CENTRO ESCOLAR UNIVERSITY
Company's Full Name

9 Mendiola Street
San Miguel, Manila
Company's Address

735-68-61 to 71
Telephone Number

March 31
Fiscal Year Ending
(Month & Day)

SEC FORM 17 – A, as Amended
Form Type

March 31, 2010
Period Ended Date

–

(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE

1. For the fiscal year ended	March 31, 2010
2. SEC Identification Number	1093
3. BIR Tax Identification No.	000-531-126-000
4. Exact name of issuer as specified in its charter	**CENTRO ESCOLAR UNIVERSITY**
5. Province, Country or other jurisdiction of incorporation or organization	Philippines
6. Industry Classification Code	(SEC Use Only)
7. Address of Principal Office	9 Mendiola Street, San Miguel, Manila
Postal Code	1005
8. Issuer's telephone number, Including area code	(02) 735-68-61
9. Former name, former address and fiscal year, if changed since last report	Not Applicable

10. Securities registered pursuant to Section 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	372,414,400

11. Are any or all these securities listed on a stock exchange?

Yes [√] No [ ]

If yes, state the name of such stock exchange and classes of securities listed therein:

Philippine Stock Exchange

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes [√] No [ ]

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

Yes [√] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

Number of non-affiliate shares as of June 30, 2010	372,414,400
Closing price per share as of June 30, 2010	₱10.00
Market value as of June 30, 2010	₱3,724,144,000

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Description of Business

Business Development During the Past Three Fiscal Years (2007-2010)

Centro Escolar University (CEU), an institution of higher learning established in 1907 by Librada Avelino and Carmen de Luna, is committed to the furtherance of its founders' philosophy, *Ciencia y Virtud* (knowledge and virtue), and aims to cultivate the mind, the spirit, and the body for service to God, country and the family. It has ranked among the top ten institutions of higher education in the Philippines.

In pursuit of this philosophy, it seeks to educate students:

1. To develop wholesome values and attitudes;

2. To become intellectually, technologically, and globally proficient in their chosen professions; and
3. To be involved in the promotion of nationalism.

CEU, a stock corporation, was first incorporated in 1932 to exist for 50 years, or until 1982. On March 31, 1982 the corporate life was extended for another 12 years to last until 1994. On March 31, 1994, the Articles of Incorporation was amended extending the life of CEU for another 50 years.

There was no bankruptcy, receivership or similar proceeding that happened to the corporation.

Stock split was approved by SEC on March 31, 2000, effectively reducing the par value from ₱100 to ₱1 per share. PSE correspondingly adjusted the par value on August 3, 2000.

School Year 2007-2008

Enrollment and Growth

The University experienced an increase of 3% in enrollment in SY 2007-2008. Growth was attributed to the enrollment in CEU-Makati campus. The Seaboard Centre building in Legaspi Village was converted into the University's second campus in Makati and now houses the courses for business, hotel restaurant management, and mass communications. All the Allied Science courses are in the CEU-Makati Gil Puyat campus. In SY 2007-2008, the University had an average total enrollment of 19,000 students for all campuses combined.

Accreditation and Recognition of Programs

The Commission on Higher Education (CHED) recognized CEU for its meritorious achievement in higher education in the provision of academic instruction, conduct of research and community extension services, high performance of graduates in licensure examinations and for maintaining a tradition of integrity and untarnished reputation in the education service, therefore granting it full autonomy status.

CEU received an Award of Distinction for having the highest number of Level III accredited programs by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) during its 18th Annual General Assembly last December 4, 2007. Likewise, CEU received the Award of Distinction as the first university to achieve Level III in the MA, MS and MBA programs of the Graduate School.

The School of Accountancy and Management had been named as a Center of Development in Business Education.

The Philippine Regulatory Commission recognized the Dean of Education, Liberal Arts, Music and Social Work as the Outstanding Professional in Teacher Education.

Board Examination Performance

	National Passing Rate	CEU-Manila Passing Rate	CEU-Malolos Passing Rate	CEU Board Placers
Dentistry - June	36.06%	39.74%	72.72%	5th
Nursing - June	48%	86%	85%	-
Pharmacy - July	56.64%	63%	91%	16th, 20th
Nutrition - July	56.38%	75%	-	-
Medical Technology - September	49.3%	43.9%	-	8th
Optometry - 6-year curriculum	69%	82%	-	2nd, 4th, 5th, 6th, 7th,10th
Optometry – 4-year curriculum	69%	59%	-	3rd, 7th, 8th, 9th, 10th
Pharmacy - January	51.84%	62%	78.57%	-

Student Achievements

A student from the School of Education, Liberal Arts, Music and Social Work was chosen as one of the nominees for the 2008 Ten Outstanding Students in NCR, while a student from the School of Accountancy and Management was chosen as a regional finalist in the quest for Ten Outstanding Students.

A Pharmacy student from CEU-Malolos was chosen as one of the Ten Outstanding Students in the Philippines for Region III and was awarded as one of the thirty national finalists.

A Pharmacy student from CEU-Malolos was declared champion in the National Pharmacy Quiz contest sponsored by the Federation of Junior Chapter of the Philippine Pharmaceutical Association, while the Pharmacy students from CEU-Manila won the first place.

A student from the School of Accountancy and Management was first runner-up in the Business Plan Competition in the student entrepreneur category sponsored by the DTI Ayala Foundation.

Two students from the College of Medical Technology were chosen as one of the fifteen scholars of Proctor & Gamble Distributing Phils., Inc. and of the Philippine Association of Schools of Medical Technology/Public Health (PASMETH).

Faculty Achievements

Two CEU faculty members were selected as national finalists in the search for Outstanding Business Educators sponsored by PETRON and PCDEB. The regional winner for Outstanding Educator for Management is a CEU faculty member from the School of Accountancy and Management.

Two faculty members of the College of Medical Technology were chosen as DOST-PCHR scholars and a faculty member of the Social Sciences Department was a recipient of postgraduate grant by Higher Education Development Project-Faculty Development Project (HEDP-FDP) of CHED.

The dean of the School of Accountancy and Management participated as a scholar in the International Deans' Course (IDC) in Higher Education Management-South East Asia held in Germany.

The research work of several faculty members were chosen as papers in various international conferences.

School Year 2008-2009

Enrolment and Growth

While a drop in enrolment was anticipated due to the overall economic crisis, CEU managed to maintain its enrolment with only an insignificant decrease of 0.04%. This may be attributed to the favorable enrolment in CEU-Makati campus and the demand for allied health science programs that CEU is known for such as Dentistry, Pharmacy, Medical Technology, Nursing, Hotel and Restaurant Management and Tourism Management courses. In SY 2008-2009, the University had an average total enrolment of 19,362 students for all campuses combined.

Foreign Student Enrollment

CEU is one of the higher education institutions preferred by foreign students for their tertiary education. This school year, there was an increase in the foreign student enrollment of 80.7% compared to the previous school year. The top three countries of origin of foreign students are Iran, Korea and China, with Dentistry and Pharmacy as the favored programs of study.

New Programs and Revised Curricula

An important goal of the University is to strengthen existing academic programs and design new ones. The following new programs will be offered for School Year 2009-2010: the Juris Doctor program to be offered by the newly established CEU School of Law and Jurisprudence and the Master of Information Technology.

Several curricula were revised in response to market needs: the 4-year Bachelor of Science in Accountancy was converted to a 5-year ladderized Bachelor of Science in Accountancy; the Bachelor of Science in Computer Science and Information to Bachelor of Science in Computer Science; the Bachelor of Science in E-Commerce Technology to Bachelor of Science in Information Technology; and, the revision of the Bachelor of Science in Computer Engineering based on the new guidelines issued by the Commission on Higher Education (CHED.)

CEU-Professional and Continuing Education (CEU-PACE)

In response to the need of individuals and organizations for continuing education, CEU established the CEU-Professional and Continuing Education (CEU-PACE) program. Thus, in addition to undergraduate and graduate programs, the University will actively pursue the conduct of training programs that address the lifelong learning needs of professionals and individuals. The review classes for board examinations, including those for repeaters and re-takers, are included in this program.

Performance in Board Examinations

CEU graduates continue to show excellent performance in the PRC Board Examinations: two topnotchers (Pharmacy and Dentistry) and seventeen other top ten placers. The over-all CEU passing percentages of graduates in Nursing, Elementary and Secondary Education, Library Science, Optometry, Pharmacy, Dentistry, Nutrition and Dietetics are all higher than the respective national passing percentages. It is worth noting that Social Work and Dentistry graduates of CEU-Malolos obtained 100% passing percentage. Pharmacy was recognized by the Professional Regulations Commission (PRC) as the third top performing school in the Philippines, while the Nutrition and Dietetics was one of the top five performing schools.

Accreditation and Recognition of Programs

The Federation of Accrediting Agencies of the Philippines (FAAP) certified the recommendation of the Board of Directors of the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) for the Level IV accreditation of the CEU Biology and Psychology programs effective until 2013. CEU is the first university in the Philippines whose Science programs have been accredited at Level IV.

Deregulated Status for Malolos

CEU Malolos was granted deregulated status for a period of five (5) years, from March 11, 2009 to March 30, 2014.

Quality Assurance

The CEU Management System of the Manila and Malolos campuses have been re-assessed and re-certified by the Societe Generale de Surveillance (SGS) as meeting the requirements for ISO 9001:2000. The certification is valid from November 26, 2008 until November 25, 2011. The University is now preparing for ISO certification of the Makati campus.

CEU as one of the Top 15 Publicly Listed Corporations

The Institute of Corporate Directors (ICD) recognized CEU as one of the top 15 publicly listed corporations with the highest scores in ICD's 2008 Corporate Governance Scorecard, Silver Category. The recognition of the top 15 corporations is a joint undertaking of ICD, Securities and Exchange Commission (SEC), the Philippine Stock Exchange (PSE) and Ateneo Law School. With this recognition, CEU is recognized as one of the corporations with almost perfect compliance with corporate governance principles and proper practices, and therefore has standards of compliance that match those of other publicly listed corporations in the world. CEU has been included in ICD's Companies Circle.

Faculty Achievements

Dr. Olivia M. Limuaco, Dean of School of Pharmacy, was given the BWL of Hygeian Award as Outstanding Pharmacist for 2009 by the Philippine Pharmacists Association. Dr. Limuaco was recognized for her notable contributions that have helped set the direction of pharmacy education and practice in the Philippines.

Student Achievements

Three CEU students from Business Administration, Computer Science and Information System and Mass Communication were chosen as regional finalists of this year's Ten Outstanding Student of the Philippines-NCR search.

A film produced by CEU junior Mass Communication students won three awards given by the University of the Philippines-Piling Obrang Vidyo (UP-POV) 2009: Viewer's Choice Award, Best Screenplay and Best Editing. CEU has been participating in the UP-POV film-making competitions for the past 3 years and has won awards in the last two years.

A junior Medical Technology student from CEU-Manila placed third among the thirty-four participants from Metro Manila colleges and universities in an On-the-Spot English Skills Challenge held last December 3, 2008 under the auspices of Medical Transcription Industry Association of the Philippines, Inc. (MTIAPI).

A junior Medical Technology student from CEU-Makati was also one of the finalists from among thirty-seven participants in the MTIAPI On-the-Spot Essay Writing Contest.

Mr. Kendrick Nigel Tan, Mr. CEU 2008, and Ms. Julie Ann Velarde, Miss CEU 2008, represented CEU in the search for Mister and Miss University-Philippines. Ms. Velarde got the fourth runner-up title, while Mr. Tan won the Mr. University-Philippines title and will thereby be the Philippine representative to the Mister University-World competitions to be held in South Korea in October 2009.

Ms. Sherilee Sustiguer, a BS Tourism senior who was the first runner-up in the Search for Miss and Mr. CEU 2008, won the Bb. Turismo Pilipina 2008 title. She will represent the Philippines in next year's Turismo Pilipina International Pageant in Canada, joining other Filipina beauties from overseas Filipino communities all over the world.

Construction of Student Activity Center in Makati Campus

The newly constructed Student Activity Center in CEU Makati-Gil Puyat was inaugurated on April 17, 2009. It serves as a multipurpose hall where Physical Education classes are conducted and used as a venue for relevant University-wide activities and programs.

School Year 2009-2010

Enrolment and Growth

In SY 2009-2010, the University had an average enrolment for the first and second semesters of 19,597 students for all campuses. As compared to the previous school year, CEU had an increase in total enrolment of 3.79%. The increase can be attributed to the increase in the freshman enrolment and on the demand in hospitality management and health sciences programs. It is worthy to note that the freshman enrolment increased by 12.09%.

Foreign Student Enrolment

CEU is still the preferred institutions by foreign students for their tertiary education, most especially by the Iranian students for Dentistry and Pharmacy programs. This school year, there was an increase in foreign student enrolment of 49% compared to the previous school year.

New Program/Majors and Revised Curricula

As part of the continuous improvement of the program offerings and commitment to academic excellence, new areas of study were designed to explore additional markets. The new program to be offered for School Year 2010-2011 is the Bachelor of Science in Legal Management. This program will be offered in Manila campus during the first year and in Makati campus for the succeeding years.

The Master of Science in Tourism was revised to the Master of Science in Hospitality Management with majors in Tourism Management, Hotel and Restaurant Management, and Leisure Management. The Master of Science in Dental Education was also revised to Master of Science in Health Education with majors in Dental Education, Medical Technology Education, and Optometry Education. A new major, Financial Analysis, was instituted for the Master of Business Administration program.

Several curricula were revised: Master of Arts major in Applied Linguistics and Special Education, Master of Arts in Teaching, Master of Science in Cosmetic Science and in Bachelor of Arts in Mass Communication

Performance in Board Examination

The outcome of the government licensure examinations is one of the best indicators of the quality of education offered by an academic institution. Thus, topping the board examinations and achieving high passing percentages are important achievements of the University. CEU graduates maintained their excellent performance in the PRC Board Examinations topping the examinations in Dentistry and Social Work. There were sixteen other top ten placers in other licensure examinations. The overall passing percentages of graduates in Dentistry, Social Work, Nursing, Nutrition, Optometry, Pharmacy, Education and Accountancy were all higher than the respective national passing percentages.

It is worth noting that the first batch of Medical Technology graduates of Makati campus obtained 100% passing percentage.

Accreditation and Recognition of Programs

The Commission on Higher Education (CHED) renewed the Autonomous Status of CEU Manila and CEU Malolos. The Federation of Accrediting Agencies of the Philippines (FAAP), upon the recommendation of the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA), awarded Institutional Accreditation to CEU, the first institution to be granted such status. CEU was also recognized by the PACUCOA during its 20th Annual General Assembly as the institution with the Highest Number of Level III Accredited Programs in the whole country.

Quality Assurance

CEU continues to maintain its ISO certification under ISO 9001:2000 with Societe Generale de Surveillance as certifying body. The University is preparing for the transition of the standard from the 2000 to the 2008 version.

Part of the continuous improvement of the quality management system of the University is the review of the Manuals of Policies and Procedures for all functions and units.

Faculty Achievements

Dr. Flordeliza Anastacio, Dean of the School of Accountancy and Management was chosen as a recipient of the Philippine Council of Deans and Educators in Business (PCDEB) Presidential Award. The PCDEB Council of Advisers approved her PCDEB Presidential Award in recognition of her unprecedented accomplishments as president of the organization for SY 2007-2008.

Student Achievements

Hotel and Restaurant Management students participated in the World Food Expo where CEU won several awards in different competitions that were participated in by ten (10) colleges and universities in the Philippines.

Student representatives from the College of Medical Technology participated in the 28^{th} National PAMET-PASMETH Quiz Contest and placed 3^{rd} runner up from among the 23 participating schools.

Students of Dentistry participated in the undergraduate research competition of Philippine Dental Association (PDA) through poster presentations during the 101^{st} Scientific Meeting held last September 24, 2009 at SMC Convention Center. CEU had the most number of researches submitted for the competition. CEU obtained the 1^{st} and 3^{rd} place in the competition.

CEU was among the seven dental schools that participated in the Student Clinicians Research Competition in the 8^{th} Student Clinician Program of Dentsply Philippines held October 9, 2009. CEU Malolos got the 1^{st} place, while CEU Manila got the 2^{nd} place. The CEU Malolos entry was the Philippine entry to the South East Asia Dentsply competition held during the 20^{th} South East Asia Association for Dental Education (SEAADE) at Chiang Mai, Thailand.

CEU Malolos Pharmacy students emerged as Champion in the National Pharmacy Quiz Bee 2009. The contest organized by the Federation of Junior Chapter Philippines Pharmacist Association was held on December 3, 2009 at the UST.

Students of BSHRM participated in the EDEN YUMM Culinary Competition Noche Buena Cook-off and Cheese Sculpture. CEU was the Champion in Cheese Sculpture and Runner-up in Noche Buena Cook-Off.

CEU Malolos HRM students participated in the Regional Culinary Skills Development Competition where they garnered two(2) Gold Medals, four(4) Silver Medals, one(1) Bronze Medal and a Special Award.

Improvement of Facilities and Services

The University is presently upgrading the existing Enrolment Automation and Registration Systems (EARS). The project EARS2 was launched to do the migration of existing EARS database, and expansion of the system to accommodate new requirements in admission, alumni Information and others.

Offices affected by Typhoon Ondoy were refurbished. A Student Center in CEU Makati, Gil Puyat Campus was constructed along with the classrooms, offices and library for the School of Law and Jurisprudence.

Business of Issuer

Centro Escolar University is one of the country's largest and most respected educational institutions for over 100 years.

CEU caters to the BC class of the population and as such its competitors are UST, UE and FEU.

One program in CEU-Manila has Level 4 accredited status. Twelve programs in CEU-Manila and three in CEU-Malolos are enjoying level 3 accredited status. Two programs in Mendiola are on Level 2 accredited status. The summary is as follows:

Accredited College/School Programs	Accrediting Agency	Accreditation Level	Expiry Date
CEU-MENDIOLA			
BS Pharmacy	PACUCOA*	Re-accredited Level 3, 2006	February 2011
Bachelor of Arts	PACUCOA	Re-accredited Level 3, 2006	April 2011
BS Elementary Education			April 2011
BS Secondary Education			April 2011
BS Commerce			April 2011
BS Nutrition and Dietetics			April 2011
Doctor of Dental Medicine			April 2011
Doctor of Optometry			April 2011
BS Social Work	PAASCU**	Re-accredited Level 2, 2006	May 2011

* Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA)
** Philippine Accrediting Associations of Colleges and Universities (PAASCU)

BS Nursing	PAASCU	Re-accredited Level 2, 2007	November 2011
BS Medical Technology	PACUCOA	Re-accredited Level 3, 2007	June 2012
Graduate School - Master of Arts	PACUCOA	Re-accredited Level 3, 2007	November 2012
- Master of Business Administration			November 2012
- Master of Science			November 2012
FULL AUTONOMY GRANT TO CENTRO ESCOLAR UNIVERSITY	CHED***		November 2012
Science Programs (BS Biology and BS Psychology)	PACUCOA	Accredited Level 4, 2008	October 2013
CEU-MALOLOS			
Liberal Arts Program	PACUCOA	Re-accredited Level 3, 2009	April 2014
Business Administration Program			April 2014
Science Program			April 2014

Level 4 status granted by PACUCOA to the Science program (BS Biology and BS Psychology) is certified by Federation on Accrediting Agencies of the Philippines (FAAP).

CEU was awarded for having the highest number of Level III re-accredited programs as well as for having the First Science Program granted Level 4 accredited status in the country during PACUCOA's 35th Anniversary Assembly in December 2008 at the Diamond Hotel, Manila.

The University entered into a 25-year lease contract with Philtrust Bank on July 29, 2004. The lease covers the use of Philtrust Bank's land, building and improvements thereon located at 259-263 Sen. Gil Puyat Avenue and Malugay Street, Makati City. The lease commenced on January 1, 2005 for the operation of the CEU-Makati Extension Campus for school year 2005-2006.

CEU complies with environmental laws. Its buildings are inspected regularly by the Office of the Mayor of Manila for sanitation and other safety measures, and the University pays the corresponding regulatory fees.

CEU has 1,015 employees, 661 of whom are faculty members and 325 are non-teaching staff. The University expects to hire approximately 20 additional employees within the ensuing 12 months to accommodate its expansion program. Of the total number of employees, 72 have administrative functions and are not subject to Collective Bargaining Agreement (CBA). The latest CBA expires in 2010. There have been no strikes in the past 3 years. Aside from basic salary and legally

*** Commission on Higher Education (CHED) mandated benefits and bonuses, CEU employees receive incremental proceeds and retirement benefits under the University's non-contributory retirement plan.

CEU offers comprehensive training and development through its wide variety of college and graduate courses in the fields of Commerce, Science and the Arts, such as Dentistry, Optometry, Music, Public Administration and Education which together with the other programs and courses have been granted Levels 2 and 3 Accredited Status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACU-COA) and the Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) as certified by the Federation of Accrediting Agencies of the Philippines (FAAP).

The Level IV accreditation of its Science program and the Level III accreditation status of its 15 programs certifies that CEU has met the FAAP's stringent requirements specifically, (a) reasonably high standard of instruction as manifested by the quality of its teachers, (b) highly visible community extension programs, (c) highly visible research tradition, (d) strong staff development, (e) highly creditable performance of graduates in licensure examinations, and (f) existence of working consortia or linkages with other schools/agencies.

The University is recognized for its specialization in the fields of Dentistry, Medical Technology, Nursing, Education, Nutrition, Optometry, Pharmacy and Business education.

Contribution of Product Services to Revenues

College	2007-2008	2008-2009	2009-2010	Total
Liberal Arts	₱ 24,832,041	₱ 26,176,016	₱ 24,955,522	₱ 75,963,579
Science	35,325,364	60,971,347	32,432,070	128,728,781
ACS	79,345,848	80,256,980	60,889,556	220,492,384
Dentistry	35,901,934	42,989,647	89,672,448	168,564,029
Education	2,861,111	2,293,895	2,345,557	7,500,563
Medical Tech.	16,529,045	19,097,707	32,975,194	68,601,946
Music	1,123,436	418,120	966,235	2,507,791
Nursing	165,549,331	132,405,627	95,994,144	393,949,102
Nutrition/HE/Tourism/HRM	129,401,622	155,198,455	150,734,534	435,334,611
Optometry	8,410,619	8,216,597	8,971,866	25,599,082
Pharmacy	35,556,577	41,079,864	56,984,797	133,621,238
Social Work	1,278,288	1,342,993	1,328,299	3,949,580
Graduate School	4,458,212	4,706,616	6,980,933	16,145,761
Law			827,871	827,871
	₱540,573,428	₱ 575,153,864	₱ 566,059,026	₱ 1,681,786,318

Tuition Fee Increase

For SY 2007-2008, there was no increase in tuition fees and miscellaneous fees except for laboratory materials, library fee and laboratory services of 10% and energy fee of 6.2%.

For SY 2008-2009, there was an increase of 7% in tuition fee.
For SY 2009-2010, there was no increase in tuition fees and miscellaneous fees except for laboratory materials 15% to 20%.

Effect of Government Regulation with Respect to Increase in Tuition Fees

The Commission on Higher Education (CHED) promulgates guidelines to be followed by Higher Educational Institutions (HEIs) intending to increase their tuition and other fees. The guidelines provide, among others:

> "A Certificate of Intended Compliance (COIC) stating that (70%) of the proceeds to be derived from the tuition fee increase shall be used for the payment of the salaries, wages, allowances and other benefits of its teaching and non-teaching personnel and other staff x x x.
>
> "The 20% shall be used for:
> 1. modernization of buildings
> 2. equipment
> 3. libraries
> 4. laboratories
> 5. gymnasium and similar facilities and
> 6. payment of other cost of operations.
>
> "The remaining 10% can be used for return on investment."

The University has consistently distributed 70% of the increase in tuition fees to its employees on a semestral basis. The 70% increase in tuition fees is distributed in the form of the benefit known as incremental proceeds, employee development programs, and other benefits.

The University regularly spends on capital expenditures to improve its facilities. These expenditures are sourced from internally-generated funds and generally exceed the allotted 20% of the tuition fee increase for the year.

Except for competition from other schools and universities, the rising cost of goods and materials and adverse economic situation which can affect operational costs and enrollment figures, there are no other major risks involved in the business of the University.

Item 2. Properties

CEU's main campus site, which houses 13 buildings, is located on a two-hectare prime real estate in Mendiola, Manila. Its campus in Malolos, Bulacan is located on a seven-hectare property along McArthur Highway.

The properties in Manila campus are covered by TCT Nos. 11919, 69761, 76251, 76252, 76253, 92437, 99602 and 171233. The Malolos property is covered by TCT No. T87162.

The University has no property that is subject to any mortgage, lien or encumbrance.

In connection with the establishment of CEU-Makati Campus, the University has been leasing the Philtrust Bank Building since 2004 for ₱2M per month for 25 years for its CEU-Makati, Gil Puyat Campus.

Pursuant to the authority granted by the Board of Directors and as part of the University's expansion program for CEU-Makati Campus, the University purchased on July 5, 2006 Seaboard Centre Condominium on Esteban Street, Legaspi Village, Makati City on installment basis through internally generated funds. The CEU-Makati, Legaspi Village Campus is covered by CCT Nos. 99424, 99167, 99410, 99425, 99426, 99427, 99411, 99428, 99429, 99430, 99431, 99432, 99168, 99408, 99169, 99170, 99433, 99434, 99435, 99436, 99437, and 99438.

Item 3. Legal Proceedings

CEU is not a party nor is any of the University's principal properties subject to any pending legal proceeding that could be expected to have a material adverse effect on the results of its operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

Market Information

The University's common equity is traded at the Philippine Stock Exchange. Following are the high and low prices for each quarter within the last two (2) fiscal years:

		High	Low
Fiscal Year Ended 2008			
April 2007 – June 2007	First Quarter	₽ 8.20	₽7.20
July 2007 – September 2007	Second Quarter	8.60	7.50
October 2007 – December 2007	Third Quarter	8.70	5.50
January 2008 – March 2008	Fourth Quarter	10.00	6.00
Fiscal Year Ended 2009			
April 2008 – June 2008	First Quarter	₽ 6.70	₽5.70
July 2008 –September 2008	Second Quarter	7.00	5.80
October 2008 – December 2008	Third Quarter	7.00	5.70
January 2009 – March 2009	Fourth Quarter	6.70	5.50
Fiscal Year Ended 2010			
April 2009 – June 2009	First Quarter	₽ 6.30	₽ 5.70
July 2009 –September 2009	Second Quarter	9.50	6.10
October 2009 – December 2009	Third Quarter	9.40	7.80
January 2010 – March 2010	Fourth Quarter	9.00	8.00

The closing price per share of the University's common shares as of June 30, 2010 was ₽10.00

Holders

As of June 30, 2010, there was a total of 1,034 common shareholders. The name of the top twenty (20) shareholders and the number of shares and the percentage of total shares outstanding held by each are as follows:

<u>Stockholder</u>	**Number of** <u>Common Shares Held</u>	**Percentage of** <u>Total Shares (%)</u>
USAUTOCO, INC.	126,620,891	34.0000
U.S. Automotive Co., Inc.	55,824,195	14.9898
PCD Nominee Corporation-Filipino	55,365,292	14.8666
Southville Commercial Corporation	29,686,293	7.9713
Tiongco, Jose M.	13,439,614	3.6088
Tiongco, Corazon M.	10,061,379	2.7017
Galeon, Erlinda T.	9,252,982	2.4846
Cabrera, Generosa T.	9,190,225	2.4677
Sands, Marie T.	9,186,138	2.4666
Security Bank Corp. TA#1090	8,072,299	2.1676
Ong, Alvin C.	1,344,308	0.3610
Ong, Frederick C.	1,250,000	0.3356

Inducil, Soledad T.	901,762	0.2421
De Santos Oboza, Emma	758,190	0.2036
De Santos Villarama, Alicia	758,190	0.2036
Javellana, Trinidad V.	713,666	0.1916
Hontiveros, Jose	650,107	0.1746
Paredes, Manuel M.	650,107	0.1746
Reyes, Amado R.	650,107	0.1746
Sanchez, Conrado Jr.	650,000	0.1745

Dividends

Dividends declared for the two most recent fiscal years, i.e., Fiscal Year ended March 31, 2009 and Fiscal Year ended March 31, 2010, are as follows:

Fiscal Year Ended March 31, 2009
(April 1, 2008 – March 31, 2009)

1. Cash dividend of ₽0.20 per share was declared on April 22, 2008 in favor of stockholders of record as of May 7, 2008, payable on May 19, 2008.

2. Cash dividend of ₽0.20 per share was declared on July 25, 2008 in favor of stockholders of record as of August 8, 2008, payable on September 3, 2008.

3. Cash dividend of ₽0.20 per share was declared on October 27, 2008 in favor of stockholders of record as of November 11, 2008, payable on December 8, 2008.

4. Cash dividend of ₽0.20 per share was declared on January 30, 2009 in favor of stockholders of record as of February 14, 2009, payable on March 11, 2009

Fiscal Year Ended March 31, 2010
(April 1, 2009 – March 31, 2010)

1. Cash dividend of ₽0.25 per share was declared on April 24, 2009 in favor of stockholders of record as of May 11, 2009, payable on June 4, 2009.

2. Cash dividend of ₽0.25 per share was declared on June 26, 2009 in favor of stockholders of record as of July 10, 2009, payable on August 5, 2009.

3. Cash dividend of ₽0.30 per share was declared on July 31, 2009 in favor of stockholders of record as of August 14, 2009, payable on September 9, 2009.

4. Cash dividend of ₽0.20 per share was declared on August 28, 2009 in favor of stockholders of record as of October 2, 2009, payable on October 28, 2009.

Dividends shall be declared only from retained earnings.

There are no restrictions that limit the ability to declare dividends on common equity.

Recent Sales of Unregistered or Exempt Securities

The University did not sell any unregistered or exempt securities in the past three (3) years.

There were no underwriters involved as there were no securities sold by CEU within the past three (3) years.

There were no underwriting discounts or commissions as there were no securities sold by CEU within the past three (3) years.

There was no section of the Code or the rules or regulations under which CEU claimed exemption from registration.

Item 6. Management 's Discussion and Analysis or Plan of Operation

Financial Performance

Tuition and Other School Fees increased by 3.40% to ₽1,300,154,119 from ₽1,257,457,686 in 2009 and 5.43% in 2009 from ₽1,192,589,166 in 2008. This account consists of Tuition Fees, Miscellaneous Fees, and Income from Other School Services. Miscellaneous fees are comprised of fees for electricity, registration materials, miscellaneous classroom expenses, laboratory materials diplomas and certificates, ID cards, and various collections for specific items or activities. Income from Other School Services consist of audio-visual fees, testing materials, computer materials, and the like. Interest income decreased from ₽12,550,471 in 2009 to ₽6,889,836 in 2010.

The total revenues increased to ₽1,334,404,794 in 2010 from ₽ 1,305,190,080 last year and ₽1,226,732,410 in 2008. While the Operating Expenses were reported at ₽1,016,055,482 in 2010 from 998,596,267 last year and ₽927,178,205 in 2008.

Net income of the University increased to ₽285,748,081 from ₽ 275,799,586 last year and ₽269,262,720 in 2008.

Financial Condition

The University reported a healthy cash position as of March 31, 2010. Cash and cash equivalents were at ₽252,034,028 as compared to last year's balance of ₽356,515,473 and ₽346,718,831 in 2008. Tuition and other receivables were at ₽16,380,785 compared to ₽16,921,815 last year and ₽13,708,279 in 2008.

The University's receivables consist of tuition receivables, advances to contractors and suppliers, interest receivables, and employee and lessee receivables (classified as Other Receivables). There are no receivables from unconsolidated subsidiaries or related parties

Inventories, consisting of materials, uniforms and supplies, were at ₱8,407,169. Other current assets, which consist largely of Advances to Suppliers and Contractors, stood at ₱30,054,076.

Available for Sale (AFS) Investments had a market value of ₱588,764 as compared to ₱570,530 last year.

The current assets of the University as of fiscal year ended March 31, 2010 were ₱306,876,059 as compared to ₱398,934,351 for March 31, 2009.

Property and Equipment increased to ₱2,934,467,902 from ₱2,475,412,212 last year due to increase mainly in appraised value of the land in Malolos Bulacan.

Total non-current assets were at ₱2,935,056,666 and Total Assets were at ₱3,241,932,725 at the end of the fiscal year.

Accounts payable and accrued expenses increased to ₱135,160,681 from ₱98,093,198 last year and ₱67,612,624 in 2008. Dividends payable were at ₱60,979,347 compared to ₱47,147,996 last year and ₱43,212,166 in 2008. The current portion of the long-term liability due to the building acquisition was ₱40,000,000 and the income tax payable increased to ₱15,781,808 from ₱14,315,951 last year and ₱12,180,290 in 2008. Total current liabilities were at ₱251,921,836 at fiscal year end.

Total non-current liability as of March 31, 2010 increased to ₱461,626,207 from ₱429,106,681 last year and ₱424,820,071 in 2008. The long-term liability of ₱170,723,898 reflects the present value of the installment payments due on the acquired Seaboard Building. Because schools are allowed to claim 10% of its capital expansion as an advanced tax credit, it can no longer claim the depreciation on these capital assets as tax deduction. Instead, the unamortized portion of these tax credits are lodged under deferred tax liability, and is amortized yearly in congruence with the depreciation of the capital assets. Deferred tax liabilities were at ₱223,363,139. Retirement liability refers to the portion of the Retirement Fund that needs to be funded over the course of the expected working lives of the employees. As of March 2010, retirement liability was at ₱67,539,170.

The University's stockholder's equity stood at ₱2,528,384,682 as of March 2010 as compared to ₱2,246,253,267 in March 2009.

Key Performance Indicators

Key	2010	2009	2008	Manner of Computation	Significance
Revenue Growth	3.40%	5.43%	7.2%	Difference between current and last year's tuition and other school fees divided by last year's revenues	Measures Revenue growth
Return on Revenue	22%	22%	23%	Net income divided by Tuition and other school fees	Shows how much profit is derived from every peso of tuition and other school fees
Dividend Pay-out Ratio	130%	108%	56%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	12%	12%	12%	Net profit divided by average total stockholder's equity	Measures extent of profit earned
Return on Assets	9.34%	9.6%	9.5%	Net profit divided by average total assets	Measures use of assets to generate income

Liquidity

The University relies on internally generated cash to fund its working capital needs, capital expenditures and cash dividends.

Cash flows provided by operating activities were at ₱417,580,841 for fiscal year ended March 31, 2010 as compared to cash flows provided by operating activities of ₱415,027,132 for the previous fiscal year and ₱342,022,357 in March 31, 2008.

Cash used in investing activities was ₱119,387,150 during fiscal year ended March 31, 2010, as compared to cash used in investing activities of ₱76,362,430 during fiscal year ended March 31, 2009 and ₱84,942,465 in March 31, 2008.

Cash used in financing activities was at ₱398,583,049 during the current fiscal year. This was primarily used for the payment of dividends as well as the payment of the loan installment for the purchase of the CEU-Makati Legaspi Village building. Cash used for financing activities was at ₱333,995,690 for fiscal year ended March 31, 2009 and ₱219,397,546 in fiscal year ended March 31, 2008.

The University has a current ratio of 1.22 to 1; that is, its current assets of ₱306,876,059 is more than its current liabilities of ₱251,783,332. Its cash levels adequately meet all short-term liabilities, operating expenses and capital expenditures for the year.

Segment Reporting

The University operates in four geographical segments – Mendiola, Malolos, Makati-Gil Puyat and Makati-Legaspi campus. The financial information on the operations of these segments are disclosed in terms of segment assets, segment property and equipment (net), segment liabilities, segment revenues, operating expenses and net income/loss.

The segment report is included in Note 19 of the financial statements.

Known Trends

Effect of Government Regulation with Respect to Increase in Tuition Fees

The Commission on Higher Education (CHED) promulgates guidelines to be followed by Higher Education Institutions (HEIs) intending to increase their tuition and other fees. Notable among them follows:

> "A Certificate of Intended Compliance (COIC) stating that (70%) of the proceeds to be derived from the tuition fee increase shall be used for the payment of the salaries, wages, allowances and other benefits of its teaching and non-teaching personnel and other staff xxx.
>
> "The 20% shall go to the improvement of the following:
>
> 1. Modernization of buildings
> 2. Equipment
> 3. Libraries
> 4. Laboratories

5. Gymnasium and similar facilities and
6. Payment of other cost of operations.

"Only 10% is left for return on investment."

Education Trends

For School year 2009-2010, the University registered upward trends in Dentistry, Pharmacy and Medical Technology while nursing course started to experience downward enrollment due to lesser demand in the United States and United Kingdom.

Currently, there are no known trends, events, or uncertainties that have a material impact on the University's liquidity.

The Registrant does not know of any event that will trigger any direct or contingent financial obligation that may be material to the company, including default or acceleration of an obligation.

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

All income is derived from the normal course of operations or through interest income on money market placements. There are no significant elements of income or loss.

New Accounting Standards

The University presented its consolidated financial statements to comply with Philippines Financial Reporting Standards (PFRS). New and revised accounting standards, consisting of Philippines Accounting Standards (PAS) and PFRS became effective for financial reporting purposes.

The consolidated financial statements include the financial statements of the University and its wholly owned subsidiary namely the Hospital, which were incorporated in the Philippines (collectively referred to as the Group).

The financial statements of the Hospital are prepared for the same reporting year as the University.

Subsidiary is consolidated when control is transferred to the Group and ceases to be consolidated when control is transferred out of the Group. Control is presumed to exist when the University owns more than 50% of the voting power of an entity unless in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. The consolidated financial statements are prepared using uniform accounting policies for the like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and unrealized gains and losses have been eliminated in the consolidation.

For 2010, the accounting policies adopted are consistent with those of the previous year except for the adoption of the following new and amended Philippine Accounting Standards (PAS), Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) and PFRS mandatory for financial years beginning on or after January 1, 2009:

New Standards and Interpretations

- PAS 1, Presentation of Financial Statements, effective January 1, 2009
- PAS 23, Borrowing Cost (Revised), effective January 1, 2009
- PFRS 8, Operating Segments, effective January 1, 2009
- Philippine Interpretation IFRIC 13, Customer Loyalty Programmes, effective January 1, 2009
- Philippine Interpretation IFRIC 16, Hedge of a Net Investment in a Foreign Operation, effective January 1, 2009
- Philippine Interpretation IFRIC 18, Transfer of Assets from Customers, effective July 1, 2009

Amendments to Standards

- Improvements to PFRSs (2008)
- Improvements to PFRSs (2009), with respect to the amendment to the Appendix to PAS 18, Revenue
- PAS 1 and PAS 32 Amendments, Puttable Financial Instruments and Obligations Arising on Liquidation, effective January 1, 2009
- PFRS 1 and PAS 27 Amendments, Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate, effective January 1, 2009
- PFRS 2 Amendment, Vesting Conditions and Cancellations, effective January 1, 2009
- PFRS 7 Amendment, Improving Disclosures about Financial Instruments, effective January 1, 2009
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, Embedded Derivatives, effective June 30, 2009

Standards that have been adopted and that are deemed to have an impact on the financial statements and disclosures of the Group are described below:

New and Revised Standards

PAS 1, Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in a single statement, or in two linked statements. The Group has elected to present two linked statements and has changed the title of its “balance sheet” to “statement of financial position.”

PFRS 8, Operating Segments, replaced PAS 14, Segment Reporting, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS disclosures are shown in Note 19.

Amendments to Standard

PFRS 7 Amendments, Improving Disclosures about Financial Instruments
The amendments to PFRS 7, Financial Instruments: Disclosures, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement and liquidity disclosures, which are not significantly impacted by the amendments, are presented in Notes 22 and 23, respectively.

New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to March 31, 2010
The Group will adopt the following standards, interpretations and amendments when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2010

PAS 39 Amendment, Eligible Hedged Items
The amendment to PAS 39, Financial Instruments: Recognition and Measurement, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives, and PAS 39, Financial Instruments: Recognition and Measurement Amended. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

PFRS 3, Business Combinations (Revised) and PAS 27, Consolidated and Separate Financial Statements (Amended)
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

Philippine Interpretation IFRIC 17, Distributions of NonCash Assets to Owners
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for noncash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

PFRS 2 Amendments, Group Cash-settled Share-based Payment Transactions
The amendments to PFRS 2, Share-based Payments, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Effective in 2012

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate
This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Improvements to PFRSs 2009
The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

PFRS 2, Share-based Payment: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, Business Combinations (Revised). The amendment is effective for financial years on or after July 1, 2009.

Philippine Interpretation IFRIC 9, Reassessment of Embedded Derivatives: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture. The amendment is effective for annual periods beginning on or after July 1, 2009.

Philippine Interpretation IFRIC 16, Hedge of a Net Investment in a Foreign Operation: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied. The amendment is effective for annual periods beginning on or after July 1, 2009.

PAS 38, Intangible Assets: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. The amendment is effective for the annual periods beginning on or after July 1, 2009.

PFRS 5, Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

PFRS 8, Operating Segment: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

PAS 1, Presentation of Financial Statements: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

PAS 7, Statement of Cash Flows: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 17, Leases: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

PAS 36, Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

PAS 39, Financial Instruments: Recognition and Measurement: clarifies the following:

that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;

that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and

that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

The Registrant has no knowledge of any seasonal aspects that had a material effect on the financial condition or results of the operations.

The University engaged the services of Sycip Gorres Velayo & Co. in SY 2007-2008 to undertake the external quality assessment review of its internal audit activity in compliance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA), specifically Standard 1312 - External Assessments. The purpose of said external quality assessment review was to determine and, as appropriate, to improve the internal audit activity's compliance with ISPPIA.

SGV completed the external quality assessment review of the University's internal audit activity last January 28, 2008 and rendered the overall opinion that "the internal audit activity of CEU Partially Complies to the Standards. 'Partially Complies' means that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization."

The audit was completed in the last fiscal year and the University is committed to move in the direction of the risk-based auditing process. The plan will be set forth by the University's Quality Management Systems Group along with the Internal Audit Department.

Item 7. Financial Statement

The audited financial statements and supplementary schedules to the financial statements duly submitted to BIR[*] are attached as Exhibit 1 hereto.

Item 8. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure

1. External Audit Fees and Services

Audit Fees and Related Fees

In 2009, the University paid ₱650,000.00 and in 2010, ₱715,000, inclusive of VAT for each year, to Sycip Gorres, Velayo and Co. (SGV) for the audit of the University's annual financial statements, as well as assistance in the preparation of the annual income tax returns.

[*] Due for submission with BIR on July 29, 2010.

The Audit Committee found the services and fees for external audit reasonable and approved the same following a conference with the external auditors and the University's financial officers to clarify the scope, extent and details of the audit.

Tax Fees

Except in the general course of the audit of the financial statements, the external auditor did not conduct any separate detailed verification of the University's tax compliance. The annual audit only performed a high-level reasonableness test of the affected tax accounts. There were no separate tax fees paid.

2. Changes in and Disagreements with External Accountants on Accounting and Financial Disclosure

The auditing firm of Sycip, Gorres, Velayo and Co. (SGV), CPAs, was appointed to audit the accounts of CEU for the 2 most recent years.

There was no disagreement with External Accountants on accounting on matters of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the University

Directors and Executive Officers

	Name	Age	Citizenship	Positions	Term of Office	Directorship Held in Other Companies
1.	Emilio T. Yap	84	Filipino	Chairman of the Board - since July 10, 2002	Yearly	Chairman, Manila Bulletin Publishing Corp. Chairman, Manila Hotel Corp. Chairman, Centro Escolar University Hospital, Inc.

2.	Ma. Cristina D. Padolina	64	Filipino	Director - since July 25, 2006 President/Chief Academic Officer - since August 18, 2006	Yearly	Professor Emeritus, University of the Philippines, Los Baños Director, Centro Escolar University Hospital, Inc.
4.	Angel C. Alcala*	81	Filipino	Director - since July 22, 2008	Yearly	Executive Director, Silliman University-Angelo King Center for Research and Environmental Management (SUAKCREM) Director, Silliman University-CHED Zonal Research Center Professor Emeritus, Silliman University
5.	Emil Q. Javier*	69	Filipino	Director - since July 10, 2002	Yearly	Chairman, Asia Rice Foundation, Inc. President and Chair, Biology Division, National Academy of Science and Technology (Phil.) Board Member, International Service for the Acquisition of Agri-Biotechnology Applications (ISAAA), South East Asia Center Board Member, Nutrition Foundation of the Philippines Director, Centro Escolar University Hospital, Inc.
5.	Ricardo F. de Leon	60	Filipino	Director - since July 22, 2008 Executive Vice President - since February 15, 2008	Yearly	Director and Vice President, Centro Escolar University

* Independent Director

6.	Alejandro C. Dizon	49	Filipino	Director - since August 31, 2007	Yearly	Chief Quality Officer; Head, Breast Center; Vice Chairman, Department of Surgery, St. Luke's Medical Center Fellow and Member, Board of Regents, Philippine College of Surgeons Fellow, American College of Surgeons President, Philippine Association of Training Officers in Surgery, Inc. Asst. Professor, St. Luke's-W.H. Quasha Memorial College of Medicine Asst. Professor, UERMMMC College of Medicine
7.	Emilio C. Yap III	38	Filipino	Directors - since September 1, 2009	Yearly	Chairman, Manila Prime Holding Director, Manila Bulletin Corporation, Manila Hotel, Philtrust Bank and US Automotive Co., Inc.
8.	Corazon M. Tiongco	60	Filipino	Director - since July 25, 2000 Assistant Treasurer - since August 12, 2005	Yearly	Director, Centro Escolar University Hospital, Inc.
9.	Johnny C. Yap	37	Filipino	Director - since October 26, 2007	Yearly	Director and Treasurer, Euromed Laboratories Philippines, Inc.

Executive Officers Who Are Not Directors

	Name	Age	Citizenship	Position	Term of Office	Directorship Held in Other Companies
1	Sergio F. Apostol	75	Filipino	Corporate Secretary - since Feb. 26, 2010	Yearly	

2.	Cesar F. Tan	55	Filipino	Treasurer - since April 17, 2006	Yearly	Treasurer, Centro Escolar University Hospital, Inc.
3.	Juliana M. Alvaro	61	Filipino	AVP- Malolos Campus - since August 1, 2001	Yearly	None
4.	Lucia D. Gonzales	62	Filipino	AVP- University Registrar - since August 18, 2006 Registrar - since February 1, 1990	Yearly	None
5.	Maria Clara Perlita Erna V. Yabut	43	Filipino	AVP- Research & Evaluation - since August 18, 2006 Head, EDP Department - since August 1, 2001	Yearly	None
6.	Priscilla C. Panlasigui	63	Filipino	AVP – Makati Campus - since July 25, 2008 Acting AVP- Makati City - since July 27, 2007	Yearly	None
7.	Teresa R. Perez	48	Filipino	AVP- Academic Affairs - since July 25, 2008 Acting AVP- Academic Affairs - since July 27, 2007	Yearly	None

8.	Wandalyn Maira L. Lao	28	Filipino	Assistant Treasurer - since August 18, 2006	Yearly	Asst. Treasurer, Centro Escolar University Hospital, Inc.
9.	Bernardita T. Traje	49	Filipino	Assistant Controller - since August 18, 2006 Assistant Treasurer - March 8, 1995 to August 18, 2006	Yearly	None
10.	Carlito B. Olaer	46	Filipino	Acting AVP- Student Affairs, Student Affairs Office - since July 25, 2008 Officer in Charge, Student Affairs Office - since May 3, 2008	Yearly	None

Significant Employees

All employees are expected to make reasonable contribution to the success of the business of the University. There is no "significant employee" as defined in Part IV(A)(2) of the SRC Rule 12 (i.e., a person who is not an executive officer of the registrant but who is expected to make a significant contribution to the business).

Deans

	Name and Address	Position	Term of Office	Directorship Held in Other Companies
1.	Ma. Flordeliza L. Anastacio B-18, L-25, Humel Heritage Homes, Malolos City	Dean	3 years	None
2.	Charito M. Bermido 33-C 11th Ave., Murphy, Quezon City	Dean	4 years	None
3.	Teresita G. Carey 42 Acacia Lane, Palmera Heights, Ortigas Ave. Ext., Cainta, Rizal	Dean	3 years	None
4.	Nilo V. Francisco 247 San Jose, Paombong, Bulacan	Dean	3 years	None
5.	Maria Jona D. Godoy B-157, L-14, Central Bicutan, Taguig City	Dean	3 years	None
6.	Aurora C. Gonzales 409 Gatbuca, Calumpit, Bulacan	Dean	Retireable up to April 15, 2010	None

7.	Olivia M. Limuaco #6 Philtrust Compound, India St., Better Living Subd., Bicutan, Parañaque City	Dean	3 years	None
8.	Merlina V. Locquiao B-19, L-5 Tree Lane 3, Bayan Luma, Imus, Cavite	Dean	3 years	None
9.	Betty M. Lontoc 33 Arabejo St., Gatchalian Subd., Manuyo Dos, Las Piñas City	Dean	Retireable up to July 11, 2011	None
10.	Jessica L. Flor-Torre 877 Katarungan St., Mandaluyong City	Dean	3 years	None
11.	Cecilia G. Uncad 11 Gladiola Mall, Gardenville Condo Sta. Mesa, Manila	Dean	3 years	None
12.	Veronica F. Balintona 3016 Espiritu St., Park View Homes, Bgy. Sunvalley, Parañaque City	Assistant Dean	3 years	None
13.	Amelita M. Borlongan Bldg. 2 DE-I GSIS City Pureza St., Sta. Mesa, Manila	Assistant Dean	3 years	None
14.	Mildred B. Go 14 Gutierrez St.., Panghulo Malabon, Metro Manila	Associate Dean	3 years	None
15.	Juliana M. Laraya 2327-B San Anton St., Sampaloc, Manila	Assistant Dean	3 years	None
16.	Pearly P. Lim 48B Pangasinan St., Quezon City	Assistant Dean	3 years	None
17.	Elvira L. Urgel 7 Sinag St., Mandaluyong City	Assistant Dean	3 years	None

Heads

	Name and Address	Position	Term of Office	Directorship Held in Other Companies
1.	Ma. Lourdes R. Baello 43 M. Hizon St., 10th Ave., Caloocan City	Head	3 years	None
2.	Jonathan P. Catapang Unit 308, La Casarita Condominium 333 San Rafael, San Miguel, Manila	Head	3 years	None
3.	Corazon C. Chan 1209 Benavides Gardens Benavides St., Sta. Cruz, Manila	Head	Until March 31, 2009	None
3.	Dorothea C. dela Cruz Blk 24A, Lot 3, Phase 3D Silvestre Street, Sto. Niño, Meycauayan, Bulacan	Head	3 years	None
2.	Teofilo A. de Guzman B-22, L-27, Citation Homes, Bahay Pare, Meycauayan, Bulacan	Head	3 years	None
3.	Rommel N. Jotic Unit 5-E, Talas Apartment Condominium 301 Kapilya St.., San Miguel, Manila	Head	1 year	None

4.	Zenaida R. Los Baños Morning Glory St., Ridgemont Village Cainta, Rizal	Head	3 years	None
5.	Aleli V. Lozano 847 Inosentes Street, Mandaluyong City	Head	3 years	None
6.	Imelda C. Nery Lot 2, Blk 6, Pigeon St. Gatchalian 2, Sucat, Parañaque City	Head	2 years	None
7.	Lolita D. Pablo 4012-A Dangal St., Bacood, Sta. Mesa, Manila	Head	3 years	None
8.	Tessie A. Ramirez B-1, L-23, Phase 4, Ecotrend Subd., Ligas 3, Bacoor, Cavite	Head	3 years	None
9.	Aida S. Villanueva 43 M. Hizon St., 10th Ave., Caloocan City	Head	Retireable up to Nov. 21/10	None
10.	Lolita M. Balboa 16 I. Esteban St., Mandaluyong City	Head	3 years	None
11.	Milagros L. Borabo 39 R. Magsaysay St., Potrero, Malabon, Metro Manila	Program Director	3 years	None
12.	Elvira G. Borlongan 852 Bambang St., Bocaue, Bulacan	Head	3 Years	None
13.	Raul J. Caparas 91 Hipolito St., Caingin, Malolos City	Head	3 years	None
14.	Ma. Dolores E. Delacruz 19 General San Luis St., San Juan City	Head	3 years	None
15.	Ma. Eleanor C. Espinas #164 P. Castillo St., San Diego Subd., Caloocan City	Head	3 years	None
16.	Adeliza F. Gatchalian Bldg. 3, 4D6 GSIS, Metro Homes I, Pureza St., Sta. Mesa, Manila	Head	3 years	None
17.	Teresita G. Hernandez-Calma 25 Dr. Garcia St., Pasig City	Head	3 years	None
18.	Thelma V. Jambalos 2024 Ilustre St., Sta. Cruz, Manila	Head	3 years	None
19.	Rosario Donalyne L. Manigbas 22 Queen's Road, Project 8, Quezon City	Head	3 years	None
20.	Edita V. Maralit 1006 J. Se3nson St., Carebi Sto. Niño, Angono, Rizal	Head	3 years	None
21.	Eduardo M. Masangcay 139 Bulusan St., La Loma, Quezon City	Head	3 years	None
22.	Teresita S. Mijares 2943 Lorenzo dela Paz St., Pandacan, Manila	Head	3 years	None
23.	Joel P. Romandi B-4, L-26, Greentown Village Toclong 2B, Imus, Cavite	Officer-in-Charge	1 year	None
24.	Fe C. Sagun 1187-A Arellano St., Singalong, Manila	Head	3 years	None

25.	Leonisa S. Sagun L-18, B-10, Phase 18 Paris St., Vista Real Classica, Old Balara, Quezon City	Head	1 year	None
26.	Carmencita H. Salonga 82 12th Ave., 4th St., Grace Park, Caloocan City	Head	3 years	None
27.	Precious Swelan Carlos-Santiago Unit 2, Carfel Townhouse Anastacio St., Teoville 3 Subd. BF Homes, Parañaque City	Head	3 years	None
28.	Ma. Rolina S. Servitillo 15 Bayabas Road, Gardenville Subd., Pio Cruzcosa, Calumpit, Bulacan	Head	3 years	None
29.	Bernardita T. Traje B-34, L-10 Adelita St. Evergreen Executive Village, Bo. Bagumbong, Caloocan City	Head	3 years	None
30.	Amelita T. Valencia L-25, B-4, Heritage Homes, Longos, Malolos City	Head	3 years	None
31.	Eracisimo C. Veranga 182 Ilang-Ilang St., Alido Subd., Malolos City	Head	3 years	None
32.	Grace N. Villanueva B-3, L-7, CTH Bgy. Daniel Fajardo, Las Piñas City	Head	2 years	None
33.	Edwin C. Huan 111-C McArthur Highway, Marulas, Valenzuela City	Program Head	3 years	None
34.	Marietta D. Lapuebla 67 Road 20, Bgy. Bahay Toro, Project. 8, Quezon City	Program Head	1 year	None
35.	Cecilia D. Santiago 973 Bambang St., Bocaue, Bulacan	Program Head	2 years	None
36.	Cresencia Manalastas-Santos L-6, B-5 Queensland Village Novaliches, Quezon City	Program Head	3 years	None
37.	Maricar A. Veranga B4, L35, Sampaguita St., Sta. Rita Village, Guiguinto, Bulacan	Program Head	3 years	None
38.	Shirley S. Wong 27 Scout Madrinan St., South Triangle Quezon City	Program Head	3 years	None

Family Relationships

Dr. Emilio T. Yap, Emilio C. Yap III and Mr. Johnny C. Yap are relatives within the second degree of consanguinity.

Involvement in Certain Legal Proceedings

CEU is not aware of any bankruptcy petition filed by or against any business of which any of its directors or executive officers was a general partner or executive officer at the time of the bankruptcy or within two years prior thereto.

CEU is not aware of any director or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or is subject to a pending criminal proceeding, domestic or foreign.

No officer of CEU has been subjected to any order, judgment, or decree not subsequently reversed, suspended or vacated of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities.

No officer of CEU has been found by a domestic or foreign court of competent jurisdiction, the SEC or comparable foreign body or a domestic foreign exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended or vacated

Item 10. Executive Compensation

Salaries and Benefits of Executive Officers

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
Ma. Cristina D. Padolina, President; Ricardo F. de Leon, Executive Vice President, Juliana M. Alvaro, VP-Malolos Campus; Lucia D. Gonzales, VP-Registrar; Priscilla A. Panlasigui, VP-Makati Campus	2008-2009* 2009-2010 2010-2011**	₱7,180,896.18 ₱8,116,068.72 ₱8,116,068.72	₱1,362,220.33 ₱ 974,379.77 ₱ 974,379.77	N.A. N.A. N.A.	₱8,543,116,51 ₱9,090,448.49 ₱9,090,448.49

*2008-2009 figure include the compensation of Ms. Patricia E. Chilip who resigned on January 31, 2009.
**2010-2011 figures are estimated amounts.

All Officers and Directors as a Group

Name and Position	Fiscal Year	Annual Salary	Bonus	Other Annual Compensation	Total Compensation
All Officers and Directors as a Group	2008-2009* 2009-2010* 2010-2011**				₱29,637,346.89 25,623,006.25 25,623,006.25

The Directors do not receive compensation for services provided as a director other than reasonable per diems for attendance at meetings of the Board or any of its committees.[1]

There are no bonuses, profit sharing stock options warrants, rights of other compensation plans or arrangements with directors or officers that will result from their resignation, retirement, termination of employment or change in the control of the University.

The duties and responsibilities of the elected corporate officers are specified in the University's By-laws and/or Manual of Corporate Governance.

Other officers whose duties and responsibilities are set by Management are considered regular employees of the University.

There are no outstanding warrants or options held by the University's President, executive officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the University's shares of stock as of May 31, 2010 were as follows:

Title of Class	Name & Address of Record Owner* & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citiizenship	Number of Shares Held	Percent (%)

[1] During the stockholders' meeting on July 27, 2004, the stockholders approved the grant of annual medical allowance and related bonuses to the members of the Board of Directors.

* Authorized representative has voting power over the shareholdings of the corporate stockholder.

Common	USAUTOCO, Inc. 1000 United Nations Ave., Ermita, Manila Authorized Represen-tative- Basilio C. Yap Relationship to Registrant-Stockholder	USAUTOCO, Inc. Authorized Represen-tative- Basilio C. Yap Position-President	Filipino	126,620,891	34.000
Common	U.S. Automotive Co., Inc. 1000-1046 United Nations Ave., cor. San Marcelino, Ermita, Manila Authorized Represen-tative - Basilio C. Yap Relationship to Registrant – Stockholder	U.S. Automotive Co., Inc. Authorized Represen-tative - Basilio C. Yap Position - President	Filipino	55,824,195	14.99
Common	PCD Nominee Corp.- Filipino	Alejandro C. Dizon Beneficial Owner	Filipino	50,033.412	13.40
Common	Southville Commercial Corporation 403 Topaz St., Posadas Village, Sucat, Muntinlupa City Authorized Represen-tative - Petronila G. Mallare Relationship to Registrant - Stockholder	Southville Commercial Corporation Authorized Represen-tative - Petronila G. Mallare Position - President	Filipino	29,686,293	7.97
	Aggregate Number of Shares and Percentage of All Beneficial/Record Owners as a Group			262,164,791	70.30

The proxy designated by the Board of Directors votes for the corporation.

2. Security Ownership of Management

Owners of record of CEU shares among Management as of May 31, 2010 are as follows:

Title of Class	Directors	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Emilio T. Yap (Chairman)	1 (d)	Filipino	Nil
Common	Ma. Cristina D. Padolina	8,300 (d)	Filipino	0.00223
Common	Angel C. Alcala *	1 (d)	Filipino	Nil
Common	Emil Q. Javier*	1 (d)	Filipino	Nil
Common	Ricardo F. de Leon	1 (d)	Filipino	Nil

* Independent Director.

Common	Alejandro C. Dizon	50,033,412(d)	Filipino	13.4
Common	Emilio C. Yap III	1,000 (d)	Filipino	0.00027
Common	Corazon M. Tiongco	10,061,379 (d)	Filipino	2.70166
Common	Johnny C. Yap	1,000 (d)	Filipino	0.00027
Total		60,105,095 (d)		16.10

Title of Class	Executive Officers	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ma. Cristina D. Padolina	8,300 (d)	Filipino	0.00223
Common	Ricardo F. de Leon	1 (d)	Filipino	Nil
-	Cesar F. Tan	0	Filipino	0
Common	Juliana M. Alvaro	16,885 (d)	Filipino	0.00453
Common	Gonzales, Lucia D.	7,528 (d)	Filipino	0.00202
-	Maria Clara Perlita Erna V. Yabut	0 (d)	Filipino	0
Common	Priscilla A. Panlasigui	15,164 (d)	Filipino	0.00407
Common	Teresa R. Perez	3,226 (d)	Filipino	0.00087
Common	Corazon M. Tiongco	10,061,379 (d)	Filipino	2.70166
-	Wandalyn Maira L. Lao	0 (d)	Filipino	0
Common	Bernardita T. Traje	753 (d)	Filipino	0.00020
Common	Carlito B. Olaer	0 (d)	Filipino	0
Total (excluding shares of Ma. Cristina D. Padolina, Ricardo F. de Leon, and Corazon M. Tiongco)		43,556 (d)		0.01
Aggregate Number of Shares and Percentage of All Security Ownership of Management as a Group		60,148,651 (d)		16.1

To the best knowledge of the University, the above list of share ownership includes the shares beneficially owned by the foregoing officers and directors.

Item 12. Certain Relationship and Related Transactions

The University entered into a 25-year lease contract with Philtrust Bank on July 29, 2004. The lease covers the use of Philtrust Bank's land, building and improvements thereon located at 259-263 Sen. Gil Puyat Avenue and Malugay Street, Makati City. The lease commenced on January 1, 2005 for the operation of the CEU-Makati Extension Campus for school year 2005-2006. Lease of said building from Philtrust Bank Building is for the exclusive purpose of maintaining and operating an extension campus in Makati City, and to conduct therein all such activities necessary to provide adequate educational instruction and other services to its students, including authorized extra-curricular activities. The consideration for the lease was principally based on the valuation of the property by Asian Appraisal, Inc. and on the financial advisory by Buenaventura, Echauz and Partners. Except for the respective parties' covenants under said lease contract between CEU and Philtrust Bank, there is no further contractual or other commitment resulting from the arrangement that would pose any risk or contingency. There are no other parties involved in this transaction.

The University, in line with its expansion program and for marketing purposes, avails of advertising services of Manila Bulletin Publishing Corporation. The terms of said advertising transactions are based on terms similar to those offered to non-related parties.

As of March 31, 2010, the University had a Short-term deposit of ₱36, 438,604 and Savings and Current Account deposits of ₱190, 685,180 with Philtrust Bank .

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The University has complied with the provisions of its Manual on Corporate Governance. Continuous monitoring is being done by the Compliance Officer, Audit Committee, President and Chief Financial Officer to assure compliance.

In compliance with SEC Memorandum Circular No. 2, s. 2007, the University submitted its duly accomplished Corporate Governance Scorecard and supporting documents.

On February 13, 2008, the members of the Board of Directors as well as top and middle management officers attended a seminar on corporate governance conducted by the Institute of Corporate Directors (ICD) in compliance with the requirement contained in its Manual on Corporate Governance, adopted pursuant to SEC Memorandum Circular No. 2, s. 2002.

On May 27, 2009, CEU received recognition as one of the top 15 publicly-listed corporations with the highest scores in the ICD 2008 Corporate Governance Scorecard, Silver Category.

The University has not deviated from its Manual since the time of the self-rating process previously conducted and reported to the Securities and Exchange Commission through the Corporate Governance Self-Rating Form (CG-SRF) submitted on July 25, 2003. There is an ongoing commitment on the part of the University to consistently abide by and ensure improved compliance with the requirements of good corporate governance.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. **Exhibits**

Exhibit 1	Consolidated Financial Statements and Schedules
Exhibit 2	Quarterly Report (SEC Form 17-Q) (Please refer to the SEC Form 17-Q previously filed with the SEC.)

b. Reports on SEC Form 17-C

(Please refer to the SEC Form 17-C previously filed with the SEC for the following disclosures.)

April 24, 2009	Declaration of Cash Dividend
May 5, 2009	Nomination Committee
June 26, 2009	Nominees of Independent Directors
June 26, 2009	Declaration of Cash Dividend
July 8, 2009	List of Stockholders entitle to vote
July 28, 2009	Results of Stockholders Meeting
July 31, 2009	Results of Organizational Meeting
July 31, 2009	Declaration of Cash Dividend
August 28, 2009	Declaration of Cash Dividend
August 28, 2009	Appointment of Dr. Leonor T. Rosero
August 28, 2009	Resignation and Appointment of Principal Officers
September 18, 2009	ICD-CG Respond
September 5, 2009	DR. Leonor T. Rosero Resignation
September 25, 2009	Anita S. Regalado-Dalakouras Resignation and Cesar F. Tan Appointment
January 28, 2010	Certification of Board Attendance of Directors as of December 31, 2009
January 30, 2010	Manual of Corporate Governance Compliance
February 12, 2010	Amended Manual of Corporate Governance Compliance
February 26, 2010	Appointment of Principal Officers

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Manila on July 13, 2010.

By:

MA. CRISTINA D. PADOLINA
Principal Executive Officer

CESAR F. TAN
Principal Financial Officer/Assistant Corporate Secretary & Assistant Compliance Officer

RICARDO F. DE LEON
Executive Vice President

ERACISIMO C. VERANGA
Principal Accounting Officer

SUBSCRIBED AND SWORN TO before me this JUL 13 2010 day of , 2010, affiants exhibiting to me their respective Drivers Numbers/ Philippine Passport Numbers, as follows:

NAME	PASSPORT	DATE OF ISSUE	PLACE OF ISSUE
Ma. Cristina D. Padolina	XX1806605	August 12, 2008	Manila
Ricardo F. de Leon	VV0113997	April 20, 2007	Manila
Eracisimo C. Veranga	XX5728862	March 11, 2010	Manila
Cesar F. Tan	Driver's License No. N06-77-015398	Expiry Date 6/30/2011	Manila

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC
NOTARY PUBLIC – CITY OF MANILA
ADMIN. NO. 2009-149-UNTIL DEC. 31, 2010
ROLL NO. 54895
NO. 945 BENAVIDEZ ST. BNDO. MANILA
IBP NO. 794111/01-04-2010 MANILA IV
PTR NO. MLA. 8237440/01-04-2010/ MANILA

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Page No. 19
Book No. XXIV
Series of 2010

EXHIBIT 1

CENTRO ESCOLAR UNIVERSITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Centro Escolar University (CEU) is responsible for all information and representations contained in the consolidated financial statements as of March 31, 2010 and 2009 and for each of the three years in the period ended March 31, 2010. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's Audit Committee and to us external auditors: (i) all significant deficiencies in the design of operation of internal controls that could adversely affect its ability to record, process, and report financial data, (ii) financial weaknesses in the internal controls, and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the Stockholders of the Company.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the Board of Directors and Stockholders have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and has expressed their opinion on the fairness of presentation upon completion of such examination, in its report to the Company's Stockholders and Board of Directors.

MA. CRISTINA D. PADOLINA
Vice Chairman/President

RICARDO F. DE LEON
Executive Vice President

CESAR F. TAN
Treasurer

SUBSCRIBED AND SWORN TO before me this 5th day of July, 2010, affiants exhibiting to me their respective Philippine Passports/Driver's License, as follows:

	Passport No.	Date and Place of Issue
MA. CRISTINA D. PADOLINA	XX1806605	August 12, 2008, Manila
RICARDO F. DE LEON	VV0113997	April 20, 2007, Manila
	Driver's License No.	Expiry Date
CESAR F. TAN	N08-97-015398	June 30, 2011

SUBSCRIBED AND SWORN TO BEFORE ME THIS 05 JUL DAY OF MANILA AT

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC – CITY OF MANILA
ADMIN. NO. 2009-143 UNTIL DEC. 31, 2011
ROLL NO. 54895

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PAGE NO. 91
BOOK NO. XXI
SERIES 2010

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Page No.
Book No.
Series of 2010

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Tel. Nos.: (632) 843-0300; 889-7491
Telefax: (632) 889-8169; 845-0198
• 103 Esteban Street, Legaspi Village, Makati City
Tel. Nos.: (632) 893-2461; 893-2464; 893-6275
E-mail: papanlasigui@ceu.edu.ph

Malolos
KM. 44 McArthur Highway, Malolos, Bulacan
Tel. No.: (6344) 791-6359
Telefax: (6344) 791-5100; 791-9233; 760-3263
E-mail: jmalvaro@ceu.edu.ph

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SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Centro Escolar University
9 Mendiola Street
San Miguel, Manila

We have audited in accordance with Philippine Standards of Auditing, the consolidated financial statements of Centro Escolar University and a Subsidiary (the Group) as of and for the year ended March 31, 2010 included in this Form 17-A and have issued our report thereon dated June 25, 2010. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68.1 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-A
Tax Identification No. 193-975-241
PTR No. 2087360, January 4, 2010, Makati City

June 25, 2010

SGV & Co
Ernst & Young

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Centro Escolar University
9 Mendiola Street
San Miguel, Manila

We have audited the accompanying consolidated financial statements of Centro Escolar University and a Subsidiary, which comprise the consolidated statements of financial position as at March 31, 2010 and 2009, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended March 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Centro Escolar University and a Subsidiary as of March 31, 2010 and 2009, and their financial performance and their cash flows for each of the three years in the period ended March 31, 2010 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Janet A. Paraiso

Janet A. Paraiso
Partner
CPA Certificate No. 92305
SEC Accreditation No. 0778-A
Tax Identification No. 193-975-241
PTR No. 2087360, January 4, 2010, Makati City

June 25, 2010

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31	
	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 20, 22 and 23)	**₱252,034,028**	₱356,515,473
Tuition and other receivables (Notes 3, 5, 22 and 23)	**16,380,785**	16,921,815
Inventories (Note 6)	**8,407,169**	7,735,619
Other current assets (Note 7)	**30,054,077**	17,761,444
Total Current Assets	**306,876,059**	398,934,351
Noncurrent Assets		
Available-for-sale financial assets (Notes 8, 22 and 23)	**588,764**	570,530
Property and equipment (Notes 3 and 9)	**2,934,467,902**	2,475,412,212
Total Noncurrent Assets	**2,935,056,666**	2,475,982,742
	₱3,241,932,725	₱2,874,917,093
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 10, 22 and 23)	**₱135,160,681**	₱98,093,198
Dividends payable (Notes 22 and 23)	**60,979,347**	47,147,996
Current portion of long-term liability (Notes 11, 22 and 23)	**40,000,000**	40,000,000
Income tax payable	**15,781,808**	14,315,951
Total Current Liabilities	**251,921,836**	199,557,145
Noncurrent Liabilities		
Long-term liability (Notes 11 and 22)	**170,723,898**	191,157,081
Deferred income tax liabilities - net (Note 17)	**223,363,139**	180,006,030
Retirement liability (Notes 3 and 16)	**67,539,170**	57,943,570
Total Noncurrent Liabilities	**461,626,207**	429,106,681
Total Liabilities	**713,548,043**	628,663,826
Equity		
Capital stock	**372,414,400**	372,414,400
Additional paid-in capital	**664,056**	664,056
Revaluation increment on land	**1,242,637,773**	873,858,273
Revaluation reserve on available-for-sale financial assets (Note 8)	**176,905**	158,671
Retained earnings (Note 12)		
Unappropriated	**303,693,548**	390,359,867
Appropriated	**608,798,000**	608,798,000
Total Equity	**2,528,384,682**	2,246,253,267
	₱3,241,932,725	₱2,874,917,093

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended March 31		
	2010	2009	2008
REVENUES			
Tuition and other school fees (Note 13)	**₱1,300,154,119**	₱1,257,457,686	₱1,192,589,116
Interest income	**6,889,836**	12,550,471	9,758,893
Auxiliary services	**394,284**	4,730,431	2,226,510
Miscellaneous income (Note 14)	**26,966,555**	30,451,492	22,157,891
	1,334,404,794	1,305,190,080	1,226,732,410
EXPENSES			
General and administrative expenses (Note 15)	**992,396,578**	977,222,342	900,171,510
Interest expense (Note 11)	**19,566,817**	21,373,925	23,021,211
Foreign currency exchange losses - net	**4,092,087**	–	3,733,112
Loss on retirement of assets	**–**	–	252,372
	1,016,055,482	998,596,267	927,178,205
INCOME BEFORE INCOME TAX	**318,349,312**	306,593,813	299,554,205
PROVISION FOR INCOME TAX (Note 17)			
Current	**30,219,622**	26,514,772	23,708,564
Deferred	**2,381,609**	4,279,185	6,582,921
	32,601,231	30,793,957	30,291,485
NET INCOME (Note 21)	**₱285,748,081**	₱275,799,856	₱269,262,720
Basic/Diluted Earnings Per Share (Note 21)	**₱0.77**	₱0.74	₱0.72

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2010	2009	2008
NET INCOME	**₱285,748,081**	₱275,799,856	₱269,262,720
OTHER COMPREHENSIVE INCOME (LOSS)			
Revaluation increment on land	**409,755,000**	–	–
Income tax effect	**(40,975,500)**	–	–
	368,779,500	–	–
Revaluation gain (loss) on available-for-sale financial assets	**18,234**	(44,000)	(2,806,153)
Total other comprehensive income (loss), net of tax	**368,797,734**	(44,000)	(2,806,153)
TOTAL COMPREHENSIVE INCOME	**₱654,545,815**	₱275,755,856	₱266,456,567

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (₱1 par value)				Retained Earnings				
	Authorized	Issued and Outstanding	Amount	Additional Paid-in Capital	Appropriated (Note 12)	Unappropriated	Revaluation Increment on Land (Note 9)	Revaluation Reserve on Available-for-sale Financial Assets	Total Equity
Balances at March 31, 2009	**800,000,000**	**372,414,400**	**₱372,414,400**	**₱664,056**	**₱608,798,000**	**₱390,359,867**	**₱873,858,273**	**₱158,671**	**₱2,246,253,267**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**285,748,081**	**368,779,500**	**18,234**	**654,545,815**
Cash dividends (Note 12)	**–**	**–**	**–**	**–**	**–**	**(372,414,400)**	**–**	**–**	**(372,414,400)**
Balances at March 31, 2010	**800,000,000**	**372,414,400**	**₱372,414,400**	**₱664,056**	**₱608,798,000**	**₱303,693,548**	**₱1,242,637,773**	**₱176,905**	**₱2,528,384,682**
Balances at March 31, 2008	800,000,000	372,414,400	₱372,414,400	₱664,056	₱608,798,000	₱412,491,531	₱873,858,273	₱202,671	₱2,268,428,931
Total comprehensive income	–	–	–	–	–	275,799,856	–	(44,000)	275,755,856
Cash dividends (Note 12)	–	–	–	–	–	(297,931,520)	–	–	(297,931,520)
Balances at March 31, 2009	800,000,000	372,414,400	₱372,414,400	₱664,056	₱608,798,000	₱390,359,867	₱873,858,273	₱158,671	₱2,246,253,267
Balances at March 31, 2007	800,000,000	372,414,400	₱372,414,400	₱664,056	₱608,798,000	₱292,194,571	₱873,858,273	₱3,008,824	₱2,150,938,124
Total comprehensive income	–	–	–	–	–	269,262,720	–	(2,806,153)	266,456,567
Cash dividends (Note 12)	–	–	–	–	–	(148,965,760)	–	–	(148,965,760)
Balances at March 31, 2008	800,000,000	372,414,400	₱372,414,400	₱664,056	₱608,798,000	₱412,491,531	₱873,858,273	₱202,671	₱2,268,428,931

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱318,349,312**	₱306,593,813	₱299,554,205
Adjustments for:			
Depreciation and amortization (Note 9)	**70,706,254**	71,331,837	64,654,123
Interest expense	**19,566,817**	21,373,925	23,021,211
Movement in retirement liability	**9,595,600**	18,633,500	834,100
Unrealized foreign exchange losses (gains) - net	**4,092,087**	(5,127,630)	3,733,112
Interest income	**(6,889,836)**	(12,550,471)	(9,758,893)
Loss (gain) on retirement of assets (Note 14)	**(619,794)**	(1,777,001)	252,372
Operating income before changes in operating assets and liabilities	**414,800,440**	398,477,973	382,290,230
Changes in operating assets and liabilities			
Decrease (increase) in:			
Tuition and other receivables	**(56,534)**	(3,108,982)	(2,884,027)
Inventories	**(671,550)**	1,903,787	(4,428,466)
Other current assets	**(12,292,633)**	(793,026)	(4,233,895)
Increase (decrease) in accounts payable and accrued expenses	**37,067,483**	30,480,574	(16,550,591)
Net cash generated from operations	**438,847,206**	426,960,326	354,193,251
Income taxes paid	**(28,753,765)**	(24,379,111)	(21,257,642)
Interest received	**7,487,400**	12,445,917	9,086,748
Net cash provided by operating activities	**417,580,841**	415,027,132	342,022,357
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Note 9)	**(120,222,284)**	(78,498,433)	(96,006,046)
Proceeds from sale of property and equipment	**835,134**	2,136,003	143,961
Proceeds from sale of available-for-sale financial assets	**–**	–	10,919,620
Net cash used in investing activities	**(119,387,150)**	(76,362,430)	(84,942,465)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends	**(358,583,049)**	(293,995,690)	(179,397,546)
Payments of long term liability	**(40,000,000)**	(40,000,000)	(40,000,000)
Cash used in financing activities	**(398,583,049)**	(333,995,690)	(219,397,546)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(100,389,358)**	4,669,012	37,682,346
EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,092,087)**	5,127,630	(3,694,562)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**356,515,473**	346,718,831	312,731,047
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱252,034,028**	₱356,515,473	₱346,718,831

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The accompanying consolidated financial statements include the accounts of Centro Escolar University (the University) and its wholly owned subsidiary, Centro Escolar University Hospital Inc. (the Hospital) (collectively referred to as the Group).

The University, a publicly listed entity, was organized in the Philippines on June 3, 1907 to establish, maintain, and operate an educational institution or institutions for the instruction and training of the youth in all branches of the arts and sciences, offering classes in tertiary level.

In accordance with Commission on Higher Education (CHED) Memorandum Order No. 32, the University's Mendiola and Makati campuses were granted autonomy status to be in force and in effect for five school years beginning the first semester of school year 2007 to 2008. Under this existing autonomy status, the University is free from monitoring and evaluation activities of the CHED and has the privilege to determine and prescribe curricular programs, among other benefits as listed in the memorandum order. The three general criteria used by the CHED for the selection and identification of institutions which shall receive autonomy status are institutions: (a) established as centers of excellence or centers of development and/or with Federation of Accrediting Agencies of the Philippines Level III Accredited programs; (b) with outstanding overall performance of graduates in the government licensure examinations; and (c) with long tradition of integrity and untarnished reputation.

The University's Malolos campus was granted deregulation status for a period of five years from March 11, 2009 to March 30, 2014.

The University invested in the Hospital, which was incorporated on June 10, 2008. The Hospital is consolidated beginning 2009. The primary purpose of the Hospital is to establish, maintain and operate a hospital, medical and clinical laboratories and such other facilities that shall provide healthcare or any method of treatment for illnesses or abnormal physical or mental health in accordance with advancements in modern medicine and to provide education and training facilities in the furtherance of the health-related professions. As of March 31, 2010, the Hospital has not yet started operations.

The registered principal office of the Group is 9 Mendiola Street, San Miguel, Manila.

The accompanying consolidated financial statements were approved and authorized for issue by the University's Board of Directors (BOD) on June 25, 2010.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying consolidated financial statements are prepared using the historical cost basis, except for land, which is carried at revalued amount and available-for-sale (AFS) financial assets, which are measured at fair value.

The consolidated financial statements are presented in Philippine Peso (₱), which is also the Group's functional currency.

Statement of Compliance
The accompanying consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements include the financial statements of the University and its wholly owned subsidiary, the Hospital, which were incorporated in the Philippines.

The financial statements of the Hospital are prepared for the same reporting year as the University.

A subsidiary is consolidated when control is transferred to the Group and ceases to be consolidated when control is transferred out of the Group. Control is presumed to exist when the University owns more than 50% of the voting power of an entity unless in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, intercompany profits and unrealized gains and losses have been eliminated in the consolidation.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous year except for the adoption of the following new and amended Philippine Accounting Standards (PAS), Philippine Interpretation of International Financial Reporting Interpretations Committee (IFRIC) and PFRS mandatory for financial years beginning on or after January 1, 2009:

New Standards and Interpretations
- PAS 1, *Presentation of Financial Statements*, effective January 1, 2009
- PAS 23, *Borrowing Cost* (Revised), effective January 1, 2009
- PFRS 8, *Operating Segments*, effective January 1, 2009
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*, effective January 1, 2009
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*, effective January 1, 2009
- Philippine Interpretation IFRIC 18, *Transfer of Assets from Customers*, effective July 1, 2009

Amendments to Standards
- Improvements to PFRSs (2008)
- Improvements to PFRSs (2009), with respect to the amendment to the Appendix to PAS 18, *Revenue*
- PAS 1 and PAS 32 Amendments, *Puttable Financial Instruments and Obligations Arising on Liquidation*, effective January 1, 2009
- PFRS 1 and PAS 27 Amendments, *Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate*, effective January 1, 2009
- PFRS 2 Amendment, *Vesting Conditions and Cancellations*, effective January 1, 2009
- PFRS 7 Amendment, *Improving Disclosures about Financial Instruments*, effective January 1, 2009
- Philippine Interpretation IFRIC 9 and PAS 39 Amendments, *Embedded Derivatives*, effective June 30, 2009

Standards that have been adopted and that are deemed to have an impact on the financial statements and disclosures of the Group are described below:

New and Revised Standards

PAS 1, *Presentation of Financial Statements*
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in a single statement, or in two linked statements. The Group has elected to present two linked statements and has changed the title of its "balance sheet" to "statement of financial position."

PFRS 8, *Operating Segments*, replaced PAS 14, *Segment Reporting*, upon its effective date. The Group concluded that the operating segments determined in accordance with PFRS 8 are the same as the business segments previously identified under PAS 14. PFRS disclosures are shown in Note 19.

Amendments to Standard

PFRS 7 Amendments, *Improving Disclosures about Financial Instruments*
The amendments to PFRS 7, *Financial Instruments: Disclosures*, require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement and liquidity disclosures, which are not significantly impacted by the amendments, are presented in Notes 22 and 23, respectively.

<u>New Accounting Standards, Interpretations, and Amendments to Existing Standards Effective Subsequent to March 31, 2010</u>
The Group will adopt the following standards, interpretations and amendments when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2010
PAS 39 Amendment, *Eligible Hedged Items*
The amendment to PAS 39, *Financial Instruments: Recognition and Measurement*, effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*, and PAS 39, *Financial Instruments: Recognition and Measurement* Amended. This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

PFRS 3, *Business Combinations* (Revised) and PAS 27, *Consolidated and Separate Financial Statements* (Amended)
The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions.

Philippine Interpretation IFRIC 17, *Distributions of NonCash Assets to Owners*
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for noncash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.

PFRS 2 Amendments, *Group Cash-settled Share-based Payment Transactions*
The amendments to PFRS 2, *Share-based Payments*, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.

Effective in 2012
Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and rewards of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

Improvements to PFRSs 2009
The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning January 1, 2010 except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

PFRS 2, *Share-based Payment*: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3, *Business Combinations* (Revised). The amendment is effective for financial years on or after July 1, 2009.

Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture. The amendment is effective for annual periods beginning on or after July 1, 2009.

Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied. The amendment is effective for annual periods beginning on or after July 1, 2009.

PAS 38, *Intangible Assets*: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used. The amendment is effective for the annual periods beginning on or after July 1, 2009.

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

PFRS 8, *Operating Segment*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

PAS 1, *Presentation of Financial Statements*: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

PAS 7, *Statement of Cash Flows*: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

PAS 17, *Leases*: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendments will be applied retrospectively.

PAS 36, *Impairment of Assets*: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.

PAS 39, *Financial Instruments: Recognition and Measurement*: clarifies the following:

- that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract;
- that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and
- that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

Summary of Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less costs of marketing and distribution. Cost includes the invoice amount, freight and other incidental costs and is determined using the first-in, first-out method.

Financial Assets and Liabilities
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are classified at FVPL.

As of March 31, 2010 and 2009, the Group has no financial asset or liability at FVPL and HTM financial assets.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' difference) in the profit and loss unless it qualifies for recognition as some other type of assets. In cases where transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit and loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest rate method and is included under interest income in the profit and loss. The losses arising from impairment of such financial assets are recognized in the profit and loss. Gains and losses are recognized in the profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Included under this category are the Group's cash and cash equivalents and tuition and other receivables.

AFS Financial Assets
AFS financial assets are non-derivative instruments that are either designated in this category or are not classified in any of the other categories. AFS financial assets are carried at fair value in the consolidated statement of financial position.

Changes in the fair value of such assets are accounted for as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized as other comprehensive income is included in the profit and loss.

Classified under this category are the Group's investments in equity shares.

Other Financial Liabilities
Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder.

After initial recognition, these liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Other financial liabilities consist primarily of accounts payable and accrued expenses, dividends payable and long-term liability.

<u>Impairment of Financial Assets</u>
The Group assesses at each statement of financial position date whether a financial asset or a group of financial assets is impaired.

Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in the profit and loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the profit and loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the profit and loss, is transferred from other comprehensive income to the profit and loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the profit and loss. Increases in fair value after impairment are recognized under other comprehensive income.

Derecognition of Financial Assets and Liabilities
Financial Assets
The derecognition of financial asset takes place when the Hospital has either (a) transferred substantially all the risks and rewards of the ownership or (b) when it has neither transferred nor retained substantially all the risks and rewards but it no longer has control over the assets or a portion of the asset.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability expires, is discharged or cancelled.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, where the related assets and liabilities are presented gross in the consolidated statement of financial position.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Land is carried at revalued amount. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus net of tax effect is included under other comprehensive income except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the profit and loss, in which case the increase is recognized in the profit and loss. A revaluation decrease is recognized in the profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized under other comprehensive income.

Construction in progress, included in property and equipment, is stated at cost. This includes cost of building construction. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul cost, are normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment is computed using the straight-line method over 10 years except for buildings, which are depreciated over 50 years.

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

The useful life and depreciation and amortization method are reviewed at least at each statement of financial position date to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Impairment of Nonfinancial Assets
The carrying values of nonfinancial assets (i.e., property and equipment) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation or amortization) had no impairment loss been recognized for the asset in prior years. Any reversal of an impairment loss is credited to current operations.

Other Current Assets
Advances to suppliers and contractors
Advances to suppliers and contractors represent amounts paid to suppliers and contractors for purchases not yet received as of statement of financial position date. This is subsequently reversed to asset or expense accounts when the asset or services are received.

Prepayments
Prepayments are initially measured at the amounts paid and subsequently recognized as expense over the period on which the prepayments apply.

Income Taxes
Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the statement of financial position date.

Deferred Income Tax
Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply on the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Tuition and Other School Fees
Tuition and other school fees are recognized as income when earned over the corresponding school term.

Interest Income
Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

Auxiliary Services and Miscellaneous Income
Revenue is recognized when services are rendered.

Retirement Costs
Retirement costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit valuation method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur.

Retirement cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses to the extent recognized, past service cost to the extent recognized and the effect of any curtailment or settlement. Actuarial gains and losses are recognized as income or expense using the corridor approach. The excess of the net cumulative actuarial gains and losses over the greater of 10% of the present value of the defined benefit obligation at the end of the previous reporting period and of 10% of the fair value of any plan assets is distributed over the expected average remaining working life of the employees as income or expense.

The liability recognized in the consolidated statement of financial position with respect to the defined benefit retirement plan is the present value of the defined benefit obligation at the statement of financial position date and actuarial gains and losses not recognized less past service cost not yet recognized and the fair value of the plan asset0073. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using rates that have terms to maturity approximating the terms of the related retirement liability.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are vested immediately following the introduction of, or changes to, a retirement plan, past service cost is recognized immediately.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition, development, improvement and construction of a property that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the property.

The capitalization of borrowing costs as part of the cost of the property: (a) commences when the expenditures and borrowing costs for the property are incurred and activities that are necessary to prepare the property for its intended use; (b) is suspended during extended periods in which active development, improvement and construction of the property are interrupted; and (c) ceases when substantially all the activities necessary to prepare the property for its intended use are complete.

Equity

Capital stock is measured at par value for all shares issued. When the University issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional Paid-in Capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the University, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained earnings represent accumulated earnings of the Group less dividends declared. Unappropriated retained earnings represent accumulated earnings available for dividend declaration subject to certain adjustments per SEC Memorandum Circular No. 11, Series of 2008 while appropriated retained earnings represent portion appropriated by the University's BOD for expansion of school facilities and laboratory equipment, payment of long-term liability and contribution to the retirement fund.

Expense Recognition

Expenses are recognized in the profit and loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the consolidated statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Lease payments are recognized on a straight-line basis over the lease term or based on a certain percentage of the net income of the leased property, pursuant to the terms of the lease contracts.

Foreign Currency Transactions and Translations

Transactions denominated in foreign currencies are recorded in Philippine Peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated to Philippine Peso at exchange rates prevailing at the statement of financial position date. Foreign exchange differentials between rate at transaction date and rate at settlement date or statement of financial position date of foreign currency denominated monetary assets or liabilities are credited to or charged against current operations.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency exchange gains or losses are recognized in the profit and loss.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS amounts are calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding during the year and adjusted for the effect of dilutive options and dilutive convertible preferred shares, if any.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the geographic locations, designated as the Group branches, with each segment representing a strategic business unit that offers varying courses depending on demands of the market. Financial information on business segments is presented in Note 19.

Provisions
A provision is recognized only when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and, a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Events after the Statement of Financial Position Date
Post year-end events that provide additional information about the Group's position at statement of financial position date (adjusting events) are reflected in the consolidated financial statements, if any. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable. Estimates and judgments 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.

Judgment

In the process of applying the Group's accounting policies, management has made the judgment below apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Operating Lease - Group as Lessee

The Group has entered into lease on premises it uses for its Makati-Buendia campus. The Group has determined based on an evaluation of (a) the terms and condition of the arrangement, (b) the economic life of the asset as against the lease term and (c) the minimum lease payments of the contract as against the fair value of the asset, that all significant risks and rewards of ownership of the properties are not transferrable to the Group and so accounts for the contract as operating lease.

Operating Lease - Group as Lessor

The Group has entered into commercial property leases on its Mendiola campus. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risk and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Management's Use of Estimates

The key assumptions concerning the future and other key sources of estimation and uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimating Allowance for Doubtful Accounts

The Group maintains allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of the allowance for doubtful accounts is evaluated by management on the basis of factors affecting the collectibility of the receivables. In addition, a review of the age and status of receivables, designed to identify accounts to be provided with allowance, is made on a continuous basis. The carrying value of tuition and other receivables as of March 31, 2010 and 2009 amounted to ₱16.38 million and ₱16.92 million, respectively (see Note 5).

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of its property and equipment based on the year over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

The carrying value of property and equipment as of March 31, 2010 and 2009 amounted to ₱2,934.47 million and ₱2,475.41 million, respectively (see Note 9).

Estimating Retirement Obligation and Other Retirement Benefits

The determination of the Group's obligation and cost for retirement and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts.

Those assumptions are described in Note 16 and include among others, discount and salary increase rates. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations.

Retirement liability amounted to ₱67.54 million and ₱57.94 million as of March 31, 2010 and 2009, respectively (see Note 16).

Revaluation of Land
The Group engaged the services of an independent appraiser to determine the fair values of its land carried at revalued amount. Key assumptions used by the independent appraiser are disclosed in Note 9. Increase in revaluation increment on land recognized as other comprehensive income amounted to ₱368.79 million, net of tax, in 2010 and nil in both 2009 and 2008. The revalued amount of land included under property and equipment in the consolidated statements of financial position amounted to ₱1,569.16 million and ₱1,159.41 million as of March 31, 2010 and 2009, respectively (see Note 9).

4. Cash and Cash Equivalents

This account consists of:

	2010	2009
Cash on hand and in banks	**₱62,391,491**	₱88,530,898
Short-term deposits	**189,642,537**	267,984,575
	₱252,034,028	₱356,515,473

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

5. Tuition and Other Receivables

This account consists of:

	2010	2009
Tuition fee receivable	**₱17,135,716**	₱15,797,425
Accrued interest receivable	**179,134**	776,698
Others	**7,548,330**	6,448,351
	24,863,180	23,022,474
Less allowance for doubtful accounts	**8,482,395**	6,100,659
	₱16,380,785	₱16,921,815

Other receivables comprise of Meralco refund and advances and loans to faculty members and employees, which are collectible through salary deductions.

The allowance for doubtful accounts pertains to the Group's tuition fee receivable which was impaired through collective assessment. Provision for doubtful accounts amounted to ₱2.38 million in 2010 and nil in 2009.

6. Inventories

This account consists of:

	2010	2009
At cost:		
Supplies	**₱4,355,352**	₱1,184,354
Uniforms and outfits	**2,899,370**	3,290,405
Materials	**1,152,447**	3,260,860
	₱8,407,169	₱7,735,619

7. Other Current Assets

This account consists of:

	2010	2009
Advances to suppliers	**₱20,169,717**	₱13,454,629
Prepayments	**7,022,982**	713,373
Advances to contractors	**2,486,699**	3,527,470
Others	**374,679**	65,972
	₱30,054,077	₱17,761,444

8. Available-for-Sale Financial Assets

This account pertains to investment in equity shares consisting mostly of shares that are quoted in the stock market. The revaluation reserve on AFS financial assets included in other comprehensive income amounted to ₱0.18 million and ₱0.16 million as of March 31, 2010 and 2009, respectively.

9. Property and Equipment

The rollforward analysis of this account follows:

	2010							
	Land	Land Improvement	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Total
Cost								
Balances at beginning of year	₱1,159,409,000	₱29,158,832	₱1,425,182,333	₱371,618,409	₱176,861,540	₱55,597,008	₱18,285,074	₱3,236,112,196
Additions	–	–	19,487,575	22,229,923	59,839,431	8,785,355	9,880,000	120,222,284
Retirements / disposals	–	–	–	(890,065)	–	–		(890,065)
Reclassifications	–	–	17,965,074	–	–	–	(17,965,074)	–
Revaluation	409,755,000	–	–	–	–	–	–	409,755,000
Balances at end of year	1,569,164,000	29,158,832	1,462,634,982	392,958,267	236,700,971	64,382,363	10,200,000	3,765,199,415
Accumulated depreciation and amortization								
Balances at beginning of year	–	27,022,386	330,920,028	249,492,530	117,084,154	36,180,886	–	760,699,984
Depreciation and amortization	–	510,731	34,597,294	23,785,137	9,425,732	2,387,360	–	70,706,254
Retirements / disposals	–	–	–	(674,725)	–	–	–	(674,725)
Balances at end of year	–	27,533,117	365,517,322	272,602,942	126,509,886	38,568,246	–	830,731,513
Net book values	₱1,569,164,000	₱1,625,715	₱1,097,117,660	₱120,355,325	₱110,191,085	₱25,814,117	₱10,200,000	₱2,934,467,902

	2009							
	Land	Land Improvement	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Total
Cost								
Balances at beginning of year	₱1,159,697,000	₱28,431,632	₱1,412,833,528	₱354,018,351	₱156,202,641	₱48,324,895	₱–	₱3,159,508,047
Additions	–	–	13,598,805	18,702,432	20,640,009	7,272,113	18,285,074	78,498,433
Retirements / disposals	(288,000)	(522,800)	–	(1,083,484)	–	–	–	(1,894,284)
Reclassifications	–	1,250,000	(1,250,000)	(18,890)	18,890	–	–	–
Balances at end of year	1,159,409,000	29,158,832	1,425,182,333	371,618,409	176,861,540	55,597,008	18,285,074	3,236,112,196
Accumulated depreciation and amortization								
Balances at beginning of year	–	25,481,355	294,000,807	227,307,404	110,370,508	33,743,355	–	690,903,429
Depreciation and amortization	–	2,443,315	36,539,737	23,197,608	6,713,646	2,437,531	–	71,331,837
Retirements / disposals	–	(522,800)	–	(1,012,482)	–	–	–	(1,535,282)
Reclassifications	–	(379,484)	379,484	–	–	–	–	–
Balances at end of year	–	27,022,386	330,920,028	249,492,530	117,084,154	36,180,886	–	760,699,984
Net book values	₱1,159,409,000	₱2,136,446	₱1,094,262,305	₱122,125,879	₱59,777,386	₱19,416,122	₱18,285,074	₱2,475,412,212

Land at revalued amount as of March 31, 2010 and 2009 consists of:

	2010	2009
At cost	**₱188,455,363**	₱188,455,363
Revaluation increment	**1,380,708,637**	970,953,637
	₱1,569,164,000	₱1,159,409,000

The fair value of the Group's land at revalued amount as of March 31, 2010 was based on a third party appraisal with effective date of valuation March 31, 2010 using sales comparison approach.

In the sales comparison approach, the value of land is based on sales and listings of comparable property registered within the vicinity. This approach requires establishing comparable property by reducing reasonable comparative sales and listing to a common denominator. This is done by adjusting the difference between the subject properties and those actual sales and listing regarded as comparable.

The increase in revaluation increment amounted to ₱409.76 million and nil in 2010 and 2009, respectively.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2010	2009
Accounts payable	**₱90,406,998**	₱59,986,170
Accrued expenses	**24,658,175**	18,182,317
Deposits	**1,546,221**	1,343,885
Others	**18,549,287**	18,580,826
	₱135,160,681	₱98,093,198

Others include miscellaneous payables for culminating fees and alumni fees, among others.

11. **Long-term Liability**

This account consists of:

	2010	2009
Long-term liability	**₱256,590,147**	₱289,978,108
Less prepaid interest	**45,866,249**	58,821,027
	210,723,898	231,157,081
Less current portion of long-term liability	**40,000,000**	40,000,000
	₱170,723,898	₱191,157,081

The long-term liability for the property acquired in 2007 amounting to ₱500 million consists of ₱100 million prepaid interest and ₱400 million, payable in 10 annual installment of ₱40 million payable every July 5 starting 2007 until fully paid on July 5, 2016. In case of delay in the payment of annual installment, the Group will pay interest to the vendor based on annual treasury bills rate plus 5% and penalty of 12% per annum.

The long-term liability is initially recognized at fair value, determined based on discounted value using a discount rate of 9.70%. The long-term liability is subsequently measured at amortized cost using effective interest rate method, taking into account the prepaid interest and charges that are an integral part of the effective interest rate. Interest expense on long-term liability amounted to ₱19.57 million, ₱21.37 million and ₱23.02 million in 2010, 2009 and 2008, respectively.

The Group paid its annual installment of ₱40 million in July 2009 and 2008.

12. **Equity**

Cash Dividends
The University's BOD approved the declaration of the following cash dividends:

Date of BOD Approval	**Date of Record**	**Amount Per Share**	**Amount**
2010			
April 24, 2009	May 11, 2009	₱0.25	₱93,103,600
June 26, 2009	July 10, 2009	0.25	93,103,600
July 31, 2009	August 14, 2009	0.30	111,724,320
August 28, 2009	October 2, 2009	0.20	74,482,880
			₱372,414,400
2009			
April 22, 2008	May 7, 2008	₱0.20	₱74,482,880
July 25, 2008	August 8, 2008	0.20	74,482,880
October 27, 2008	November 11, 2008	0.20	74,482,880
January 30, 2009	February 14, 2009	0.20	74,482,880
			₱297,931,520
2008			
May 11, 2007	June 4, 2007	₱0.10	₱37,241,440
June 29, 2007	August 10, 2007	0.20	74,482,880
November 23, 2007	December 10, 2007	0.10	37,241,440
			₱148,965,760

Appropriated Retained Earnings
The Group's appropriated retained earnings as of March 31, 2010, 2009 and 2008 consist of the following (see Note 24):

Appropriations for:	
Expansion of school facilities and laboratory equipment	₱388,000,000
Payment of long-term liability	200,000,000
Retirement fund	20,798,000
	₱608,798,000

13. Tuition and Other School Fees

This account consists of:

	2010	2009	2008
Tuition fees	**₱566,059,026**	₱575,153,864	₱540,573,428
Other fees	**472,760,095**	429,246,266	405,500,665
Income from other school services	**261,334,998**	253,057,556	246,515,023
	₱1,300,154,119	₱1,257,457,686	₱1,192,589,116

Other fees include registration fees, health services fees, library fees, laboratory fees, development fees, practicum fees, internship fees and review fees. Income from other school services comprise of fees for diploma and certificates, transcript of records, student handbooks, identification cards, entrance and qualifying examinations and various collections for specific items or activities.

14. Miscellaneous Income

This account consists of:

	2010	2009	2008
Rent	**₱8,372,636**	₱9,499,604	₱9,755,842
Swimming fee	**2,832,119**	2,803,278	2,610,903
Locker fee	**2,233,283**	2,137,282	2,045,925
Dental materials	**2,211,201**	2,196,296	2,102,088
Dental pre-board	**1,781,744**	2,354,904	2,333,326
Service commissions	**1,411,837**	1,094,018	323,174
Professional and Continuing Education	**1,259,119**	2,427	–
Photograph fee	**1,254,535**	870,864	561,505
Handling fee	**656,809**	787,577	616,018
Gain on retirement of assets	**619,794**	1,777,001	–
Insurance fee	**296,360**	300,714	302,470
Foreign currency exchange gains - net	**–**	5,127,630	–
Others	**4,037,118**	1,499,897	1,506,640
	₱26,966,555	₱30,451,492	₱22,157,891

15. General and Administrative Expenses

This account consists of:

	2010	2009	2008
SSS contributions and other employee benefits	**₱257,861,899**	₱257,343,508	₱263,159,292
Salaries and wages	**255,960,434**	261,958,956	217,609,307
Light and water	**84,457,676**	75,232,851	68,283,349
Depreciation and amortization (Note 9)	**70,706,254**	71,331,837	64,654,123
Retirement expense (Notes 16)	**31,595,600**	18,633,500	17,429,100
Rental (Note 18)	**30,618,332**	26,565,839	29,293,593
Development	**28,238,723**	32,575,679	33,497,364
Library	**25,860,496**	28,230,724	28,068,178
Janitorial and security services	**25,265,140**	25,651,580	21,819,836
Transportation and communications	**23,017,648**	24,966,312	22,820,299
Recruitment and placement	**21,480,461**	18,073,796	14,510,784
Management information	**15,374,846**	11,367,031	9,612,085
Stationery and office supplies	**14,778,154**	15,799,365	14,720,549
Repairs and maintenance	**14,315,776**	11,088,470	10,217,107
Taxes and licenses	**11,066,823**	9,502,518	5,159,491
Expenses for co-curricular activities	**9,754,727**	7,983,744	12,053,727
Write-off of receivables	**7,596,699**	6,696,924	6,257,349
Entertainment, amusement and recreation	**7,235,215**	6,704,606	9,207,178
Laboratory	**7,147,212**	7,605,010	7,749,193
Guidance and counseling	**7,075,804**	7,848,974	7,755,887
Directors' and administrative committee	**7,045,656**	5,537,451	4,403,732
Instructional and academic expenses	**5,895,167**	7,142,541	6,696,411
Insurance	**5,134,548**	5,625,901	5,393,696
Professional fees	**3,379,167**	4,348,286	4,652,584
Provision for doubtful accounts	**2,381,736**	–	–
University chapel expenses	**1,433,118**	1,150,065	1,430,719
Registration expenses of students	**1,318,673**	1,596,439	1,581,144
Affiliation	**716,380**	712,980	727,247
Publications (Note 20)	**626,316**	14,180,192	1,573,546
Membership fees and dues	**623,504**	1,240,692	499,679
Comprehensive and oral examinations	**466,745**	740,720	760,725
Miscellaneous	**13,967,649**	9,785,851	8,574,236
	₱992,396,578	₱977,222,342	₱900,171,510

16. Retirement Plan

The University has a funded, noncontributory retirement plan which provides for death, disability and retirement benefits for all of its permanent employees. The annual contributions to the retirement plan consist of a payment covering the current service cost for the year plus payments toward funding the unfunded actuarial liabilities.

The following tables summarize the components of net retirement expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statement of financial positions for the existing retirement plan.

Retirement expense under "General and administrative expenses" in the consolidated statements of income follows:

	2010	2009	2008
Current service cost	**₱8,743,900**	₱6,809,600	₱8,474,900
Interest cost on benefit obligation	**28,133,100**	22,446,000	21,929,500
Expected return on plan assets	**(8,168,300)**	(12,120,500)	(14,460,900)
Net actuarial loss recognized	**2,886,900**	1,498,400	1,485,600
	₱31,595,600	₱18,633,500	₱17,429,100

The unfunded status and amounts recognized under retirement liability in the consolidated statements of financial position for the retirement plan as of March 31, 2010 and 2009 are as follows:

	2010	2009
Present value of benefit obligation	**₱454,570,000**	₱254,138,500
Fair value of plan assets	**184,599,100**	136,138,400
	269,970,900	118,000,100
Net unrecognized actuarial losses	**(202,431,730)**	(60,056,530)
	₱67,539,170	₱57,943,570

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
At beginning of year	**₱254,138,500**	₱240,321,400
Interest cost	**28,133,100**	22,446,000
Current service cost	**8,743,900**	6,809,600
Actuarial losses	**176,600,700**	3,536,600
Benefits paid	**(13,046,200)**	(18,975,100)
At end of year	**₱454,570,000**	₱254,138,500

Changes in the fair value of plan assets are as follows:

	2010	2009
At beginning of year	**₱136,138,400**	₱151,506,000
Expected return on plan assets	**8,168,300**	12,120,500
Benefits paid	**(13,046,200)**	(18,975,100)
Actuarial gains (losses)	**31,338,600**	(8,513,000)
Contributions	**22,000,000**	–
At end of year	**₱184,599,100**	₱136,138,400

The University expects to contribute ₱50.00 million to the fund in 2011.

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The amounts of present value of defined benefit obligation, fair value of plan assets, deficit in the plan and experience adjustments arising on plan assets or liabilities recognized for the current and previous four periods are as follows:

	2010	2009	2008	2007	2006
Present value of obligation	**₱454,570,000**	₱254,138,500	₱240,321,400	₱200,697,400	₱170,022,200
Fair value of plan assets	**184,599,100**	136,138,400	151,506,000	148,171,300	126,867,400
Deficit	**269,970,900**	118,000,100	88,815,400	52,526,100	43,154,800
Experience adjustments	**23,830,800**	(3,536,600)	7,316,800	14,231,155	–

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2010	2009
Investments in bonds and government securities	**58.67%**	53.89%
Investments in shares of stocks	**39.26%**	34.34%
Bank deposits	**1.10%**	10.41%
Others	**0.97%**	1.36%

The principal assumptions used in determining retirement benefits are as follows:

	2010	2009
Expected rate of return on plan assets	**8.00%**	6.00%
Discount rate	**9.43%**	11.07%
Salary increase rate	**12.00%**	7.00%

17. **Income Taxes**

The current provision for income tax represents the 10% income tax on special corporations.

The components of the Group's net deferred income tax liabilities follow:

	2010	2009
Deferred income tax assets on:		
Accrued retirement benefit	**₱6,753,917**	₱5,794,357
Unamortized past service cost	**4,767,028**	4,599,176
Allowance for doubtful accounts	**848,240**	610,066
Unrealized foreign currency exchange loss	**409,209**	–
	12,778,394	11,003,599
Deferred income tax liabilities on:		
Revaluation increment on land	**138,070,864**	97,095,364
Undepreciated cost of property and equipment	**98,070,669**	93,401,502
Unrealized foreign currency exchange gain	**–**	512,763
	236,141,533	191,009,629
Net deferred income tax liabilities	**₱223,363,139**	₱180,006,030

The University claims the tax deductions from capital expenditures for tax purposes when incurred.

The Group's reconciliation of income before tax computed at statutory income tax rate to provision for income tax in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 follows:

	2010	2009	2008
Income tax at statutory income tax rate of the University	**₱31,834,931**	₱30,659,381	₱29,955,420
Adjustments on:			
Nondeductible interest expense	**926,271**	1,284,911	1,261,555
Effect of higher tax rate of the Hospital	**355,536**	139,555	–
Interest income subjected to final tax	**(664,730)**	(1,148,361)	(921,181)
Others	**149,223**	(141,529)	(4,309)
Provision for income tax	**₱32,601,231**	₱30,793,957	₱30,291,485

18. **Operating Lease**

Group as Lessee
On July 29, 2004, the Group entered into a 25-year operating lease which commenced on January 1, 2005 with Philtrust Bank for the lease of its building in Makati. The contract requires for ₱24.00 million fixed minimum annual rentals plus a percentage of the annual income of the Group's Makati-Buendia campus.

As lessee, future minimum rentals under operating lease are as follows:

	2010	2009	2008
Within one year	**₱24,000,000**	₱24,000,000	₱24,000,000
After one year but not more than five years	**96,000,000**	96,000,000	96,000,000
More than five years	**354,000,000**	378,000,000	402,000,000
	₱474,000,000	₱498,000,000	₱522,000,000

The Group's rental expense for its Makati-Buendia campus amounted to ₱30.61 million, ₱26.57 million and ₱29.29 million in 2010, 2009 and 2008, respectively.

Group as Lessor
The Group leases out portions of its spaces to concessioners which is renewable every two (2) years. Total rent income recognized amounted to ₱8.37 million, ₱9.50 million and ₱9.76 million in 2010, 2009 and 2008, respectively.

19. Segment Reporting

The Group operates in geographical segments. Financial information on the operations of these segments are summarized as follows:

	2010						
	Mendiola	Malolos	Makati-Buendia	Makati -Legaspi	Makati-Legaspi Hospital (Pre-operating)	Adjustments	Total
Segment assets	**₱1,800,420,389**	**₱746,785,596**	**₱65,964,123**	**₱570,559,456**	**₱57,614,397**	**₱588,764**	**₱3,241,932,725**
Segment liabilities	**122,077,275**	**3,933,069**	**7,391,975**	**212,422,453**	**59,807**	**367,663,464**	**713,548,043**
Capital expenditures	**29,270,667**	**4,708,087**	**23,202,897**	**18,893,555**	**44,147,078**	**–**	**120,222,284**
Segment revenues	**968,806,811**	**138,401,883**	**123,926,439**	**103,269,661**	**–**	**–**	**1,334,404,794**
Operating expenses	**687,871,431**	**114,804,619**	**114,875,375**	**71,295,286**	**3,549,867**	**–**	**992,396,578**
Depreciation expense	**51,168,681**	**9,608,645**	**1,581,362**	**8,347,566**	**1,053,921**	**–**	**71,760,175**
Net income (loss)	**276,843,292**	**23,597,263**	**9,051,065**	**12,407,559**	**(3,549,867)**	**(32,601,231)**	**285,748,081**

	2009						
	Mendiola	Malolos	Makati-Buendia	Makati -Legaspi	Makati-Legaspi Hospital (Pre-operating)	Adjustments	Total
Segment assets	₱2,074,907,796	₱150,514,813	₱31,192,255	₱556,552,272	61,179,427	₱570,530	₱2,874,917,093
Segment liabilities	91,794,103	3,887,132	1,884,482	231,609,592	74,970	299,413,547	628,663,826
Capital expenditures	43,970,717	5,463,247	12,763,254	16,301,215	–	–	78,498,433
Segment revenues	960,873,939	144,545,280	122,949,002	76,214,032	607,827	–	1,305,190,080
Operating expenses	676,259,574	118,602,830	118,716,682	61,639,886	2,003,370	–	977,222,342
Depreciation expense	50,971,416	10,812,140	1,047,012	8,501,269	–	–	71,331,837
Net income (loss)	284,614,365	25,942,450	4,232,320	(6,799,779)	(1,395,543)	(30,793,957)	275,799,856

	2008					
	Mendiola	Malolos	Makati-Buendia	Makati -Legaspi	Adjustments	Total
Segment assets	₱2,136,581,940	₱156,548,806	₱17,136,668	₱545,372,138	614,530	₱2,856,254,082
Segment liabilities	56,632,774	5,370,310	4,469,034	250,921,654	270,431,379	587,825,151
Capital expenditures	39,859,399	9,929,679	7,359,148	38,857,820		96,006,046
Segment revenues	931,743,712	147,377,428	105,999,951	41,611,319		1,226,732,410
Operating expenses	645,850,091	113,221,162	93,844,556	47,255,701		900,171,510
Depreciation expense	45,191,410	9,889,002	1,196,909	8,376,802		64,654,123
Net income (loss)	281,918,870	34,145,533	12,155,395	(28,665,593)	(30,291,485)	269,262,720

The Hospital has not yet started its operations as of March 31, 2010.

In 2010, 2009 and 2008, there were no inter-segment revenues and all revenues are made to external customers.

Segment assets for each segment do not include available-for-sale financial assets amounting to ₱0.59 million, ₱0.57 million and ₱0.61 million as of March 31, 2010, 2009 and 2008 respectively.

Segment liabilities for each segment do not include the following:

	2010	2009	2008
Deferred income tax liabilities - net	**₱223,363,139**	₱180,006,030	₱175,726,845
Retirement liability	**67,539,170**	57,943,570	39,310,070
Dividends payable	**60,979,347**	47,147,996	43,212,166
Income tax payable	**15,781,808**	14,315,951	12,180,290
	₱367,663,464	₱299,413,547	₱270,429,371

Net income (loss) for each segment does not include provision for income tax amounting to ₱32.60 million, ₱30.79 million and ₱30.29 million in 2010, 2009 and 2008, respectively.

20. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions; and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions with related parties are made at terms similar to those offered to third parties.

In the ordinary course of business, the Group has transactions with Philtrust Bank, an affiliate under common control, as follow:

a. Lease of a building in Makati as lessee (see Note 18)
b. Savings account and deposits, the balances of which follow:

	2010	2009
Short-term deposits	**₱190,685,180**	₱267,984,575
Savings and checking accounts	**36,438,604**	63,637,633
	₱227,123,784	₱331,622,208

The Group avails of advertising services of Manila Bulletin Publishing Corporation, an affiliate under common control. Total advertising expense incurred by the Group which is included in the publications and recruitment and placement accounts amounted to ₱11.71 million, ₱16.12 million and ₱2.25 million in 2010, 2009 and 2008, respectively (see Note 15).

The Group's key management personnel include the president and directors. The compensation of key management personnel by benefit type follows:

	2010	2009
Short-term employee salaries and benefits	**₱9,090,449**	₱8,543,117
Post-employment benefits	**6,544,958**	6,125,082
	₱15,635,407	₱14,668,199

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the retirement plan.

21. Basic/Diluted EPS

The income and share data used in the basic/diluted EPS computations are as follows:

	2010	2009	2008
Net income (a)	**₱285,748,081**	₱275,799,856	₱269,262,720
Weighted average number of outstanding common shares (b)	**372,414,400**	372,414,400	372,414,400
Basic/diluted earnings per share (a/b)	**₱0.77**	₱0.74	₱0.72

There were no dilutive financial instruments during the year.

22. Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of March 31, 2010 and 2009.

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	**₱252,034,028**	**₱252,034,028**	₱356,515,473	₱356,515,473
Tuition and other receivables - net				
Tuition fee receivable	**8,653,321**	**8,653,321**	9,696,766	9,696,766
Accrued interest receivable	**179,134**	**179,134**	776,698	776,698
Other receivables	**7,548,330**	**7,548,330**	6,448,351	6,448,351
AFS financial assets	**588,764**	**588,764**	570,530	570,530
Total financial assets	**₱269,003,577**	**₱269,003,577**	₱374,007,818	₱374,007,818

	2010		2009	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued expenses				
Accounts payable	**₱90,406,998**	**₱90,406,998**	₱59,986,170	₱59,986,170
Accrued expenses	**24,658,175**	**24,658,175**	18,182,317	18,182,317
Deposits	**1,546,221**	**1,546,221**	1,343,885	1,343,885
Others	**18,549,287**	**18,549,287**	18,580,826	18,580,826
Dividends payable	**60,979,347**	**60,979,347**	47,147,996	47,147,996
Current portion of long-term liability	**40,000,000**	**40,000,000**	40,000,000	40,000,000
Long-term liability	**170,723,898**	**183,678,676**	191,157,081	205,308,307
Total other financial liabilities	**₱406,863,926**	**₱419,818,704**	₱376,398,275	₱390,549,501

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

- *Cash and cash equivalents, tuition and other receivables and accounts payable and accrued expenses* - due to short-term nature of these accounts, the fair values approximate the carrying amounts.

- *AFS financial assets* - fair values of AFS financial assets are based on quoted prices.

- *Long-term liability* - fair value is estimated using the discounted cash flow methodology using the prevailing risk free rates plus applicable spread.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The only financial instruments that are being carried at fair value are AFS financial assets, which fall under level 1 in the fair value hierarchy.

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and long-term liability. The main purpose of these financial instruments is to raise funds for the Group's operations and capital expenditures. The Group has various other financial instruments such as tuition and other receivables and accounts payable and accrued expenses that arise directly from operations.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

The Group's risk management policy to mitigate credit risk on its accounts receivable from students include the refusal of the Group to release pertinent records like examination permit, transcript of records and transfer credentials, if applicable, until the student's account is cleared/paid. As of statement of financial position date, there are no significant concentrations of credit risk.

As of March 31, 2010 and 2009, the analysis of financial assets follows:

	2010			
	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents	**₱252,034,028**	**₱–**	**₱–**	**252,034,028**
Tuition fee and other receivables				
Tuition fee receivable	**–**	**8,653,321**	**8,482,395**	**17,135,716**
Accrued interest receivable	**179,134**	**–**	**–**	**179,134**
Other receivables	**7,548,330**	**–**	**–**	**7,548,330**
AFS financial assets	**588,764**	**–**	**–**	**588,764**
	₱260,350,256	**₱8,653,321**	**₱8,482,395**	**₱277,485,973**

	2009			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱356,273,973	₱–	₱–	₱356,273,973
Tuition fee and other receivables				
Tuition fee receivable	–	9,696,766	6,100,659	15,797,425
Accrued interest receivable	776,698	–	–	776,698
Other receivables	6,448,351	–	–	6,448,351
AFS financial assets	570,530	–	–	570,530
	₱364,069,552	₱9,696,766	₱6,100,659	₱379,866,977

The Group's neither past due nor impaired receivables are high grade receivables which, based from experience, are highly collectible and exposure to bad debt is not significant.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial assets and liabilities. Liquidity risk may result from a counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and maturing debts. As an inherent part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. To cover its short-term and long-term funding requirements, the Group intends to use internally generated funds.

The maturity profile of the Group's financial liabilities as of March 31, 2010 and 2009 based on contractual undiscounted payments:

	2010				
	On demand	**Less than 3 months**	**3 to 6 months**	**Over 1 year**	**Total**
Accounts payable and accrued expenses					
Accounts payable	**₱90,406,998**	**₱–**	**₱–**	**₱–**	**₱90,406,998**
Accrued expenses	**–**	**24,658,175**	**–**	**–**	**24,658,175**
Deposits	**–**	**–**	**–**	**1,546,221**	**1,546,221**
Other payables	**18,549,287**	**–**	**–**	**–**	**18,549,287**
Dividends payable	**60,979,347**	**–**	**–**	**–**	**60,979,347**
Current portion of long-term liability	**–**	**–**	**40,000,000**	**–**	**40,000,000**
Long-term liability	**–**	**–**	**–**	**240,000,000**	**240,000,000**
	₱169,935,632	**₱24,658,175**	**₱40,000,000**	**₱241,546,221**	**₱476,140,028**

	2009				
	On demand	Less than 3 months	3 to 6 months	Over 1 year	Total
Accounts payable and accrued expenses					
Accounts payable	₱59,986,170	₱–	₱–	₱–	₱59,986,170
Accrued expenses	–	18,182,317	–	–	18,182,317
Deposits	–	–	–	1,343,885	1,343,885
Other payables	18,580,826	–	–	–	18,580,826
Dividends payable	47,147,996	–	–	–	47,147,996
Current portion of long-term liability	–	–	40,000,000	–	40,000,000
Long-term liability	–	–	–	280,000,000	280,000,000
	₱125,714,992	₱18,182,317	₱40,000,000	₱281,343,885	₱465,241,194

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements in the prevailing exchange rate between the Philippine Peso (PHP) and the United States Dollar (USD). The revenues and the operating expenses of the Group are denominated in PHP. However, the Group maintains certain deposits with banks which are denominated in USD.

The Group closely monitors the movements in the USD/PHP exchange rate and makes a regular assessment of future foreign exchange movements. The Group then manages the balance of its USD-denominated deposits based on this assessment.

	Increase (decrease) in PHP	Effect on income before income tax
2010	**₱1.00**	**₱1,278,597**
	(1.00)	**(1,278,597)**
2009	1.00	894,757
	(1.00)	(894,757)

There is no other impact on the Group's total comprehensive income other than those already affecting income before income tax.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives and policies or processes during the years ended March 31, 2010 and 2009.

The Group monitors capital using a debt-to-equity ratio which is debt divided by total equity. The Group includes within debt, interest-bearing loans and accounts payable and accrued expenses.

The following table shows how the Group computes for its debt-to-equity ratio as of March 31, 2010 and 2009:

	2010	2009
Accounts payable and accrued expenses (a)	**₱135,160,681**	₱98,093,198
Long-term liability (including current portion) (b)	**210,723,898**	231,157,081
Liabilities (c)	**₱345,884,579**	₱329,250,279
Total Stockholders' Equity (d)	**₱2,528,263,986**	₱2,246,253,267
Debt-to-Equity ratio (c/d)	**0.14:1**	0.15:1

24. **Events after Statement of Financial Position Date**

On June 25, 2010, the University's BOD approved the following:

a. Reversal of appropriations for expansion of school facilities and laboratory equipment and retirement fund amounting to ₱388.00 million and ₱20.80 million, respectively;
b. New appropriation for expansion of school facilities and laboratory equipment amounting to ₱250.00 million; and
c. Cash dividend declaration amounting to ₱279.31 million, which is equivalent to ₱0.75 per share to stockholders of record as of July 8, 2010 and with payment date of August 2, 2010.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARY
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SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

		March 31, 2010
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱380,751,810
Add: Net income actually earned/realized during the year		
Net income during the period closed to retained earnings	₱289,303,434	
Less: Non-actual/unrealized income - net of tax	–	
Benefit from deferred income tax asset during the year	(1,774,795)	
Net income actually earned during the year		287,528,639
Less: Dividends declared during the year		(372,414,400)
TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION		₱295,866,049

As discussed in Note 24, the University's BOD approved the cash dividend declaration amounting to ₱279.31 million, which is equivalent to ₱0.75 per share to stockholders of record as of July 8, 2010, with payment date of August 2, 2010.