in the statement of financial position as ROUA under Property and Equipment (see Note 10) and as Lease Liabilities (current portion under Trade and Other Payables) [see Note 12].

Each lease generally imposes a restriction that, unless there is a contractual right for the University to sublet the asset to another party, the ROUA can only be used by the University. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an extension of the lease for a further term. The University is prohibited from selling or pledging the underlying leased assets as security. For leases of university buildings, the University 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 University must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

11.1 Lease Liabilities

The composition of the University's lease liabilities is shown below:

(Amounts in PHP)	2025	2024	2023
Current	33,755,830	13,740,397	21,078,650
Non-current	696,246,054	1,185,428,533	1,190,623,905
	<u>730,001,884</u>	<u>1,199,168,930</u>	<u>1,211,702,555</u>

The rollforward analysis of lease liabilities as at and for the year ended May 31, 2025, 2024 and 2023 are as follows:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Balance at June 1		1,199,168,930	1,211,702,555	1,210,920,596
Additions	10	15,418,198	-	8,380,690
Modification	10, 28.1	(469,991,428)	-	-
Interest expense		113,942,482	113,996,846	114,068,795
Lease payments		(65,718,308)	(67,706,691)	(64,317,505)
Adjustment arising from reduced rent coverage	18	(62,817,990)	(58,823,780)	(57,350,021)
Balance at May 31		<u>730,001,884</u>	<u>1,199,168,930</u>	<u>1,211,702,555</u>

The University has no commitment to any unstarted lease contracts. The non-current portion is separately reported in the statements of financial position. The University has elected not to recognize a lease liability for rented low-value assets. Payments made under such leases are considered immaterial and are expensed on a straight-line basis.

The availability of options to extend, terminate or renegotiate gives the University flexibility in the event it identifies more suitable premises in terms of cost and/or location, or determines that it is advantageous to remain in a location beyond the original lease term. An option is exercised consistent to the University's markets strategy and the economic benefit of exercising the option exceeds the expected overall cost.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at May 31, 2025, 2024 and 2023 are as follows:

<i>(Amounts in PHP)</i>	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2025							
Lease payments	83,536,023	83,578,092	77,637,417	78,435,957	79,274,425	816,852,691	1,219,314,605
Finance charges	(49,780,193)	(50,863,445)	(48,768,091)	(46,680,367)	(44,361,152)	(248,859,473)	(489,312,721)
Net present values	<u>33,755,830</u>	<u>32,714,647</u>	<u>28,869,326</u>	<u>31,755,590</u>	<u>34,913,273</u>	<u>567,993,218</u>	<u>730,001,884</u>
2024							
Lease payments	14,106,437	227,959,736	122,597,858	128,727,751	135,164,138	1,860,015,682	2,488,571,602
Finance charges	(366,040)	(226,574,757)	(112,658,783)	(111,393,029)	(109,375,657)	(729,034,406)	(1,289,402,672)
Net present values	<u>13,740,397</u>	<u>1,384,979</u>	<u>9,939,075</u>	<u>17,334,722</u>	<u>25,788,481</u>	<u>1,130,981,276</u>	<u>1,199,168,930</u>
2023							
Lease payments	22,225,192	229,521,587	116,759,865	122,597,858	128,727,751	1,995,179,821	2,615,012,074
Finance charges	(1,146,542)	(226,432,916)	(113,268,186)	(112,658,783)	(111,393,029)	(838,410,063)	(1,403,309,519)
Net present values	<u>21,078,650</u>	<u>3,088,671</u>	<u>3,491,679</u>	<u>9,939,075</u>	<u>17,334,722</u>	<u>1,156,769,758</u>	<u>1,211,702,555</u>

11.2 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of leases amounted to P65.72 million in 2025, P67.7 million in 2024, P64.3 million in 2023 (see Note 22). Interest expense in relation to lease liabilities amounted to P113.9 million, P114.0 million, and P114.1 million for the years ended May 31, 2025, 2024 and 2023, respectively, is presented as part of Interest expense under Finance Costs in the statement of profit or loss, respectively (see Notes 17.2 and 22).

12. TRADE AND OTHER PAYABLES

The breakdown of this account follows:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Dividends payable	23.2(b)	362,386,179	355,992,696	291,427,957
Accounts payable	20.5	206,729,963	250,537,003	213,542,729
Deposits payable		112,699,659	136,854,333	156,625,080
Accrued salaries and employee benefits		76,712,144	63,024,262	58,401,045
National Service Training Program (NSTP) and other funds		76,263,253	116,713,285	72,447,957
Amounts due to students		67,600,178	62,524,972	60,028,828
Accrued expenses	13, 20.3, 20.9	52,591,529	100,251,647	110,608,379
Lease liabilities	11	33,755,830	13,740,397	21,078,650
Withholding and other taxes payable		16,336,752	19,814,818	14,142,737
Retention payable		6,653,611	5,443,246	22,907,011
Others		9,293,144	6,436,134	13,059,654
		<u>1,021,022,242</u>	<u>1,131,332,793</u>	<u>1,034,270,027</u>

Accounts payable pertain to unpaid amounts for various incurred expenses already billed by the University's suppliers.

Deposits payable are monies held by the University on behalf of students and third parties for various specific purposes relating to an activity or event. Long-outstanding deposits payable are routinely assessed for status of utilization and ascertained whether no future obligations will be called against it.

The NSTP fees charged to students amounted to P22.1 million, P25.4 million, and P30.8 million for the years ended May 31, 2025, 2024 and 2023, respectively. The outstanding balance of the NSTP fund amounted to P58.3 million, P76.5 million, and P22.4 million as of May 31, 2025, 2024 and 2023, respectively.

Accrued expenses pertain to the University's estimated expenses where billings are not yet received as of reporting date. These generally consist of accruals for utilities, professional fees, outside services, supplies and materials and interest.

As of May 31, 2025, 2024 and 2023, after reconciliation was determined, certain deposit payables, accruals, funds and other liabilities amounting to P101.1 million, P33.1 million, and P60.1 million, respectively, were reversed and is presented as part of Reversal of liabilities under the Other Income account in the statement of profit or loss (see Note 18)., respectively, were reversed and is presented as part of Reversal of liabilities under the Other Income account in the statement of profit or loss (see Note 18).

Amounts due to students represent excess payment of tuition and miscellaneous fees that are payable to them once applied for refund, or automatically applied on the students' subsequent enrollment.

Retention payable is the unpaid balance of the acquisition price of RCI in 2016. Such is retained by the University to ensure compliance by the selling shareholders of RCI to certain agreed terms. In 2024, the University paid P17.5 million of the retention payable in partial compliance with the agreement. No similar transaction occurred in 2025.

13. INTEREST-BEARING LOANS

The University's interest-bearing loans as of May 31, 2025, 2024 and 2023 are as follows:

Original Principal Amount	Outstanding Principal Balance (in Million Pesos)			Interest Charges (in Million Pesos)			Accrued Interest (in Million Pesos)		Current Interest Rate*	Security	Maturity Date	Principal Repayment
	2025	2024	2023	2025	2024	2023	2025	2024				
542.9	232.7	336.1	439.5	19.9	26.7	20.1	1.9	2.7	6.58%	Unsecured	July 2027	Quarterly
500.0	214.3	309.5	404.8	18.4	25.3	18.5	1.7	2.4	6.58%	Unsecured	July 2027	Quarterly
425.0	182.1	263.1	344.0	15.6	22.3	15.8	1.5	2.1	6.58%	Unsecured	July 2027	Quarterly
100.0	100.0	-	-	-	-	-	-	-	6.38%	Unsecured	June 2025	--
150.0	64.3	92.8	121.4	5.5	9.6	5.6	0.5	0.7	6.58%	Unsecured	July 2027	Quarterly
120.0	51.4	74.3	97.1	4.4	6.3	4.4	0.4	0.6	6.58%	Unsecured	July 2027	Quarterly
680.0	-	-	-	-	-	0.02	-	-	1.95%	Unsecured	June 2022	Quarterly
200.0	-	-	-	-	-	0.004	-	-	1.95%	Unsecured	June 2022	Quarterly
100.0	-	-	-	-	-	0.002	-	-	1.95%	Unsecured	June 2022	Quarterly
	844.8	1,075.8	1,406.8	63.8	90.2	64.4	6.0	8.5				
								10.2				

* For certain loans, interest rates are determined based on Philippine Dealing System Treasury Reference three-month bid yields for Philippine government securities plus 0.75% or prevailing rate on special deposit accounts.

All of the University's interest-bearing loans and borrowings are clean loans; no assets are used and/or required as collaterals as of May 31, 2025, 2024 and 2023.

The total interest incurred by the University on all these loans are presented as part of Interest expense under Finance Costs in the statements of profit or loss (see Note 17.2) while any outstanding interest payable is recognized as part of Accrued expenses under the Trade and Other Payables account in the statement of financial position (see Note 12).

Loans obtained with a local commercial bank are subject to loan covenants effective for the years ended May 31, 2025, 2024 and 2023, which require the University to maintain a debt service coverage ratio of at least 1.2x and debt-to-equity ratio of not more than 2:1. As of May 31, 2025, 2024 and 2023, the University has complied with its loan covenants based on its financial statements for all years presented (see Note 25). (see Note 25).

Interest-bearing loans are presented in the statement of financial position as at May 31, 2025, 2024 and 2023 as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current	431,020,408	331,020,408	331,020,408
Non-current	413,775,510	744,795,918	1,075,816,327
	<u>844,795,918</u>	<u>1,075,816,326</u>	<u>1,406,836,735</u>

14. RISK MANAGEMENT OBJECTIVES AND POLICIES

The University 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 University's risk management framework. It has a risk management committee headed by an independent trustee that is responsible for developing and monitoring the University's policies, which address risk management areas.

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

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

14.1 Market Risk

(a) Foreign Currency Risk

Most of the University's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange risk arise from certain cash and cash equivalents, investment securities at FVTPL, FVOCI and amortized cost that are primarily denominated in United States (US) dollars.

To mitigate the University's exposure to foreign currency risk, the University generally keeps the amount of its US dollar deposits at a level within BOT-approved limits.

Financial assets denominated in US dollar, translated into Philippine pesos at the closing rate, as of May 31 are presented below:

<i>(Amounts in PHP)</i>	2025	2024	2023
Short-term exposure – Financial assets	<u>904,963,830</u>	<u>906,295,640</u>	<u>795,363,806</u>
Long-term exposure – Financial assets	<u>11,149,000</u>	<u>29,279,056</u>	<u>39,252,795</u>

The table below illustrates the sensitivity of the University's profit or loss before tax with respect to changes in Philippine peso against US dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous periods (for the periods ended May 31, 2025, 2024 and 2023) at a 95% confidence level.

	May 31, 2025			May 31, 2024			May 31, 2023		
	Reasonably possible change in rate	Effect in profit before tax	Effect in equity	Reasonably possible change in rate	Effect in profit before tax	Effect in equity	Reasonably possible change in rate	Effect in profit before tax	Effect in equity
PhP – USD	9.12%	83,571,671	75,214,504	9.50%	88,899,773	80,009,796	12.29%	102,597,858	92,338,072

Exposures to US dollar exchange risk vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is representative of the University's current risk.

(b) *Interest Rate Risk*

The University is exposed to changes in market interest rates through its cash and cash equivalents, debt securities investments and interest-bearing loans as of end of each reporting period, which are subject to variable interest rates, as shown below. All other financial assets and financial liabilities have fixed interest rates. The exposure to interest rate risks as of the end of each reporting period is as follow:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Cash and cash equivalents	4	147,533,080	42,941,355	503,084,160
Financial assets at FVOCI	6.2	699,599,139	1,033,550,979	819,457,301
Investments securities at amortized cost	6.3	34,928,071	48,065,983	101,561,861
Short-term investments	9	46,801,765	14,363,980	5,742,794
Interest-bearing loans	13	<u>(844,795,918)</u>	<u>(1,075,816,326)</u>	<u>(1,406,836,735)</u>
		<u>84,066,137</u>	<u>63,105,971</u>	<u>23,009,381</u>

The following table illustrates the sensitivity of profit or loss before tax regarding the University's interest-bearing financial instruments. These percentages have been determined based on the average market volatility rates, using standard deviation, in the years ended May 31, 2025, 2024 and 2023, estimated at 95% level of confidence. The sensitivity analysis is based on the University's financial instruments held at May 31, 2025, 2024 and 2023.

	May 31, 2025		May 31, 2024		May 31, 2023	
	Reasonably possible change in rate	Effect on profit before tax	Reasonably possible change in rate	Effect on profit before tax	Reasonably possible change in rate	Effect on profit before tax
Cash and cash equivalents	+/-0.89%	1,320,339	+/-0.64%	272,897	+/-0.45%	2,276,955
Financial assets at FVOCI	+/-0.53%	184,059	+/-0.66%	316,119	+/-0.42%	3,452,320
Investment securities at amortized cost	+/-0.89%	3,686,651	+/-0.66%	6,797,423	+/-0.42%	427,873
Short-term investments	+/-0.75%	350,854	+/-1.02%	146,589	+/-0.48%	27,761
Interest-bearing loans	+/-0.53%	(4,451,789)	+/-0.66%	(7,075,393)	+/-0.42%	(5,926,911)
		<u>1,090,114</u>		<u>457,635</u>		<u>257,998</u>

(c) *Other Price Risk*

The University's exposure to price risk arises from its investments in equity securities, which are classified as part of the Financial Assets at FVOCI and Financial Assets at FVTPL accounts in the statements of financial position. These consist of publicly listed equity securities which are carried at fair value. Management monitors its equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis.

For equity securities listed in the Philippines, an average volatility has been observed for the years ended May 31, 2025, 2024 and 2023 which is shown below:

(Amounts in PHP)	Change in Total Comprehensive Income					
	+/-%	2025	+/-%	2024	+/-%	2023
Financial assets at FVTPL	8.21%	25,863,029	4.99%	19,459,877	5.40%	24,569,662
Financial assets at FVOCI	0.87%	403,194	0.74%	233,923	1.57%	588,952

Certain investments are considered medium to long-term strategic investments. In accordance with the University'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 in the University's favor.

14.2 Credit Risk

Credit risk represents the loss that the University would incur if the counterparty failed to perform its contractual obligations.

The University is exposed to credit risk relating to its receivables from related parties and assessed tuition fees receivables primarily anchored on the students' possible inability to fully settle outstanding balances of receivables which are owed to the University based on installment payment schemes.

The University's exposure to credit risk on its other receivables from debtors and related parties is managed through close account monitoring and setting limits. The University has established controls and procedures to minimize risks of non-collection. Students by default are not allowed to enroll in the following semester unless the unpaid balance in the previous semester has been paid.

Other than the foregoing, the University is not exposed to significant credit risk and has no significant exposure to any individual customer or counterparty nor it has any other concentration of credit risk arising from counterparties in similar business activities, geographic region or economic parties.

With respect to credit risk arising from debt instruments, the University's maximum exposure is equal to the carrying amount, before any allowances for impairment, of these instruments.

The maximum exposure to credit risk at the end of the reporting period is as follows:

<i>(Amounts in PHP)</i>	<u>Notes</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	4	147,533,080	42,941,355	503,084,160
Receivables (gross)	5	683,689,715	736,917,428	906,808,828
Financial assets at FVOCI	6.2	699,599,139	1,033,550,979	819,457,301
Investment securities at amortized cost	6.3	34,928,071	48,065,983	101,561,861
Short-term investments	9	46,801,765	14,363,980	5,742,794
Other non-current assets		6,134,512	3,273,477	3,273,477
		<u>1,618,686,282</u>	<u>1,879,113,202</u>	<u>2,339,928,421</u>

a. *Cash and Cash Equivalents and Short-term Investments*

The credit risk for cash and cash equivalents and short-term investments held by reputable financial institutions is considered negligible or the probability of default is remote since there has been no history of default from these counterparties and because of their high-quality external credit ratings.

Cash in banks are insured by the Philippine Deposit Insurance Corporation (PDIC) up to a maximum coverage of P1.0 million per depositor per banking institution, as provided for under Republic Act (R.A.) No. 9576, *Amendment to Charter of PDIC*.

For cash and cash equivalents and financial assets of similar nature, the University applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the University's policy to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

As of May 31, 2025, 2024 and 2023, management assessed that the allowance for ECL on these financial instruments is not material.

b. *Receivables*

The University's receivables include assessed tuition fees receivables, receivables from related parties and other miscellaneous receivables.

The University applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for assessed tuition fees and other receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

To calculate the ECL using a provision matrix, the University makes use of its historical experience, external indicators and forward-looking information (FLI). The expected loss rates on these receivables are determined based on the history of credit-impaired student accounts. The University analyses assessed tuition receivables based on the number of semesters the receivables have been outstanding. Student receivables that are outstanding for at least two semesters are assessed for credit impairment. The University also assesses impairment of tuition fees and other receivables on a collective basis as they possess shared credit risk characteristics.

The historical loss rates, which are expressed as the relationship between the credit-impaired accounts and the related recognized tuition fees, are adjusted to reflect current and FLI on macroeconomic factors affecting the ability of the students to settle the receivables. The University assessed that the expected loss rates for tuition fees and other receivables are a reasonable approximation of the loss rates for these financial assets. As at May 31, 2025, 2024 and 2023, weighted average loss rate, adjusted with FLI, used in the measurement of ECL is at 3.4%, 3.7% and 3.8%, respectively.

The University incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The most relevant macroeconomic variable used in the measurement of ECL is consumer spending as at May 31, 2025, 2024 and 2023, based on the correlation of historical loss rates and FLI.

With respect to advances to related parties, the University determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Accordingly, the University recognized allowance for impairment loss amounting to P40.9 million, P37.3 million, and P30.5 million as at May 31, 2025, 2024 and 2023, respectively (see Note 5).

For the years ended May 31, 2025, 2024 and 2023, the University recognized allowance for impairment loss on all its receivables amounting to P62.0 million, P81.5 million, and P108.7 million, respectively. A reconciliation of the allowance for ECL as at May 31, 2025, 2024 and 2023 to the opening loss allowance is presented in Note 5.

c. *Debt Instruments Classified as Financial Assets at FVOCI and at Amortized Cost*

Debt securities measured at amortized cost and at FVOCI are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL. Management considers "low credit risk" for listed bonds to be an investment grade credit rating with at least one major rating agency.

Other instruments are considered to be low credit risk when they have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The loss allowance provided are as follows:

(Amounts in PHP)

University Internal Credit Rating	External Credit Rating	ECL Rate	Estimated Gross Carrying Amount at Default	Allowance
2025				
<i>Investment Securities at Amortized Cost</i>				
Performing	AAA	0.00%	18,782,351	-
Underperforming	BBB+	0.00% - 0.21%	16,145,720	-
<i>Financial Assets at FVOCI</i>				
Performing	AAA	0.00%	50,497,792	-
Underperforming	BBB+	0.00% - 0.09%	695,445,604	625,901
			780,871,467	625,901
2024				
<i>Investment Securities at Amortized Cost</i>				
Performing	A-AAA	0.00%	18,786,927	-
Underperforming	BB-BBB+	0.00% - 0.21%	-	-
<i>Financial Assets at FVOCI</i>				
Performing	AAA	0.00%	30,000,000	-
Underperforming	BBB+	0.00% - 0.09%	1,024,993,604	876,130
			1,073,780,531	876,130
2023				
<i>Investment Securities at Amortized Cost</i>				
Performing	A-AAA	0.00% - 0.03%	46,324,646	-
Underperforming	BB-BBB+	0.00% - 0.23%	152,174,744	-
<i>Financial Assets at FVOCI</i>				
Performing	AAA	0.00%	30,000,000	-
Underperforming	BBB+	0.00% - 0.09%	644,433,931	696,432
			872,933,321	696,432

d. *Other Non-current Assets*

Management has assessed that these financial assets have low probability of default since these mainly relate to continuing lease contracts, and any outstanding deposit balance can be applied against future monthly rentals. Also, these are no longer discounted since management believes that the effect of discounting is not material to the financial. With respect to certain long-term marketable securities, the University determines that there is a possible impairment. Accordingly, the University recognized allowance for impairment loss amounting to P3.7 million as at May 31, 2025, 2024, and 2023.

14.3 Liquidity Risk

The University 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 University's future and contingent obligations and ensures that future cash collections are sufficient to meet them in accordance with internal policies. The University invests in cash placements when excess cash is obtained from operations.

As at May 31, 2025, 2024 and 2023, the University's financial liabilities (except lease liabilities) have contractual maturities (or are expected to be settled within these periods) below.

(Amounts in PHP)	Current		Non-current
	Within 6 Months	6 to 12 Months	1 to 5 Years
<u>2025</u>			
Trade and other payables	897,577,671	-	-
Interest-bearing loans	291,982,913	183,163,347	434,201,866
	<u>1,189,560,584</u>	<u>183,163,347</u>	<u>434,201,866</u>
<u>2024</u>			
Trade and other payables	981,064,293	-	-
Interest-bearing loans	198,563,627	193,275,079	804,292,081
	<u>1,179,627,920</u>	<u>193,275,079</u>	<u>804,292,081</u>
<u>2023</u>			
Trade and other payables	926,600,683	-	-
Interest-bearing loans	211,335,698	205,781,093	1,202,183,599
	<u>1,137,936,381</u>	<u>205,781,093</u>	<u>1,202,183,599</u>

The contractual maturities presented above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period. The maturity analysis of lease liabilities are presented in Note 11.1.

14.4 Offsetting of Financial Assets and Financial Liabilities

The amounts of the University's cash in bank, which is presented as part of the Cash and Cash Equivalents account, and portion of Short-term investments under the Prepayments and Other Current Assets account in the statement of financial position (see Notes 4 and 9) are subject to offsetting, enforceable master netting arrangements and similar agreements as at May 31, 2025, 2024 and 2023, as presented below:

(Amounts in PHP)	Gross amounts recognized in the statements of financial position		Net amount presented in the statements of financial position	Related amounts that can potentially be set-off in the statements of financial position		Net amount
	Financial assets	Financial liabilities set-off		Financial instruments	Cash collateral received	
2025	<u>40,641,799</u>	<u>-</u>	<u>40,641,799</u>	<u>(844,795,918)</u>	<u>-</u>	<u>(804,154,119)</u>
2024	<u>10,355,763</u>	<u>-</u>	<u>10,355,763</u>	<u>(1,075,816,326)</u>	<u>-</u>	<u>(1,065,460,563)</u>
2023	<u>89,114,135</u>	<u>-</u>	<u>89,114,135</u>	<u>(1,406,836,735)</u>	<u>-</u>	<u>(1,317,722,600)</u>

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the University and its counterparties (i.e., depository bank) allows for net settlement of the relevant financial assets and financial liabilities (i.e., interest-bearing loans) when both elect to settle on a net basis.

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. As such, the University's outstanding receivables from and payables to the same related parties can potentially be offset to the extent of their corresponding outstanding balances.

15. EDUCATIONAL REVENUES

Details of net tuition and other school fees presented in the statement of profit or loss are as follows:

(Amounts in PHP)	Note	2025	2024	2023
Tuition fees	20.13	<u>3,033,259,819</u>	<u>3,002,042,407</u>	<u>2,985,532,076</u>
Less discounts:				
Scholarships		<u>212,247,726</u>	<u>203,016,192</u>	<u>208,554,317</u>
Cash		<u>31,797,101</u>	<u>29,297,426</u>	<u>22,373,099</u>
Family		<u>6,553,295</u>	<u>5,876,559</u>	<u>5,884,997</u>
		<u>250,598,122</u>	<u>238,190,177</u>	<u>236,812,413</u>
Tuition fees – net		<u>2,782,661,697</u>	<u>2,763,852,230</u>	<u>2,748,719,663</u>

<i>(Amounts in PHP)</i>	2025	2024	2023
<i>Balance brought forward</i>	<u>2,782,661,697</u>	<u>2,763,852,230</u>	<u>2,748,719,663</u>
Other school fees:			
Transcript fees	14,157,068	14,379,536	13,528,415
Diplomas	11,476,748	12,206,436	12,676,035
Entrance fees	9,997,225	11,820,520	13,956,611
Identification cards	7,856,095	8,427,536	8,797,582
Graduation and commencement fees	5,540,533	4,908,472	6,837,482
Certification fee	3,909,061	4,551,424	4,960,877
International student fees	2,009,521	2,054,287	1,631,314
Miscellaneous	3,903,414	5,060,148	5,969,898
	<u>58,849,665</u>	<u>63,408,359</u>	<u>68,358,214</u>
	<u><u>2,841,511,362</u></u>	<u><u>2,827,260,589</u></u>	<u><u>2,817,077,877</u></u>

15.1 Core Revenue Stream

The University derives revenues from transactions involving tuition fees and other school fees and other school-related activities such as sale of school merchandise and books. Revenues from tuition fees are recognized over time of instruction. On the other hand, all other revenue sources, such as other incidental fees and sale of school merchandise and books (presented as part of Other Income) are recognized at a point in time.

15.2 Unearned Tuition Fees

As of May 31, 2025, 2024 and 2023, the University has collected tuition fee payments amounting to P42.6 million, P27.6 million, and P29.4 million, respectively, from students enrolled for the succeeding midyear term or first semester of the following school year.

These collections are presented as Unearned Tuition Fees in the statements of financial position. These will be recognized as revenue in the next reporting period once the performance obligation of the University has been rendered.

16. OPERATING EXPENSES

Costs and operating expenses consist of:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Salaries and employee benefits	19	1,138,595,516	1,120,727,158	1,038,077,960
Depreciation and amortization	8, 10	301,543,492	319,426,393	303,418,248
Professional fees		179,625,353	136,999,667	93,111,618
License and subscription		104,301,336	90,645,770	78,119,424
Outside services		82,786,636	86,165,519	59,105,145
Utilities and communication		82,183,820	74,575,207	79,770,105
Supplies and materials		78,827,727	86,807,248	75,426,224
Repairs and maintenance		30,002,455	32,330,647	41,269,450
Taxes and licenses		29,720,798	16,255,667	21,389,643
Transportation and travel		19,867,448	25,830,746	14,219,000
Training and seminars		18,793,042	18,250,412	25,732,187
Director's bonus		16,841,961	17,015,000	13,500,000
Rental		10,530,903	4,417,829	4,141,506
Insurance		4,919,094	6,377,469	17,431,795
Public relations and promotions		2,024,762	2,352,514	3,142,613
Others		17,542,934	14,193,557	24,452,149
		<u>2,118,107,277</u>	<u>2,052,370,803</u>	<u>1,892,307,067</u>

17. FINANCE INCOME AND FINANCE COSTS

17.1 Finance Income

This consists of the following:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Dividend income	7, 20.1	141,889,441	225,074,822	203,307,923
Interest income from:				
Financial assets at FVOCI	6.2	50,939,691	55,122,261	46,319,696
Cash and cash equivalents	4	3,446,198	13,298,519	8,476,350
Investment securities at amortized cost – net	6.3	1,833,907	5,309,005	7,549,261
Short-term investments	9	-	4,159	1,975
Loans receivable	20.9	-	-	235,890
Other investment income (losses) from:				
Financial assets at FVTPL	6.1	96,868,560	85,987,947	3,662
Financial assets at FVOCI	6.2	5,331,526	877,880	(16,498,147)
Foreign exchange gain (loss) – net	6	(45,270,570)	36,881,559	47,174,733
		<u>255,038,753</u>	<u>422,556,152</u>	<u>296,571,343</u>

Other investment income (loss) from financial assets at FVOCI and FVTPL consists collectively of dividend income, gain or loss on disposal, and realized fair value gains or losses of securities held by trustee banks, as well as net amortization of discount and premium on investments at amortized cost.

17.2 Finance Costs

This is broken down into the following:

<i>(Amounts in PHP)</i>	Notes	2025	2024	2023
Interest expense on:				
Lease liabilities	11, 22	113,942,482	113,996,846	114,068,795
Interest-bearing loans	13			
	20.9, 22	76,906,668	91,976,945	64,421,044
Bank charges		<u>12,572,611</u>	<u>13,584,132</u>	<u>13,577,327</u>
		<u>203,421,761</u>	<u>219,557,923</u>	<u>192,067,166</u>

18. OTHER INCOME

This consists of the following:

<i>(Amounts in PHP)</i>	<i>Note</i>	2025	2024	2023
Other income from:				
Reversal of accruals and other liabilities	12	101,062,616	33,096,313	60,051,391
Adjustment arising from reduced rent coverage		65,718,308	58,823,782	57,350,021
Gain (loss) from sale of books and other merchandise - net		10,803,537	5,500,447	11,353,669
Gain on sale of property and equipment		1,541,748	-	-
Others		12,154,052	6,760,556	27,336,461
		191,280,261	104,181,098	156,091,542

Others include revenues from processing fees for various document requests of students, reimbursement of vaccine costs and clinic services of employees, fees for use of clinic and library by students of FEU High (see Note 20) and convenience fees for third party payment platforms.

19. EMPLOYEES' HEALTH, WELFARE AND RETIREMENT FUND

19.1 *Salaries and Employee Benefits Expense*

Details of salaries and employee benefits are presented below (see Note 16).

<i>(Amounts in PHP)</i>	2025	2024	2023
Salaries and short-term employee benefits	1,076,666,433	1,035,630,336	955,277,597
Post-employment benefits	61,929,083	85,096,822	82,800,363
	1,138,595,516	1,120,727,158	1,038,077,960

19.2 *Post-employment Contribution Plan*

As discussed in Note 26.8, the University maintains a tax-qualified, funded and contributory retirement plan, which is a defined contribution type of retirement plan covering regular teaching and non-teaching personnel members. This is accounted for as a defined benefit plan with minimum guarantee.

The retirement fund is under the administration of an organization, the FEU Health, Welfare and Retirement Fund Plan (FEUHWRF or the Fund), through its Retirement Board.

Contributions to this fund are in accordance with the defined contribution established by the Retirement Board which is the sum of the employees' and the University's contributions. Employees' contribution is 5% of basic salary while the University's contribution is equivalent to 20% of the employees' basic salary.

As a policy of FEU, any contributions made by the University in the past years that were subsequently forfeited resulting from resignations of covered employees prior to vesting of their retirement pay can be utilized as employer contributions in the succeeding years.

The Fund's audited statement of financial position, comprised of both employer and employee share contributions, show the following as of December 31:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Assets			
Cash and cash equivalents	196,131,164	121,638,678	108,583,575
Receivables - net	97,288,741	65,432,324	46,516,917
Investment in debt securities:			
Government securities	513,491,362	488,188,039	416,474,205
Corporate bonds and other debt instruments	56,225,599	94,654,887	105,676,905
Investment in equity securities:			
Corporate share	381,025,281	316,363,279	319,880,997
UITF	91,948,742	119,623,105	127,717,207
Others	182,900	177,456	35,038
	<u>1,336,293,789</u>	<u>1,206,077,768</u>	<u>1,124,884,844</u>
Liabilities	<u>(55,474,514)</u>	<u>(53,023,059)</u>	<u>(50,474,498)</u>
Net assets available for plan benefits	<u>1,280,819,275</u>	<u>1,153,054,709</u>	<u>1,074,410,346</u>

Plan assets do not comprise any of the University's or its related parties' own financial instruments or any of its assets occupied and/or used in its operations.

The Fund's financial assets are maintained in trust funds with credible trustee banks under control by the Fund through its Retirement Board.

The movements in the fair value of plan assets are presented below:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	990,354,970	910,308,440	834,609,060
Actual contributions	69,395,060	88,334,541	85,706,480
Interest income	49,664,324	55,337,500	24,745,736
Benefits paid	<u>(30,923,276)</u>	<u>(63,625,511)</u>	<u>(34,752,836)</u>
Balance at end of year	<u>1,078,491,078</u>	<u>990,354,970</u>	<u>910,308,440</u>

The movements in the present value of the retirement benefit obligation are as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Balance at beginning of year	990,354,970	910,308,440	834,609,060
Current service cost	69,395,060	88,334,541	85,706,480
Interest cost	49,664,324	55,337,500	24,745,736
Benefits paid	(30,923,276)	(63,625,511)	(34,752,836)
Balance at end of year	1,078,491,078	990,354,970	910,308,440

In determining the amounts of post-employment obligation in accordance with PAS 19 (Revised), the following significant actuarial assumptions were used:

	2025	2024	2023
Discount rates	6.69%	6.69%	6.69%
Salary growth rate	2.73%	2.73%	3.00%

20. RELATED PARTY TRANSACTIONS

The University's related parties include its subsidiaries, the key management and others. A summary of the University's transactions with its related parties is presented in the below and in the succeeding page (in thousands):

<i>(Amounts in PHP)</i>	Notes	May 31, 2025		May 31, 2024		May 31, 2023	
		Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Subsidiaries and associates:							
Dividend income	20.1	141,889	-	225,075	50,000	203,308	-
Noninterest-bearing advances	20.2	-	-	(235,565)	-	-	235,565
Rent expense	20.3	(6,740)	-	(2,942)	(139)	(1,284)	-
Lease liabilities	20.3	(467,568)	(730,001)	(10,794)	(1,197,570)	3,452	(1,208,364)
ROUA	20.3	517,313	270,862	65,524	787,995	(65,524)	853,519
Interest on lease liabilities	17.2, 20.3	(113,942)	-	(113,939)	-	(113,864)	-
Rental income	20.4, 20.6, 20.7, 20.8	44,044	8,833	43,500	2,688	41,799	6,445
Reimbursement of expenses (receivable)	20.5	(11,871)	146,163	31,742	158,034	28,966	126,292
Reimbursement of expenses (payable)	20.5	-	-	(23,171)	-	(23,171)	(23,171)
Interest-bearing loans payable	20.9	(545,000)	-	(695,000)	-	-	-
Interest expense	20.9	(12,409)	-	(6,369)	-	-	-
Interest income	20.9	-	-	-	-	236	-
Share in tuition fees	20.13	6,619	5,944	3,450	3,815	1,587	1,587
Fees for use of school clinic and library	18	5,320	-	5,035	5,035	4,780	4,780

		May 31, 2025		May 31, 2024		May 31, 2023	
	Notes	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)	Amount of Transaction	Outstanding Receivable (Payable)
Related parties under common management:							
Noninterest-bearing advances	20.2	-	12,585	3,083	12,585	2,626	9,502
Lease liabilities	20.3	(1,599)	-	(1,740)	(1,599)	(2,670)	(3,339)
ROUA	20.3	-	-	(2,331)	-	(2,797)	2,331
Rent expense	20.3	(3,199)	(3,199)	(216)	(216)	-	-
Interest on lease liabilities	17.2, 20.3	-	-	(58)	-	(205)	-
Reimbursement of expenses	20.5	(1,507)	27,968	5,079	29,475	4,798	24,397
Key management personnel compensation							
	20.11	93,509	-	84,605	-	95,072	-
Retirement fund -							
Retirement plan assets	20.12	-	1,089,353	-	971,435	-	868,233

Details of the foregoing summary of transactions are discussed below and in the succeeding pages.

20.1 Dividend Income

For the years ended May 31, 2025, 2024 and 2023, the University recognized dividend income from cash dividend declarations made by EACCI, FEU High, FRC and GSC (see Note 7), which is presented as Dividend income under Finance Income in the statement of profit or loss (see Note 17.1).

20.2 Noninterest-bearing Advances

The University grants unsecured and noninterest-bearing advances to certain related parties for working capital purposes which are currently due on demand.

Summarized below are the outstanding receivables, shown as part of Receivables from related parties under the Receivables account in the statement of financial position, arising from these transactions (see Note 5). In 2025, 2024, and 2023, the University recognized impairment loss amounting to P3.6 million, P6.8 million, and P5.1 million presented as under Impairment Loss in the statement of profit or loss.

(Amounts in PHP)	Beginning	Advances (Repayments)	Ending
2025			
FEU Public Policy Center Foundation, Inc. (FEUPPCFI)	12,584,963	-	12,584,963
	12,584,963	-	12,584,963
2024			
RCI	235,564,735	(235,564,735)	-
FEU Public Policy Center Foundation, Inc. (FEUPPCFI)	9,501,803	3,083,160	12,584,963
	245,066,538	(232,481,575)	12,584,963

(Amounts in PHP)

	Beginning	Advances	Ending
2023			
RCI	235,564,735	-	235,564,735
FEUPPCFI	6,875,803	2,626,000	9,501,803
	<u>242,440,538</u>	<u>2,626,000</u>	<u>245,066,538</u>

20.3 Lease of Land, Various Buildings and Facilities

The University has several lease agreements with FRC and Nicanor Reyes Educational Foundation, Inc. (NREF) for its lease of land, various buildings and facilities. The lease agreements are long-term, renewable and provide rental rates with annual escalation rates.

The University, as a lessee, recognized ROUA and lease liabilities, which is presented as ROUA and Lease Liabilities in the statements of financial position (see Note 11). Amortization of the ROUA arising from these transactions is presented as part of Depreciation and amortization under Operating Expenses of the statement of profit or loss. Total interest expense on lease liabilities is presented as part of Interest expense on lease liabilities under Finance Costs in the statement of profit or loss. The outstanding balances arising from these transactions are presented as part of ROUA under Property and Equipment and Lease Liabilities (current portion under Trade and Other Payable) in the statement of financial position.

(Amounts in PHP)

Lessor	Property	Lease term	Right-of-use asset		Lease Liabilities	
			Outstanding balance	Amortization expense	Outstanding balance	Interest expense
2025						
FRC	Manila campus premises - land and building	20 years	173,358,686	45,953,580	558,471,336	98,179,357
FRC	Makati campus premises - land	30 years	84,989,043	5,311,816	159,072,469	15,127,215
FRC	Building - gymnasium	10 years	-	8,390,584	-	276,041
FRC	Facilities - athlete's quarters	3 years	12,334,559	3,083,640	12,458,079	359,869
NREF	Facilities - Diliman sports facilities	10 years	-	-	-	-
			<u>270,682,288</u>	<u>62,739,620</u>	<u>730,001,884</u>	<u>113,942,482</u>
2024						
FRC	Manila campus premises - land and building	20 years	689,303,693	45,953,580	1,027,687,099	97,876,962
FRC	Makati campus premises - land	30 years	90,300,858	5,311,815	157,741,434	14,973,341
FRC	Building - gymnasium	10 years	8,390,585	10,068,701	12,141,037	960,177
FRC	Facilities - athlete's quarters	3 years	-	4,190,344	-	128,270
NREF	Facilities - Diliman sports facilities	10 years	-	2,330,598	1,599,360	58,096
			<u>787,995,136</u>	<u>67,855,038</u>	<u>1,199,168,930</u>	<u>113,996,846</u>
2023						
FRC	Manila campus premises - land and building	20 years	735,257,272	45,953,580	1,022,575,559	97,192,245
FRC	Makati campus premises - land	30 years	95,612,673	5,311,815	155,907,310	14,775,403
FRC	Building - gymnasium	10 years	18,459,287	10,068,701	25,490,064	1,583,114
FRC	Facilities - athlete's quarters	3 years	4,190,344	4,190,344	4,390,389	313,185
NREF	Facilities - Diliman sports facilities	10 years	2,330,598	2,796,718	3,339,233	204,848
			<u>855,850,174</u>	<u>68,321,158</u>	<u>1,211,702,555</u>	<u>114,068,795</u>

Starting September 2021, the University leases from FECSI the gymnasium located in its campus. The lease agreement was initially for five years, with the terms and conditions subject to review and determination at the end of every year. Rental expense on this lease amounted P1.2 million for period ended May 31, 2024 (nil in 2025) and is shown as part of Operating Expenses in the 2025 and 2024 statement of profit or loss (see Note 16). The outstanding balance is presented as part of Accrued expenses under the Trade and Other Payables account in the 2024 statement of financial position (see Note 12).

The University also leases certain spaces from FRC, FEUAI and NREF for the use by the University bookstore and its student-athletes, and dormitory space located at FEU Cavite Campus. The lease agreements covering these leases are renewed annually. Rental expense on these leases amounted P9.9 million, P3.2 million, and P1.3 million for years ended May 31, 2025, 2024 and 2023 is shown as part of Operating Expenses in the statement of profit or loss. The outstanding balance is presented as part of Accrued expenses under the Trade and Other Payables account in the statement of financial position (see Note 12).

20.4 Lease of Campus Premises to FECSI

For a period of ten years from August 1, 2012 to July 31, 2022, the University entered into a lease of its two school buildings (see Note 8) to FECSI. The lease period is renewable subject to conditions mutually agreed upon by the parties. Accordingly, in July 2022, both parties mutually agreed to continue with the agreement, with negotiations on the terms of the extension underway as of the report date. The annual rent is set at P1.3 million or 10% of FECSI's annual gross revenue net of some adjustments, whichever is higher. The rental fee is equally allocated between the University and FRC.

Total rental income earned from this transaction amounted to P3.2 million, P3.0 million and P2.7 million for the years ended May 31, 2025, 2024 and 2023, respectively, and is presented as part of Other Operating Income in the statements of profit or loss (see Note 8). Related outstanding receivable arising from this transaction amounted to P2.8 million, P2.7 million and P3.6 million for the year ended May 31, 2025, 2024 and 2023, respectively, which is presented as part of Receivables from related parties under the Receivables account in the statement of financial position (see Note 5). No impairment loss is recognized by the University on this receivable.

20.5 Reimbursement of Expenses

During the year ended May 31, 2025, 2024 and 2023, the University billed its subsidiaries and other related entities for the reimbursement of amounts it initially advanced to third party suppliers and service providers for certain expenses, and other various allocated expenses, at cost. These expenses pertain to those incurred in the normal course of operations of the University and its related entities, which include utilities, licenses and subscriptions, legal fees, various supplies, janitorial and security services, use of facilities, and salaries and benefits of seconded employees, among others.

Also, during the fiscal year ended May 31, 2022, particularly during the months where strict quarantine restrictions were imposed, the University initially advanced the amount of approved employee emergency loans obtained from FEUHWRF, which will subsequently be reimbursed at cost.

Shown below are the details of the balances of receivables from related parties under the Receivables account in the statement of financial position (see Note 5).

<i>(Amounts in PHP)</i>	2025	2024	2023
FECSI	67,936,152	56,590,752	38,011,696
RCI	58,697,661	72,993,234	61,262,612
FEUPPCFI	27,555,016	24,760,165	20,997,244
FEU High	1,622,990	15,653,651	13,189,003
FEUAI	7,918,146	3,202,476	936,517
EACCI	3,055,146	8,287,843	11,020,813
HAI	2,799,109	-	-
FRC	673,050	628,019	856,485
FEUHWRFPP	341,577	4,676,534	3,399,583
JCHS - associate	316,527	316,527	292,193
Edustria	-	122,318	331,288
GSC - associate	3,144,024	238,869	390,893
NREF	71,543	38,653	-
	<u>174,130,941</u>	<u>187,509,041</u>	<u>150,688,327</u>

During 2022, FECSI billed FEU for the reimbursement of the cost of construction of the additional floor in one of the buildings it leases from FEU, amounting to P27.0 million. FEU fully paid the amount in 2023, while the outstanding balance as of May 31, 2023 is presented as part of Accounts payable under the Trade and Other Payables account in the 2023 statement of financial position (see Note 12).

During 2023, FECSI billed FEU for the reimbursement of costs that it incurred for the construction of the gymnasium in its campus which is being used by FEU amounting to P23.2 million. FEU fully paid the amount in 2024, while the outstanding balance as of May 31, 2024 is presented as part of Accounts payable under the Trade and Other Payables account in the 2024 statement of financial position (see Note 12). There was no similar transaction in 2024.

20.6 Sub-lease of Buildings to FEU High

In June 2016, the University initially subleased Nursing Building to FEU High. Thereafter, in 2018, the Accounts, Business and Finance Buildings were also sublet (these two buildings are leased by the University from FRC). These subleased arrangements have been extended until May 31, 2022. Upon expiration of the term of the contract, the University and FEU High had mutually agreed not to renew such lease agreement. Total rental income from this transaction amounted to P44.1 million for the year ended May 31, 2022 and is presented as part of Other Operating Income in the statement of profit or loss for the year ended May 31, 2022. Outstanding receivable arising from this transaction amounting to P48.5 million as of May 31, 2022 is presented as part of Receivables from related parties under the Receivables account in the statement of financial position (see Note 5).

20.7 Lease of Certain Buildings to East Asia Educational Foundation, Inc. (EAEFI) and EACCI

The University leased out certain buildings to EAEFI for a period of one to five years until March 31, 2015. However, upon expiration of the term of the contract, the University and EAEFI had mutually agreed not to renew such lease agreement. Instead, as of May 31, 2016, only certain floors of the buildings were leased out to EAEFI.

Starting July 2016, upon take-over of EACCI of the EAEFI's operations, the lease of the buildings was transferred to the custody of EACCI. A new lease contract for a period of ten years until June 30, 2026 was entered into by the University and EACCI. Monthly rental of P2.1 million (exclusive of VAT) from July 2016 to February 2017 and P1.8 million (exclusive of VAT) for March 2017 onwards was billed to EACCI.

Total rental income from EACCI, presented as part of Other Operating Income in the statements of profit or loss, amounted to P24.8 million, P24.8 million and P23.7 million for the years ended May 31, 2025, 2024, and 2023, respectively. Outstanding receivables arising from this transaction amounting to P0.1 million, P2.1 million, and P1.4 million as of May 31, 2025, 2024, and 2023, respectively, is presented as part of Receivables from related parties under the Receivables account in the statement of financial position (see Note 5).

20.8 Lease of Campus Premises to FEUAI

In 2019, the University started to lease to FEUAI the land where the FEU Alabang Campus is located. The lease agreement covers a period of 15 years from January 1, 2019 to December 31, 2034. The parties also agreed that there shall be no rental fees for the first year of the lease. In subsequent years, the terms and conditions of the lease is to be determined annually, subject to conditions mutually agreed upon by both parties. For the period January 1 to June 30, 2020, the rate agreed is P1.2 million per month, subject to review and renewal every year thereafter until the end of lease term.

Total rental income from FEUAI, which is presented as part of Other Operating Income in the statements of profit or loss, amounted to P16.0 million, P15.7 million and P15.4 million, for the years ended May 31, 2025, 2024 and 2023, respectively. Outstanding balance as of May 31, 2023 and 2025 amounting to P1.4 million and P6.0 million, respectively (nil in 2024) is presented as part of Receivables from related parties under the Receivables account in the 2023 statement of financial position (see Note 5).

20.9 Interest-bearing Loans

Interest-bearing loans granted by the University to its related parties are presented as part of Receivables from related parties in the statement of financial position, while Interest-bearing loans obtained by the University from its related parties are disclosed as Loans from Related Parties in the statement of financial position.

a. Interest-bearing loan from EACCI and FEU High

On various dates, the University obtained interest-bearing loans from EACCI and FEU High. The loans were unsecured and bears interest based on a 91-day time deposit rate plus 0.10%. The terms of the loans were initially set at 90 days, with the option for extension as agreed between the parties. The agreements also provide for a 3% late payment interest on any unpaid principal and interest, computed per annum from date of maturity until full payment, in the event of non-extension of the term.

Related interest amounting to P12.4 million, P6.4 million, and P0.4 million in May 31, 2025, 2024, and 2023, respectively, was recognized in profit or loss as part of Interest expense on interest-bearing loans under Finance Costs in the statements of profit or loss (see Note 17.2). The University did not obtain new loans from EACCI and FEU High during the year ended May 31, 2023.

b. Interest-bearing loan to FECSI

In November 2021, the University granted a loan to FECSI amounting to P20.0 million. The loan bears interest rates of 1% per annum. The loan is unsecured, has a term of six months, and is renewable upon agreement by the parties. In June 2022, upon the expiration of its original term, the loan was renewed for a period of one year with an interest rate of 1.2% per annum. The said loan has been fully paid as of May 31, 2023.

Related interest amounting to P0.2 million was recognized as part of Interest income from loans under Finance Income in the 2023 (nil for 2025 and 2024) statement of profit or loss (see Note 17.1).

20.10 Financial Guaranty for Subsidiaries' Loans

In March 2017 and January 2018, the BOT approved that for and in consideration of the loan or credit facilities obtained by any subsidiary of the University, in which the University owns at least 75% of the outstanding voting capital stock of such subsidiary, from a certain local commercial bank, the University gives its full consent and authority to act as surety up to P500.0 million for the subsidiary's obligations arising from any loan or availment of any credit facilities granted by the said local bank in favor of the subsidiary, as well as any renewals, increases, extensions of existing obligations obtained by or which may hereafter be obtained by the subsidiary from the local bank, whether direct or indirect, principal or secondary. The outstanding loans payable by RCI to the said local bank amounted to P314.3 million as of May 31, 2025, P309.5 million as of May 31, 2024 and P404.8 million as of May 31, 2023. As of May 31, 2025, 2024 and 2023, RCI has not defaulted on its loans.

20.11 Key Management Personnel Compensation

Total remuneration of the University's key management personnel presented as part of Salaries and employee benefits under Operating Expenses (see Note 16) is as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Salaries and short-term benefits	80,655,839	72,994,147	82,233,496
Post-employment benefits	12,853,440	11,611,080	12,838,765
	<u>93,509,279</u>	<u>84,605,227</u>	<u>95,072,261</u>

20.12 Retirement Fund

The University's retirement fund is in the form of trustee-bank managed accounts. The fair value of the University's retirement plan assets amounted to P1,089.4 million, P971.4 million, and P868.2 million as of May 31, 2025, 2024 and 2023, respectively.

None of the retirement plan assets are invested in or provided to the University and/or its related parties, except for loans granted to the University.

The retirement fund neither provides any guarantee nor surety for any obligation of the University.

20.13 Share in Tuition Fees

The University has separate agreements with FECSI, FEUAI and GSC for the offering of extension programs, wherein FEU's course curriculum is being used for certain courses offered in FEU Cavite, FEU Alabang and GSC campuses. In addition, the University's faculty members deliver instruction for the extension courses offered in GSC.

Accordingly, FEU receives a certain percentage of the tuition fees earned from these programs to compensate for the use of its curriculum and license, and to recover faculty-related costs. Total fees earned in 2025, 2024 and 2023, amounting to P6.6 million, P3.5 million, and P1.6 million, respectively, are presented as part of Tuition fees – net in the statement of profit or loss (see Note 15). The outstanding receivables from such transactions are presented as part of Receivables – net in the statement of financial position (see Note 5).

21. INCOME TAXES

Under Philippine laws, the taxable income from operations related to school activities and passive investment income of private and proprietary (stock) educational institutions is subject to a tax of 10%. However, if 50% or more of the institution's total gross income is from unrelated business activities, the regular corporate income tax (RCIT) of 25% will apply to the entire taxable income instead of the 10% preferential rate. The University qualifies to continue to avail of the 10% preferential rate given its revenue profile. In addition, the University is also not covered by the minimum corporate income tax provision of the new tax code.

In March 2021, R.A. No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) has been passed into law which provides for a reduced tax rate of proprietary schools to 1% from the previous 10%, effective July 2021 until June 2023.

Also in December 2021, R.A. No. 11635, *An Act Clarifying the Income Taxation of Proprietary Educational Institutions, Amending for the Purpose Section 27 (B) of the NIRC of 1997, As Amended*, was enacted such that proprietary schools were clarified to apply 1% reduced tax rate as originally intended by CREATE law.

The University used the reduced 1% income tax rate for the fiscal year ended May 31, 2023 to recognize its current tax expense.

In pursuance of the CREATE and Revenue Memorandum Circular No. 69-2023, *Reversion of Rates of Percentage Tax, Minimum Corporate Income Tax, and Regular Corporate Income Tax on Proprietary Educational Institutions and Not for Profit Hospitals, Pursuant to R.A. No. 11534*, the rate of RCIT for proprietary educational institutions reverted to 10% from 1%, effective July 1, 2023. Consequently and in accordance with the requirements of PAS 12, *Income Taxes*, the University measured its deferred tax assets and liabilities at 10% as of May 31, 2024 and 2025.

The major components of tax expense reported in the statement of profit or loss are as shown below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current tax expense:			
Special rate at 10.0% in 2025			
9.3% in 2024			
1.0% in 2023	85,696,652	68,998,790	10,414,442
Final tax at 20% and 15%	1,128,846	14,737,929	12,466,531
	<u>86,825,498</u>	<u>83,736,719</u>	<u>22,880,973</u>
Deferred tax expense (income)			
relating to origination and			
reversal of temporary			
differences (10% in 2025;			
9.3% in 2024; 1% in 2023)	(136,390)	(5,762,962)	6,155,775
	<u>86,689,108</u>	<u>77,973,757</u>	<u>29,036,748</u>

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Tax on pretax income			
at 10% and 1%	101,789,135	112,818,750	12,290,371
Adjustments for income			
subjected to higher tax rates	-	7,373,394	17,998,833
Tax effects of:			
Change in tax rate	-	(11,366,317)	-
Non-taxable income	(20,832,055)	(36,626,919)	(3,189,701)
Non-deductible expenses	4,739,573	5,774,849	1,937,245
Others	992,455	-	-
	<u>86,689,108</u>	<u>77,973,757</u>	<u>29,036,748</u>

The net deferred tax assets and liabilities relate to the following:

<i>(Amounts in PHP)</i>	<u>Statements of Financial Position</u>			<u>Statements of Profit or Loss</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Deferred tax assets (DTA):						
Accrued expense	5,259,153	10,025,165	11,060,838	4,766,011	1,035,673	(2,107,838)
DTA resulting from temporary						
decrease in tax rates	-	-	-	-	-	-
Allowance for impairment on						
tuition and other school fees						
receivables	2,108,573	4,415,111	7,823,883	2,306,539	3,408,773	374,148
Unrealized foreign currency losses						
(gains)	4,527,057	(3,688,156)	(4,717,473)	(8,215,213)	(1,029,317)	9,213,266
Unrealized fair value losses (gains)						
financial assets at FVTPL	(3,581,075)	(3,616,305)	2,822,438	(35,230)	6,438,742	(479,330)
	<u>8,313,708</u>	<u>7,135,815</u>	<u>16,989,686</u>	<u>(1,177,893)</u>	<u>9,853,871</u>	<u>7,000,246</u>
Deferred tax liabilities (DTL):						
Prepaid expenses	(6,512,765)	(5,471,262)	(2,571,797)	1,041,503	2,899,465	(844,471)
DTL resulting from						
remeasurement of DTA	-	-	(18,516,298)	-	(18,516,298)	-
	<u>(6,512,765)</u>	<u>(5,471,262)</u>	<u>(21,088,095)</u>	<u>1,041,503</u>	<u>(15,616,833)</u>	<u>(844,471)</u>
Deferred tax assets (liabilities) - net	<u>1,800,943</u>	<u>1,664,553</u>	<u>(4,098,409)</u>	<u>(136,390)</u>	<u>(5,762,962)</u>	<u>6,155,775</u>
Deferred tax assets (income) - net						

The University claimed itemized deductions for income tax purposes in all of the years presented.

22. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Presented below is the reconciliation of liabilities arising from various financing activities:

<i>(Amounts in PHP)</i>	Interest-bearing Loans (see Note 13)	Loans from Related Party (see Note 20)	Dividends Payable (see Note 12)	Accrued Interest (see Notes 12 and 13)	Lease Liabilities (see Note 11)	Total
Balance at June 1, 2024	1,075,816,326	-	355,992,696	8,519,634	1,199,168,930	2,639,497,586
Net cash flow:						
Repayment of loans	(231,020,408)	-	-	-	-	(231,020,408)
Repayment of lease liabilities	-	-	-	-	(65,718,308)	(65,718,308)
Dividends paid	-	-	(763,390,933)	-	-	(763,390,933)
Interest paid	-	-	-	(76,906,668)	-	(76,906,668)
Non-cash financing activities:						
Dividend declaration	-	-	769,784,416	-	-	769,784,416
Interest on lease liabilities	-	-	-	-	113,942,482	113,942,482
Amortization of lease liabilities	-	-	-	-	(47,399,793)	(47,399,793)
Lease modification	-	-	-	-	(469,991,427)	(469,991,427)
Accrual of interest on loans	-	-	-	74,350,933	-	74,350,933
Balance at May 31, 2025	<u>844,795,918</u>	<u>-</u>	<u>362,386,179</u>	<u>5,963,899</u>	<u>730,001,884</u>	<u>1,943,147,880</u>
<i>(Amounts in PHP)</i>	Interest-bearing Loans (see Note 13)	Loans from Related Party (see Note 20)	Dividends Payable (see Note 12)	Accrued Interest (see Notes 12 and 13)	Lease Liabilities (see Note 11)	Total
Balance at June 1, 2023	1,406,836,735	-	291,427,957	10,171,291	1,211,702,555	2,920,138,538
Net cash flow:						
Proceeds from loans	-	695,000,000	-	-	-	695,000,000
Repayment of loans	(331,020,409)	(695,000,000)	-	-	-	(1,026,020,409)
Repayment of lease liabilities	-	-	-	-	(67,706,691)	(67,706,691)
Dividends paid	-	-	(705,219,677)	-	-	(705,219,677)
Interest paid	-	-	-	(93,628,602)	-	(93,628,602)
Non-cash financing activities:						
Dividend declaration	-	-	769,784,416	-	-	769,784,416
Interest on lease liabilities	-	-	-	-	113,996,846	113,996,846
Amortization of lease liabilities	-	-	-	-	(58,823,780)	(58,823,780)
Accrual of interest on loans	-	-	-	91,976,945	-	91,976,945
Balance at May 31, 2024	<u>1,075,816,326</u>	<u>-</u>	<u>355,992,696</u>	<u>8,519,634</u>	<u>1,199,168,930</u>	<u>2,639,497,586</u>
Balance at June 1, 2022	1,784,761,905	-	245,503,823	4,226,592	1,210,920,593	3,245,412,913
Net cash flow:						
Repayment of loans	(377,925,170)	-	-	-	-	(377,925,170)
Repayment of lease liabilities	-	-	-	-	(64,317,505)	(64,317,505)
Dividends paid	-	-	(627,637,230)	-	-	(627,637,230)
Interest paid	-	-	-	(58,476,345)	-	(58,476,345)
Non-cash financing activities:						
Dividend declaration	-	-	673,561,364	-	-	673,561,364
Interest on lease liabilities	-	-	-	-	114,068,795	114,068,795
Amortization of lease liabilities	-	-	-	-	(57,350,017)	(57,350,017)
Additional lease liabilities	-	-	-	-	8,380,689	8,380,689
Accrual of interest on loans	-	-	-	64,421,044	-	64,421,044
Balance at May 31, 2023	<u>1,406,836,735</u>	<u>-</u>	<u>291,427,957</u>	<u>10,171,291</u>	<u>1,211,702,555</u>	<u>2,920,138,538</u>

Accrued interest on loans payable as of May 31, 2025, 2024 and 2023 is recognized as part of Accrued Expenses under Trade and Other Payables in the statement of financial position (see Notes 12 and 13).

23. EQUITY

23.1 Capital Stock

As of May 31, 2025, 2024 and 2023, the University's authorized capital stock consists of 50,000,000 shares with par value of P100 per share, of which 24,055,763 shares were issued and outstanding, net of 37,331 treasury shares.

Below is the ownership structure of the University's outstanding shares as of May 31, 2025, 2024 and 2023.

	2025	2024	2023
Number of shares held by related parties	15,243,974	15,231,346	15,202,893
Number of shares held by the public	8,811,789	8,824,417	8,852,870
	<u>24,055,763</u>	<u>24,055,763</u>	<u>24,055,763</u>

As of May 31, 2025, 2024 and 2023, the public owns 36.63%, 36.68% and 36.95%, respectively, of the University's listed shares.

As of May 31, 2025, there are 1,232 holders of the listed common shares owning at least one board lot.

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 P800.0, P699.5 and P533.0 per share as of May 31, 2025, 2024 and 2023, respectively.

23.2 Retained Earnings

Significant transactions affecting Retained Earnings are as follows:

(a) Appropriation of Retained Earnings

As of May 31, 2025, 2024 and 2023, the University's appropriated retained earnings consists of appropriations for:

(Amounts in PHP)	2025	2024	2023
Property and investment acquisition	740,000,000	1,417,000,000	567,000,000
Purchase of equipment and improvements	354,000,000	662,000,000	803,000,000
Contingencies	90,000,000	90,000,000	90,000,000
Treasury stock	3,733,100	3,733,100	3,733,100
	<u>1,187,733,100</u>	<u>2,172,733,100</u>	<u>1,463,733,100</u>

As projects and capital expenditures are annually revisited and would involve several projects, timeline with level of exactness is not defined, instead are recalibrated year on year.

The changes in appropriated retained earnings are shown below:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	2,172,733,100	1,463,733,100	1,184,853,389
Appropriations	-	850,000,000	360,379,711
Reversal of appropriations	<u>(985,000,000)</u>	<u>(141,000,000)</u>	<u>(81,500,000)</u>
Balance at end of year	<u>1,187,733,100</u>	<u>2,172,733,100</u>	<u>1,463,733,100</u>

(b) *Dividend Declaration*

The BOT approved the following dividend declarations during the years ended:

<i>(Amounts in PHP)</i>	<u>Declaration</u>	<u>Date of Record</u>	<u>Payment/Issuance</u>	<u>Amount</u>
May 31, 2025				
Cash dividend of P16 per share	September 18, 2024	October 1, 2024	October 17, 2024	384,892,208
Cash dividend of P16 per share	February 19, 2025	March 4, 2025	March 18, 2025	384,892,208
				<u>769,784,416</u>
May 31, 2024				
Cash dividend of P16 per share	September 19, 2023	October 3, 2023	October 13, 2023	384,892,208
Cash dividend of P16 per share	February 20, 2024	March 5, 2024	March 20, 2024	384,892,208
				<u>769,784,416</u>
<i>(Amounts in PHP)</i>	<u>Declaration</u>	<u>Date of Record</u>	<u>Payment/Issuance</u>	<u>Amount</u>
May 31, 2023				
Cash dividend of P14 per share	September 20, 2022	October 4, 2022	October 14, 2022	336,780,682
Cash dividend of P14 per share	February 21, 2023	March 7, 2023	March 21, 2023	336,780,682
				<u>673,561,364</u>

Unclaimed checks related to dividends declared as of May 31, 2025, 2024 and 2023 are presented as Dividends payable under the Trade and Other Payables account in the statement of financial position (see Note 12).

24. EARNINGS PER SHARE

EPS were computed as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Net income	931,202,239	1,050,213,745	1,200,000,369
Divided by number of outstanding shares, net of treasury stock of 37,331 shares	<u>24,055,763</u>	<u>24,055,763</u>	<u>24,055,763</u>
Basic and diluted earnings per share	<u>38.71</u>	<u>43.66</u>	<u>49.88</u>

As of May 31, 2025, 2024 and 2023, the weighted average and actual number of outstanding shares are the same.

The University has no potential dilutive common shares as of May 31, 2025, 2024 and 2023; accordingly, the diluted earnings per share is the same as the basic earnings per share in all years presented.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

The University monitors capital on the basis of debt-to-equity ratio, which is calculated as total liabilities (net of unearned tuition fees) divided by total adjusted equity (comprised of capital stock and retained earnings). Capital for the reporting periods May 31, 2025, 2024 and 2023 is summarized below.

<i>(Amounts in PHP)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total adjusted liabilities	<u>2,562,064,214</u>	<u>3,392,996,064</u>	<u>3,635,829,076</u>
Total adjusted equity	<u>7,378,996,209</u>	<u>7,221,311,486</u>	<u>6,940,882,157</u>
Debt-to-equity ratio	<u>0.35 : 1.00</u>	<u>0.47 : 1.00</u>	<u>0.52 : 1.00</u>

The University's goal in capital management is to maintain a lower adjusted 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 University's bank covenants related to its interest-bearing loans to a certain bank which requires the University to maintain a debt-to-equity structure ratio of not more than 2.00:1.00 and debt service coverage ratio of at least 1.2x (see Note 13).

The University has complied with its covenant obligations, including maintaining the required debt-to-equity ratios and debt service credit reserve which are both based on the University's consolidated financial statements for all years presented.

There was no significant change in the University's approach to capital management during the year.

26. MATERIAL ACCOUNTING POLICY INFORMATION

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

26.1 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets

The University's financial assets include financial assets at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss.

Financial Assets at Amortized Cost

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

Financial Assets at FVOCI

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

Financial Assets at FVTPL

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

(ii) Impairment of Financial Assets

The University applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all tuition and other school fee receivables. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets.

For debt instruments measured at FVOCI and at amortized cost, the allowance for credit losses is based on the ECL associated with the probability of default of a financial instrument in the next 12 months, unless there has been a

significant increase in credit risk since the origination of the financial asset. In such case, a lifetime ECL for a Purchased or Originated Credit Impaired (POCI) asset is recognized and the allowance for credit losses is based on the change in the ECL over the life of the asset. The University recognizes a loss allowance for such losses at each reporting date.

The University's definition of credit risk and information on how credit risk is mitigated by the University are disclosed in Note 14.2.

(b) Financial Liabilities

Financial liabilities, which include interest-bearing loans, trade and other payables (except tax-related liabilities, Deposits payable and NSTP and other funds), non-current lease liabilities, advances from a related party and subscription payable are recognized when the University becomes a party to the contractual terms of the instrument.

26.2 Investments in Subsidiaries, Associates and Joint Venture

Subsidiaries are entities over which the University has control. The University controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The University reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls.

Associates are those entities over which the University is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture.

A joint venture is an entity whose economic activities are controlled jointly by the venturers.

The University's investments in subsidiaries, associates and joint venture are accounted for in these separate financial statements at cost, less any impairment loss.

26.3 Investment Properties

Investment properties, except land, are carried at cost less accumulated depreciation and impairment in value, if any. Depreciation of investment properties, which consist of building and improvements, is computed using the straight-line method over its estimated useful life of 20 years.

26.4 Property and Equipment

Property and equipment, except land, are carried at acquisition cost or construction cost less subsequent depreciation and any impairment losses. Land held for use in administration is stated at cost less any impairment losses.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	20 years
Furniture and equipment	3 - 6 years
Miscellaneous equipment	5 years

Leasehold improvements are amortized over the estimated useful lives of 20 years or the remaining term of the lease, whichever is shorter.

26.5 Impairment of Non-financial Assets

The University's investments in subsidiaries, associates and joint venture, property and equipment (including ROUA), investment properties and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

26.6 Leases

The University accounts for its leases as follows:

(a) University as Lessee

Subsequent to initial recognition, the University depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term which is from 2 to 5 years.

The University has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) University as Lessor

The University applies judgment in determining whether a lease contract is a finance or operating lease.

26.7 Revenue and Expense Recognition

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

The management determined that the revenues arising from educational and other related activities are within the scope of PFRS 15, while rental income is covered by PFRS 16 (see Note 26.6). Investment-related revenues are subject to the provisions of PFRS 9 (see Note 26.1).

The University enters into transactions involving tuition fees and other school fees and other school-related activities such as the sale of books and other merchandise. There are no significant judgments made in determining the transaction price and the amount allocated to the performance obligations. Developing the knowledge and enhancing the abilities of the students represent promises to transfer a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer; therefore, the services rendered represent one performance obligation that is satisfied over time. The transaction price of the single performance obligation is recognized as revenue as the performance obligation is satisfied, which is usually throughout the school year or the semestral period, whichever is applicable. With respect to the sale of books and other merchandise, the obligation is satisfied when the goods are delivered to the customers. Hence, revenue is recognized at a point in time. Significant judgments in determining the timing of satisfaction of the following performance obligations are disclosed in Note 27.1(a).

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

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

NSTP funds are recognized as revenue upon fulfillment of conditions attached to the fund and/or extent that the related expenses have been incurred. Restricted funds for which restrictions and conditions have not yet been met are classified as part of Other funds in the Trade and Other Payables account in the statement of financial position [see Note 26.1(b)].

- (b) *Sale of books and other educational-related merchandise* – Revenue is recognized at a point in time when the control of the goods has been transferred to the buyer. This is generally when the customer has acknowledged the delivery of goods. Payment for the transaction price is due immediately at the point the customer purchases the goods.
- (c) *Other fees* – This pertains to but is not limited to, student or alumni request for transcript, diploma, identification cards and certifications which fees are collected in cash and accordingly issued an official receipt and shortly thereafter the requested services are fulfilled. Revenue is recognized at the point the transaction has occurred.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date such cost and expenses are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

26.8 Employee Benefits

The University provides post-employment benefits to employees through a defined contribution plan subject to a minimum guarantee required by R.A. 7641, *The Retirement Pay Law*, which is accounted for as a defined benefit plan. Such application of the minimum guarantee prescribed by RA 7641 is based on the interpretations issued by the Philippine Interpretations Committee (PIC) in its Question and Answer on PAS 19 – *Accounting for Employee Benefits Under a Defined Benefit Contribution Plan Subject to the Requirements of R.A. 7641*.

The University maintains a defined contribution plan that covers all regular full-time employees. Under the plan, the monthly employer contribution is based on a fixed percentage of employees' monthly basic pay. FEU's retirement contribution is generally higher than the R.A. 7641 defined benefit minimum guarantee (i.e., 75% of the monthly salary of an employee for every credited year of service) at normal retirement age.

Accordingly, the University accounts for its retirement obligations at each reporting date under the higher of the defined benefit obligation relating to the minimum guarantee and the sum of defined contribution liability and the present value of any excess of the projected defined benefit obligation over projected defined contribution obligation.

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

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

27. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the University's financial statements in accordance with PFRS Accounting Standards require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. 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. Actual results may ultimately vary from these estimates.

27.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the University's accounting policies, management has made judgments, apart from those involving estimation. The following judgments have the most significant effect on the amounts recognized in the financial statements:

(a) *Determination of Timing of Satisfaction of Performance Obligations*

The management determines that its revenue from tuition fees shall be recognized over time of instruction delivery. In making its judgment, the University considers the timing of receipt and consumption of benefits provided by the University to the students. This demonstrates that the students simultaneously receive and consume the benefits as the University performs its obligation.

With respect to its revenues from sale of books, other merchandise, and various other school-related fees, the management deems that revenues shall be recognized at a point in time as control over the goods, particularly the books, merchandise, and requested document, is transferred to the customers upon delivery.

(b) *Determination of ECL on Tuition and Other Fee Receivables*

The University uses a provision matrix to calculate ECL for assessed tuition fee receivables. The loss rates are based on actual write-off of student accounts or those which are outstanding for two semesters and have not enrolled for the succeeding term [see Note 14.2(b)].

The University's management intends to recalibrate on an annual basis the matrix to consider the historical credit loss experience with forward-looking information. Details about the ECL on the University's tuition fees and other receivables are disclosed in Note 14.2.

(c) *Evaluation of Business Model Applied in Managing Financial Instruments*

The University manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows.

The University's business models need not be assessed at entity level but shall be applied at the level of a portfolio of financial instruments and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the University evaluates in which business model a financial instrument or a portfolio of financial instruments belongs taking into consideration the objectives of each business model established by the University as those relate to the University's investment or trading strategies.

(d) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the University assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the University assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the University considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made from a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the University considers certain circumstances documented in its business model policy to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the University can explain the reasons for those sales and why those sales do not reflect a change in the University's objective for the business model.

(e) *Application of ECL to Debt Instruments at Amortized Cost and at FVOCI*

The University uses a general approach to calculate ECL for all debt instruments at FVOCI and amortized cost. The allowance for credit loss is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument; in such case, a lifetime ECL for the instrument is recognized.

The University has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(f) *Distinction between Investment Properties and Owner-managed Properties*

The University determines whether a property qualifies as investment property. In making its judgment, the University considers whether the property generates cash flows largely independent of the other assets held by an entity.

Owner-managed properties generate cash flows that are attributable not only to the property but also to other assets used in the process of providing educational services. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If a portion can be sold separately (or leased out separately), the University accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The University considers each property separately in making its judgment.

(g) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated and the renewal of the contract is not subject to mutual agreement of both parties.

For leases of university buildings, the factors that are normally the most relevant are (a) if there are significant penalties should the University preterminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the University is reasonably certain to extend and not to terminate the lease contract. Otherwise, the University considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The University availed of the extension option for leases of university buildings; thus, the renewal period was included as part of the lease term for such leases.

The lease term is reassessed if an option is exercised or not exercised, or the University becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the University.

(h) Distinction between Operating and Finance Lease

The University has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(i) Determination of Control of Entities in which the University Holds Less than 50%

Management considers that the University has de facto control of FRC even though it holds less than 50% of the ordinary shares and voting rights in the latter. Although the University holds less than 50% of the voting shares of stock of FRC, it has control over FRC because it is exposed or has right to variable returns from its involvement with FRC and it has the ability to affect those returns through its power over FRC. It is able to do this primarily because the University has the power to cast the majority of votes at meetings of the BOD and elect officers of FRC. Accordingly, FRC is recognized as a subsidiary of the University (see Note 7).

(j) Determination of Control of Entities in which the University holds 50%

Management believes that the University maintains control over FEUAI despite holding only 50% of its ordinary shares and voting rights. This control is achieved through the University's 50% direct ownership and an additional 50% indirect ownership via its interest in EACCI, resulting in an effective 100% ownership of FEUAI.

(k) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Disclosure of provisions and contingencies are presented in Note 28.

27.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimating Allowance for Impairment of Financial Instruments

The measurement of the allowance for ECL on financial assets at FVOCI and investment securities at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparty defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 14.2.

The University uses a provision matrix to calculate ECL for its trade receivables which is based on the University's historical observed default rates. The University's management recalibrate on an annual basis to consider the changes in historical credit loss experience with forward-looking information.

(b) Determining Fair Value Measurement of Financial Assets

The University carries certain financial assets at fair value, which is subject to an annual assessment. In cases where active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The changes in fair value would differ if the University utilized different valuation methods and assumptions. Any change in the fair value of these financial assets would affect profit or loss and equity.

The carrying values of the University's financial assets at FVTPL classified as investments in UITF and the amounts of fair value changes recognized during the years on those assets are disclosed in Note 6.

(c) Determining Fair Value of Investment Properties

Investment property is measured using the cost model. The fair value disclosed in Note 8 is determined by the University based on the appraisal report prepared by independent appraisers using the relevant valuation methodology.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect the prices and the value of the assets. As of May 31, 2025, 2024 and 2023, the University determined that there were no significant circumstances that may affect the fair value determination of investment properties.

(d) *Estimating Impairment of Non-financial Assets*

The University's policy on estimating the impairment of non-financial assets is discussed in detail in Note 26.5. Though management believes that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations. Based on management assessment, except for certain prepayments and other current assets, no impairment loss is required to be recognized on the University's investment properties, property and equipment, and investments in subsidiaries as of May 31, 2025, 2024 and 2023.

(e) *Estimating Useful Lives of Investment Properties and Property and Equipment*

The University estimates the useful lives of investment properties and property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of investment properties and property and equipment (including ROUA) are presented in Notes 8 and 10, respectively. Based on management's assessment as at May 31, 2025, 2024 and 2023, there is no change in the estimated useful lives of the assets during those periods. Actual results, however, may vary due to changes in factors mentioned above.

(f) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The University measures its lease liabilities at the present value of the unpaid lease payments at the start date of the lease contract. The lease payments are discounted using a reasonable rate deemed by management equal to the University's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(g) *Determining Recoverable Amount of Deferred Tax Assets*

The University reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management assessed that the deferred tax assets recognized as at May 31, 2025, and 2024 are fully recoverable because those will be fully utilized in the next 12 months. No deferred tax asset was recognized in May 31, 2023. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

28. COMMITMENTS AND CONTINGENCIES

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

28.1 Operating Lease Commitments – University as Lessee

Lease Agreement with FRC

The University is a lessee under operating leases covering certain buildings for a period of ten years from July 1, 2015 to June 30, 2025, subject to annual escalation rate of 5%.

On May 15, 2025, the University effectively renewed the lease agreement with FRC covering these buildings, with reduced fixed rate and for variable considerations. The reduction of the lease rates was accounted for as a modification of lease liabilities and right of use assets as at May 31, 2025 as disclosed in Notes 10 and 11.

The University also entered into other contracts of lease for the land where the building occupied by FEU Makati is located for a period of 30 years, and for the lease of various sports facilities covering a gymnasium, football field and classrooms for a period of ten years, as discussed in Note 20.3.

28.2 Operating Lease Commitments – University as Lessor

The University leases out certain buildings to EACCI and FECSI and the mezzanine floor to FRC for a period of one to ten years (see Notes 8, 20.4, 20.5, 20.6, 20.7, and 20.8).

Future minimum rental receivables as of May 31, excluding contingent rental, under these operating leases are as follows:

<i>(Amounts in PHP)</i>	2025	2024	2023
Within one year	46,526,642	45,332,227	45,117,733
After one year but not more than five years	3,877,220	3,763,686	3,765,874
	<u>50,403,862</u>	<u>49,095,913</u>	<u>48,883,607</u>

The University is also a lessor in various lease contracts with third party lessees. The terms of the lease vary but do not exceed one year. Total rentals earned from these operating leases amounted to P9.0 million, P9.3 million and P6.8 million for the years ended May 31, 2025, 2024 and 2023, which is presented as part of Other Operating Income in the statement of profit or loss.

28.3 Others

As of May 31, 2025, the University has no record of any litigation not being contested or any that the University has accepted any liability in relation to labor cases and other civil cases.

There are other contingencies that arise in the normal course of business that are not recognized in the University'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 a portion of its retained earnings to cover for such contingencies (see Note 23.2).

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the University as of and for the year ended May 31, 2025 (including the comparative financial statements as of and for the years ended May 31, 2024 and 2023) were authorized for issue by the University's BOT on August 19, 2025.

31. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

The following supplementary information on taxes, duties and license fees paid or accrued during the taxable year are required by the BIR under RR No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS Accounting Standards.

(a) Output VAT

In fiscal year 2025, the University declared output VAT as follows:

<i>(Amounts in PHP)</i>	<u>Tax base</u>	<u>Output VAT</u>
Rental	37,906,190	4,548,743
Sale of merchandise	48,328,088	5,799,371
Other revenues	42,084,128	5,050,095
	<u>128,318,406</u>	<u>15,398,209</u>

There is P827,487 outstanding output VAT payable as of May 31, 2025. Pursuant to Section 109, *VAT-Exempt Transactions*, of the NIRC 1997, the University's receipts from tuition and other fees related to educational services amounting to P1,673,308,000 are VAT-exempt.

The tax base for rendering of services is based on the University's gross receipts for the year, hence, may not be the same with the amounts reported in the 2025 statement of profit or loss which is based on PFRS.

(b) Input VAT

Pursuant to Section 109, the University is not allowed any tax credit of input VAT on its purchases related to educational services.

The movements in input VAT are summarized below:

<i>(Amounts in PHP)</i>	
Balance at beginning of year	34,864,866
Transactions during the year	72,455,240
Services lodged under cost of services	(66,621,565)
Applied against output VAT	<u>(5,833,675)</u>
Balance at end of year	<u>34,864,866</u>

(c) *Taxes on Importation*

The University did not have any importations in fiscal year 2025.

(d) *Excise Tax*

The University did not have any transactions that are subject to excise tax in fiscal year 2025.

(e) *Documentary Stamp Tax*

In fiscal year 2025, the University paid and accrued documentary stamp tax (DST) amounting to P1,813,408 for various contracts and documents.

(f) *Taxes and Licenses*

Details of taxes and licenses in fiscal year 2025 are as follows:

<i>(Amounts in PHP)</i>	<u>2025</u>
Municipal licenses and permits	26,317,091
DST	2,525,029
Donor's tax	291,750
Real property tax	279,467
Community tax	10,500
Miscellaneous	<u>296,961</u>
Balance at end of year	<u><u>29,720,798</u></u>

(g) *Withholding Taxes*

Details of total withholding taxes for the fiscal year ended May 31, 2025 are shown below:

<i>(Amounts in PHP)</i>	<u>2025</u>
Compensation	116,032,553
Expanded	39,382,837
Final	<u>22,637,859</u>
	<u><u>178,053,249</u></u>

(h) *Deficiency Tax Assessments and Tax Cases*

As of May 31, 2025, the University does not have any final deficiency tax assessments from the BIR, and any tax cases outstanding or pending in courts or bodies outside of BIR in any of the open taxable years.



Building a better
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Far Eastern University, Incorporated as at and for the year ended May 31, 2025, on which we have rendered the attached report dated August 19, 2025.

In compliance with the Revised Securities Regulations Code Rule 68, we are stating that the above company has 1,232 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Shane Dave D. Tanguin

Partner

CPA Certificate No. 0115818

Tax Identification No. 242-153-393

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-157-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10465390, January 2, 2025, Makati City

August 19, 2025

