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, 2014
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, 2014
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, 2014	372,414,400
Closing price per share as of June 30, 2014	₱10.38
Market value as of June 30, 2014	₱3,865,661,472

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Description of Business

Business Development During the Past Three Fiscal Years (2011-2014)

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 2011-2012

The University had an average enrolment of 20,718 for the first and second semester of SY 2011-2012. The total enrolment in the three campuses both for the 1st and 2nd semesters increased by 1.16% and 1.49%, respectively as compared to the previous school year. The freshmen enrolment of the current year had a decreased of 3.5% as compared to the previous school year.

Foreign Student Enrolment

CEU had an average number of foreign students of 1,248 for the first and second semester. A decrease of 5.3% was noted as compared to SY 2010-2011.

Performance in Board Examination

Through the years, CEU's record of passing rate in the licensure examinations has always surpassed the national passing percentage. ALL of the CEU programs with licensure examinations had the overall passing percentage higher than the national passing percentage. They TOPPED and got the other placers in the licensure examination for Optometry. There were four other top ten places in other licensure examinations.

Accreditation and Recognition

CEU prides itself in its continuous efforts to improve its academic programs, for the university has reached another milestone in accreditation history. For SY 2011-2012, there were additional four (4) programs that were granted level 4 accreditation status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA). These are the Business, Dentistry, Optometry and Nutrition programs.

CEU Malolos programs were also granted candidates status for Hotel and Restaurant, Tourism Management, Pharmacy, Nursing and Dentistry programs.

CEU Makati programs completed the consultancy visit for Computer Science, Hotel and Restaurant Manaqement, Tourism Management and Business Administration programs.

CEU was recognized by the PACUCOA, the first Pharmacy program to have been granted Level IV accredited status in the National Capital Region and in the Philippines.

International Linkages

In accordance with the internationalization thrust of CEU, the administration strengthened its global work and travel program through a goodwill visit and dialogue with the key officials of Janus International Student Exchange based in Doswell, Virginia, USA.

CEU once again partnered with Daegu Health College (DCH) in South Korea to conduct the student Exchange Program. Both parties agreed to conduct the program which aims to promote academic enrichment And to deepen understanding of the cultures of the two neighboring countries (Philippines and Korea).

In an effort to promote educational tourism, CEU, together with three other schools around Manila, signed a memorandum of understanding with IStudy Brainmasters Philippines Inc. The MOU aimed to start an investment that would bring Chinese students to the country to study in Higher Education Institutions by means of pre-funding or pre-paid education.

Quality Assurance

The continuous improvement program of CEU which includes: Management Review, 5S (now 7S), quality Circle, Customer Feedback, CEUSATARS is maintained through the Quality and Risk Management System Committee. The strategic objectives of the University were extended from 10 to 12 to include the integration of quality assurance in all University operations and the utilization of ICT in the academic and support functions. It is of note that majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in 3 (Sweep, Systematize, Standardize) of the 5S; thus standards were revised to include 2 more S: Safety and Security. Customer Feedback was incorporated in the visitor's form to include the feedback of external clients.

The University achieved ISO re-certified status in July, 2011 and at the same time gained certified status of CEU Makati campus, for the Quality Management System/ISO 9001:2008. The University also applied for the Philippine Quality Award.

Faculty Achievements

Dr. Teresita I. Barcelo, the new dean of the College of Nursing was awarded as "2012 Outstanding Woman Leader in Manila in the field of Education" by the City of Manila and Soroptimist International, Sampaloc Chapter on May 26, 2012.

Dr. Olivia M. Limuaco, Dean of the School of Pharmacy has been appointed as Secretary General by the Federation of Asian Pharmaceutical Association (FAPA) and was elected as Vice President for Luzon of the Philippine Pharmacists Association (PPhA).

Dr. Charito M. Bermido, Dean of the College of Medical Technology was again elected as Board member and PRO of the Philippine Association of Schools of Medical Technology and Public Health, Inc. (PASMETH) and the over-all chair of 41st Annual Convention of PASMETH.

Student Achievements

CEU Mass Communication student, Kristine Bernardette Sasi, was among the 80 delegates chosen to the 14th Ayala Young Congress 2012.

CEU Manila School of Accountancy and Management students won the grand prize, non-food category in Business Plan Competition sponsored by the Philippine Chamber of Commerce. The student received a trophy and a cash prize for their winning business plan – "Oregatol, a manufacturing of mosquito coils made from oregano leaves".

Senior accountancy student Edlynne Elaine Bernardo was elected National President of the American Chamber of Commerce (AmCham).

CEU Malolos dentistry student won the DENTSPLY's 2011 student clinician competition for Southeast Asia-the first Filipino to have bagged the first place. As the winner, she becomes a member of the Student Clinician American Dental Association and will present the International Association for Dental Research Southeast Asia division (IADR-SEA) to the annual session of the American Dental Association in San Francisco in October 2012.

Dentistry students' research on *"Production of Collagen Membrane Derived from Gas Bladder of Janitor Fish, Pterygoplichthys pardilis, as Alternative for Guided Tissue Regeneration"* won second place in the 25th International Association for Dental Research-South East Asia division held in Singapore.

The CEU Manila Nutrition and Dietetics students got the first place for their entry, 2CMint Tea, in the UNILEVER Philippines Lipton tea concocting competition.

CEU Manila School of Nutrition and Hospi8tality Management received a cash award from the Tourism Infrastructure Enterprise Zone Authority (TIEZA) in recognition of the School's tourism management program for its successful promotion of the Philippine festivals.

CEU's Association of Tourism Students (ATS) was declared overall champion in the Union of Filipino Tourism Educators (UFTE) Tourism Skills Olympics held on February 23, 2012. Having consistently grabbed the championship title for 3 consecutive years, CEU ATS as named as the first UFTE Hall of Fame awardee.

CEU athletes reached another feat in sports history as they emerged overall champion in the 11th season of National Athletic Association of Schools, Colleges and Universities (NAASCU), having won first place in seven events and finished second also in seven different events. CEU Pep Squad once against bagged their second year championship in the cheer dance competition.

CEU Men's volleyball team grabbed their second championship in the NCR Men's National Collegiate Athletic Association (NCAA) and represented NCR in the national championship in Naga City.

School Year 2012-2013

Student Enrolment

The University had an average enrolment of 21,052 for the first and second semesters of SY 2012-2013. The total enrolment in the three campuses both for the 1st and 2nd semesters increased by 2.28% and 0.91%, respectively as compared to that of the previous school year. The total freshmen enrolment decreased by 0.43% as compared to the enrolment of the previous school year.

Foreign Student Enrolment

Foreign student enrolment stood at 1,278 and 1,076 for the first and second semesters, respectively. An average decrease of 5.76% was noted as compared to SY 2011-2012. The top three programs where the foreign students are enrolled in Dentistry, Pharmacy and Graduate School.

Performance in Board Examination

The passing percentage of CEU graduates was higher than the national passing percentage in all licensure examinations taken by the graduates in the past year. There were two dentistry graduates who placed the top 10 of Dentistry Licensure Exam, 4 from Nursing, 6 from Optometry, and 2 from Pharmacy.

Accreditation and Recognition

CEU was given seven (7) awards by the Philippine Association of Colleges and University Commission on Accreditation (PACUCOA) during its 23rd Annual General Assembly last December 7, 2012 at the Century Park Hotel. Three of its programs, namely, Nutrition and Dietetics, Optometry and Dentistry are first in their field to be granted Level IV accreditation status in the Philippines and in the National Capital Region. CEU was also awarded as the institution with the highest number of Level IV accredited programs by PACUCOA.

CEU set another milestone in higher education with the addition of three more programs attaining Level IV, the highest level of accreditation in the Philippines: Liberal Arts, B.S. Secondary Education and B.S. Elementary Education programs. These were granted by the Federation of Accrediting Agencies of the Philippines upon recommendation of the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA).

Granted candidates status also by PACUCOA are the B.S. Computer Science, B.S. Hotel and Restaurant Management, B.S. Tourism Management and B.S. Business Administration programs of CEU Makati campus.

Waiting for the results of the Level III 1st Reaccreditation are the Graduate School programs: Master of Arts, Master of Business Administration and Master of Science. Meanwhile, consultancy visit has been done for B.S. Medical Technology, B.S. Nursing, B.S. Pharmacy, and B.S. Psychology of CEU-Makati campus.

CEU School of Pharmacy is the first school in the Philippines that was accepted and became a member of the Academic Institutional Membership-Federation of International Pharmaceutics (AIM-FIP) and it is a CPE provider for Pharmacy.

International Linkages

The International Business University of Scandinavia (IBUS) proposes a Memorandum of Agreement with CEU top start the promotion of CEU programs in Vietnam. Also, the University of Malaya signed a Memorandum of Cooperation with the university to carry out research work in health and environmental resource management.

CEU School of Nutrition and Hospitality Management strengthened its global work and travel program through a goodwill visit and dialogue with the key officials of the Institute for Tourism studies in Macau, established a linkage with the InterContinental Hotels Group (IHG) Academy Crowne Plaza Bangkok Lumpini Park, Bangkok, Thailand, SSL Traders in Perak, Malaysia, Hydro Hotel and Ixora Hotel in Penang, Malaysia.

CEU continued its Student Exchange Program, now on its fourth year, with Daegu health college (DCH) in South Korea. The program aims to promote Academic enrichment and deepen understanding among the participants of the cultures of Philippines and Korea.

Quality Assurance

The continuous improvement program of CEU includes various programs coordinated by its quality and Risk Management System Committee: Management Review, 7S, Quality Circle, customer Feedback, CEU STARS. The majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in each components of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients.

On March 8, 2013, academic and support functions of CEU Manila, Makati, and Malolos were audited by the SGS and the team recommended a continuation of the management certificat5ion up to the next audit on February 7, 2014.

Faculty Achievements

Four professors from the School of Accountancy and Management, Dr. Leny Dellosa, Dr. Roberto Dacanay, CPA; Ph.D., Dr. Rowel Antonio and Dr. Bella Marie Fabian, were recognized as "Accredited Business Professionals" by the Philippine Academy of Professionals in Business Education (PAPBE) on February 19, 2013, Dr. Nilo V. Francisco, Dean of the College of Management and Technology of CEU Malolos, was likewise recognized as Fellow in Business Education.

Student Achievements

CEU Mass Communication student, Kristine Bernadette Sasi, was one of the 2013 Ten Outstanding Students of the Philippines-National Capital Region Chapter (TOSP-NCR).

CEU School of Accountancy and Management students were declared the National Champion and First Runner-up for the Non-Food Category in the Search for the Best Business Plan Competition sponsored by the Philippine chamber of Commerce and Industry. The winning entry was Alternative Cigarette from Eggplant Leaves, while the Food Container from Bagasse placed first runner-up. CEU's entry for the Food Category was a finalist.

Ms. Kime Cabalquinto who represented the South East Region (SEA) in the 2012 American Dental Association/DENTSPLY Student Clinician Research Program was one of the Global winners of the International Student Clinician Research Program.

The undergraduate research of the School of Dentistry entitled "Ostrich (Struthiocomelos) Eggshell as Xenograft for Immediate Scoket Preservation" was chosen by the Philippine Association of Laboratory Animals (PALAS) to receive the Japanese Association for Laboratory Animal Science (JALAS) International Award. The research group received a grant of Y100,000 and presented their research paper during the JALAS conference this year.

The fourth year Medical Technology students were the Overall Champion and 2nd runner-up in the research presentation during the 5th National Students' Congress of the Philippines Society of Medical Technology Students. Furthermore, Medical Students from Manila campus also placed 3rd runner up in PAMET-PASMETH National annual quiz last September 20, 2012.

The HRM program of CEU won 1st runner-up and 2nd runner-up, respectively, in the Regional Dish Competition sponsored by the Quezon City Tourism Council and Intercollegiate Cake Decorating Challenge.

The CEU Singers Manila won a Gold Diploma in the Chamber Music Category and a Silver Diploma in the Sacred Music Category in the December 2012 Second Vietnam International Choir Competition in Hue, Vietnam.

CEU was the Overall Champion in both the 12th Season of NAASCU and the 43rd Season of WNCAA. The University also won the Championship in both basketball and volleyball in the MNCAA 9th Season.

Ms. Dianne Chua of the School of Pharmacy was the Champion and Most Valuable Player of the Taekwondo competition during the WNCAAS competition. The CEU Pep Squad Dance Troupe was the Champion of the NAASCU Hip-Hop Competition last January 30, 2013. Meanwhile, the CEU Scorpions Pep Squad got the 2nd place in the NAASCU Cheerleading Competition last December 3, 2012.

School Year 2013-2014

Student Enrolment

The University had an enrolment of 22,438 for the first semester and 20,262 for the second semester of school year 2013-2014. The total enrolment for the three campuses both for the First and Second semesters increased by 3.05% and 4.86% respectively compared to that of SY 2012-2013. The total first year (freshmen, transferees) enrolment increased by 3.41 as compared to the enrolment of the previous school year.

Foreign Student Enrolment

Foreign student enrolment stood at 1,056 and 870 for the first and second semesters, respectively. A decrease of 17.37% and 19.14% for the first and second semesters respectively was noted compared to that of SY 2012-2013. The top three programs where the foreign students are enrolled are Dentistry, Pharmacy and Graduate School.

Performance in Board Examination

The passing percentage of CEU graduates was higher than the national passing percentage in all licensure examinations taken by the graduates in the past year. There were two Dentistry, one Nursing, five Optometry and one Graduate School for Guidance and Counseling graduates who placed in the top 10 of their respective Licensure Examinations.

Accreditation and Recognition

CEU continues to upgrade its curriculum to keep pace with the latest developments and international standard requirements for quality education. It takes pride on being the first to be granted with Level IV Re-accredited status for its Psychology and Biology programs by the Philippine Association of Colleges and Universities Commission on Accreditation (PACUCOA) as certified by the Federation of Accrediting Agencies of the Philippines (FAAP).

The institution is the first university in the Philippines to have reached the highest level of accreditation for its Medical Technology program granted by PACUCOA. It is also a CPE/CPD provider for Medical Technology.

The Tourism Management, Hotel and Restaurant Management, Dental Medicine, Pharmacy and Nursing programs of CEU Malolos were awarded the Level 1 status.

Granted candidate status also by PACUCOA are the Medical Technology, Nursing, Pharmacy and Psychology programs of CEU Makati campus.

Consultancy visit were conducted for B.S. Computer Engineering, B.S. Information Technology and B.S. Computer Science of CEU Manila Campus.

International Linkages

CEU College of Optometry was recently welcomed as a new affiliate member of the Association of Schools and Colleges of Optometry (ASCO) in the United States. ASCO is an academic leadership organization committed to promote, advance and achieve excellence in optometry education. It promotes student and faculty development, residency promotion, wider networking and benchmarking among its members.

Faculty members from the College of Medical Technology, Dr. Aileen Patron and Prof. Rogelio Cruz visited Khon Kaen University, Thailand to discuss areas of academic collaboration and exchange program. Specifically they tackled the possibility of faculty scholarship and exchange program, collaborative research and international practicum/internship for students.

CEU School of Nutrition and Hospitality Management continues to be a globally competitive institution as it strengthened its international training program. The school sent BS Tourism Management senior students to Malaysia and Vietnam. The training programs were provided by Ixora Hotel and 1926 Heritage Hotel, both located in Penang, Malaysia and Phu Hai Resort in Vietnam.

The University continues to strengthen international linkages with universities for research purposes, namely with University of Malaya, Kuala Lumpur Malaysia; Monash University, Malaysia; Prince of Songkla University of Thailand; Nasresuan University in Thailand; University of Tarumagnegara, Jakarta, Indonesia; University of Trisakti, Jakarta, Indonesia; Nottingham University, Malaysia; Kuamoto Health Science University; Daegu Health College, South Korea; Khon Kaen University, Thailand; Royal Institute of Singapore and Chulalonglorn University in Thailand.

CEU sent five (5) of its student leaders to join the Global Student Leadership 2013 held at Daegu Health College, South Korea and Daegu Health College in turn sent ten (10) of its Interns to CEU as part of their Student Exchange Program which is now in its fifth year. The program aims to promote academic enrichment and deepen understanding among the participants of the cultures of Philippines and Korea.

Quality Assurance

The continuous improvement program of CEU includes various programs coordinated by its Quality and Risk Management System Committee: Management Review, 7S, Quality Circle, Customer Feedback, CEU STARS. Majority of CEU work areas in the 3 campuses attained level 4 compliance in a scale of 5, in each component of the 7S program (Sort, Sweep, Systematize, Standardize, Safety, Security, Self Disciplined). To further improve service to various clientele, Customer Feedback was incorporated in the visitor's form to obtain feedback from external clients.

To calibrate internal auditors' knowledge, skills and attitude, an Internal Quality Audit Workshop was held on May 30, 2013. On the other hand, an orientation was given to the data and document custodians on June 14, 2013 to refresh them about the ISO policies, requirements and procedures. To disseminate the improved procedures for Document Change Request (DCR), a Review of the Business Process was also conducted.

Faculty Achievements

Dr. Ma. Flordeliza Anastacio, OIC for CEU-Malolos and Dean of the School of Accountancy and Management, was awarded Fellow in Accounting Education by the Philippine Academy of Accountants for Business Research and Education (PAABRE) and also Fellow in Accountancy by the Royal Institution of Singapore.

Dr. Jessica Torre, Dean of the College of Optometry, was reappointed by the Commission on Higher Education as member of the Technical Panel for Health Professions and chairperson of the Technical Committee for Optometry Education.

Dr. Erna V. Yabut, VP for Research and Evaluation is currently the president of the Philippine Society for Educational Research and Evaluation (PSERE). Dr. Olivia M. Limuaco, VP for CEU-Makati is the consultant of Philippine Association and Colleges of Pharmacy (PACOP) and secretary general of Federation of Asian Pharmaceutical Association (FAPA), Dr. Teresita G. Carey, Dean of the School of ELAMS is the elected secretary of Pi Lambda Theta.

Student Achievements

Inspired by the institution's goal to be recognized as a research university, CEU schools/colleges joined many different research fore outside the university including local and international conferences to disseminate research outputs through paper and poster presentations where they emerged as winners in the different categories.

The School of Nursing research entry "Hanging, Clinging, Connecting: The Lived Experience of Bisexual Individual with HIV Positive" won the Best Research Presentation during the 3rd International Conference Nursing Students (ICONS) hosted by Cebu Normal University, Cebu City. During the 6th National Nursing Research Conference, the school's entry "Disaster Preparedness of Affiliated Communities of Centro Escolar University School of Nursing: A Basis for a Proposed Disaster Training Program" won the 3rd Best Poster Presentation.

School of Pharmacy students attended the 2nd International Conference on Pharmacovigilance and Clinical Trails at Hilton Texas, USA where they joined the poster presentation for their student "The Arrythmic-Inhibiting Property of the bangus (Chanus Chanos Forrskal) Fish Oil in Isoflurane-Adrenaline Induced Ventricular Tachycardia in Sprague Dawley Rats" and received the Best Poster award.

Mass Communication students presented their paper entitled "Utilization of Social Networking Sites of Government Agencies for Disaster Preparedness and Management" during the National Communication Research Conference (NCRC) held in UP-Diliman. After the presentation, the students received an invitation to contribute in the forthcoming "ICT for Development Working Paper Series 6" issue for 2014, a prestigious journal which is jointly published by the University of Liberal Arts Bangladesh (ULAB) and Bangladesh Institute of ICT Development (BIID).

CEU School of Accountancy and Management students were declared first and second runners-ups of the Business Idea and Development Award by the PCCI for their entries, "Integrated and Reloadable Smart Card System for Light Rail Transit and Metro Rail Transit" and "Manufacturing Fish Feeds from Hyacinth in Batangas" respectively.

The College of Medical Technology students won the second place in the PAMET-PASMETH Quiz shows.

The School of Nutrition and Hospitality Management students won in the Veggie Cooking Contest sponsored by the National Nutrition Council, Cotai International Jazz and Blues Festival, Happy Hour – 7th National Food Showdown Jolly University Student Cook-Off and Electrolux Student Cook-Off.

Members of the Junior Philippine Computer Society under the School of Science and Technology won several awards during the ICT Roadshow 2014 participated by 9 schools in Metro Manila. Among their awards are PC Buyer's Guide School of the Year, Graphic Design Competition, Battle of the Bands, Ms. and Mr. People's Choice Award and Ms. PC Buyer's Guide 2014. The DC Cut Band of said school also won in the Mendiola Consortium and Frolics 2014. BS Biology students won the Second Place in the Inter-Collegiate Pre-Med Quiz Bee sponsored by San Beda College, Manila.

CEU was the Overall Champion in the 13th Season of NAASCU, 44th Season of the Women's National Collegiate Athletics Association (WNCAA) and the 10th Season Men's National Collegiate Athletics Association (MNCAA). The university also won the Championship in both basketball and volleyball in the MNCAA 9th season.

CEU Women's Basketball Team was the Champion in the 3rd Dickies Cup. They completed against UST, OLFU, FEU, St. Benilde and DLSU.

The CEU Singers brought home three Silver Awards in the 10th Anniversary of A Voyage of Songs International Choral Festival held in Bangkok, Thailand.

Business of Issuer

CEU is one of the country's largest and most respected higher educational institutions for over 100 years.

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

Eleven programs in CEU-Manila has Level 4 accredited status. Graduate School programs for MA/MS/MBA is Level 3 re-accredited. Two programs in Mendiola are on Level 2 accredited status. The summary is as follows:

Accredited College/School Programs	Accrediting Agency	Accreditation Level	Period Covered
CEU-MENDIOLA			
B.S. Pharmacy	PACUCOA	Level 4	May 2011-March 2016
B.S. Biology	PACUCOA	Level 4 1st re-accredited	Sept. 2013-Oct. 2018
B.S. Psychology	PACUCOA	Level 4 1st re-accredited	Sept. 2013-Oct. 2018
B.S. Medical Technology	PACUCOA	Level 4	June 2013-June 2018
B.S. Business Administration	PACUCOA	Level 4	Nov. 2011-Nov. 2016
Liberal Arts	PACUCOA	Level 4	Oct. 2012-Oct. 2017
B.S. Secondary Education	PACUCOA	Level 4	Oct. 2012-Oct. 2017
B.S. Elementary Education	PACUCOA	Level 4	Oct. 2012-Oct. 2017
Doctor of Dental Medicine	PACUCOA	Level 4	April 2012-April 2017
B.S. Nutrition and Dietetics	PACUCOA	Level 4	April 2012-April 2017
Doctor of Optometry	PACUCOA	Level 4	April 2012-April 2017
B.S. Accountancy	PACUCOA	Candidate Status	Nov. 2012-Nov. 2014
B.S. Social Work	PAASCU	Level 2 re-accredited	May 2011-May 2016
B.S. Nursing	PAASCU	Level 2 re-accredited	May 2011-May 2016
B.S. Hotel & Restaurant Management	PACUCOA	Candidate Status	Sept. 2013-Sept. 2015
B.S. Tourism Management	PACUCOA	Candidate Status	Sept. 2013-Sept. 2015
B.S. Computer Engineering	PACUCOA	Consultancy visit done	For Preliminary visit on September 4-5, 2014
B.S. Information Technology	PACUCOA	Consultancy visit done	
B.S. Computer Science	PACUCOA	Consultancy visit done	
GRADUATE SCHOOL - Master of Arts - Master of Business Adm. - Master of Science	PACUCOA	Level 3, 1st re-accredited	Nov. 2012-Nov. 2017

CEU-MALOLOS			
Business Administration	PACUCOA	Level 3, 1st re-accredited	April 2009-April 2014
Liberal Arts	PACUCOA	Level 3, 1st re-accredited	April 2009-April 2014
Science	PACUCOA	Level 3, 1st re-accredited	April 2009-April 2014
B.S. Tourism Management	PACUCOA	Level 1 Formal visit done	Awaiting result
B.S. Hotel & Restaurant Management	PACUCOA	Level 1 Formal visit done	Awaiting result
Doctor of Dental Medicine	PACUCOA	Level 1 Formal visit done	Awaiting result
B.S. Pharmacy	PACUCOA	Level 1 Formal visit done	Awaiting result
B.S. Nursing	PACUCOA	Level 1 Formal visit done	Awaiting result
CEU-MAKATI			
B.S. Computer Science	PACUCOA	Candidate status	Oct. 2012-Oct. 2014
B.S. Hotel & Restaurant Management	PACUCOA	Candidate status	Oct. 2012-Oct. 2014
B.S. Tourism Management	PACUCOA	Candidate status	Oct. 2012-Oct. 2014
B.S. Business Administration	PACUCOA	Candidate status	Oct. 2012-Oct. 2014
B.S. Medical Technology	PACUCOA	Candidate Status	Nov. 2013-Nov. 2015
B.S. Nursing	PACUCOA	Candidate Status	Nov. 2013-Nov. 2015
B.S. Pharmacy	PACUCOA	Candidate Status	Nov. 2013-Nov. 2015
B.S. Psychology	PACUCOA	Candidate Status	Nov. 2013-Nov. 2015

Level 4 status granted by PACUCOA to the following programs (BS Biology, Psychology, Pharmacy, Business Administration, Liberal Arts, Secondary Education, Elementary Education, Medical Technology, Nutrition and Dietetics, Doctor of Dental Medicine, and Doctor of Optometry) is certified by the Federation on Accrediting Agencies of the Philippines (FAAP).

CEU also is the first Higher Educational Institution to receive Institutional Accreditation as certified by FAAP.

CEU was awarded for having the highest number of Level 4 accredited programs, during PACUCOA's 24th Annual General Assembly on December 6, 2013 at the Century Park Hotel.

CEU was awarded for having the highest number of level 4 accredited programs and first Medical Technology program to have been granted Level 4 accredited status in the National Capital Region and in the Philippines, during PACUCOA's 24th Annual General Assembly on December 6, 2013 at the Century Park Hotel.

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.

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

CEU has 1,182 employees, 758 of whom are faculty members and 359 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, 65 have administrative functions and are not subject to Collective Bargaining Agreement (CBA). The latest CBA expires in 2015. There have been no strikes in the past 3 years. Aside from basic salary and legally 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 3 and 4 Accredited Status by the Philippine Association of Colleges and Universities Commission on Accreditation (PACU-COA) and 2 programs Level 2 by the Philippine Accrediting Association of Schools, Colleges and Universities (PAASCU) as certified by the Federation of Accrediting Agencies of the Philippines (FAAP).

The Level 4 accreditation of the 11 programs in the undergraduate and the Level 3 accreditation status of the graduate school 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	2011-2012	2012-2013	2013-2014	Total
Liberal Arts	₱23,008,637	₱ 30,656,804	₱ 20,993,596	₱ 74,659,037
Science	46,510,169	83,395,161	63,770,554	193,675,884
ACS	89,976,729	83,574,409	85,267,691	258,818,829
Dentistry	156,131,688	109,248,924	170,091,749	435,472,361
Education	5,483,971	4,337,739	4,290,122	14,111,832
Medical Technology	62,370,384	67,993,942	78,793,646	209,157,972
Music	1,296,489	1,200,363	2,267,187	4,784,039
Nursing	45,536,169	20,456,926	16,243,660	82,236,755
Nutrition/HE/Tourism/HRM	163,117,402	150,559,032	148,316,562	461,992,996
Optometry	12,236,550	16,987,971	18,549,168	47,773,689
Pharmacy	120,329,147	127,995,641	134,466,346	382,791,134
Social Work	2,020,661	2,133,263	2,559,343	6,713,267
Graduate School	7,597,320	7,994,981	9,005,104	24,597,405
Law	2,690,241	3,320,989	5,634,966	11,646,196
Total	₱738,305,557	₱ 709,876,145	₱ 760,249,693	₱ 2,208,431,395

Tuition Fee Increase

For SY 2011-2012, 2012-2013 and 2013-14, there was a 3% increase in tuition fees and other fees.

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 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."

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 fixed rental per month for 25 years plus a percentage of the annual income 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 2013			
April 2012 – June 2012	First Quarter	₱10.50	₱ 9.90
July 2012 – September 2012	Second Quarter	10.50	9.91
October 2012 – December 2012	Third Quarter	12.50	10.00
January 2013 – March 2013	Fourth Quarter	11.98	10.00

Fiscal Year Ended 2014			
April 2013 – June 2013	First Quarter	₱ 11.98	₱ 10.20
July 2013 – September 2013	Second Quarter	12.30	10.50
October 2013 – December 2013	Third Quarter	11.98	10.50
January 2014 – March 2014	Fourth Quarter	11.38	10.14

The closing price per share of the University's common shares as of June 30, 2014 was ₱10.38.

Holders

As of June 30 2014, there are 1,071 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:

	Stockholder	Number of Common Shares Held	Percentage of Total Shares (%)
1.	USAUTOCO, INC.	126,620,891	34.0000
2.	PCD Nominee Corp. Filipino.	56,155,245	15.0787
3.	U.S. Automotive Co., Inc.	55,963,803	15.0273
4.	Southville Commercial Corp.	29,686,293	7.9713
5.	Jose M. Tiongco	13,439,614	3.6088
6.	Corazon M. Tiongco	10,108,404	2.7143
7.	Erlinda T. Galeon	9,252,982	2.4846
8.	Generosa T. Cabrera	9,190,225	2.4677
9.	Marie T. Sands	9,186,138	2.4666
10.	Security Bank Corp. TA#1090	8,072,299	2.1676
11.	Alvin Anton C. Ong	1,344,308	0.3610
12.	Fredrick C. Ong	1,000,000	0.2685
13.	Maria Concepcion I. Donato	994,465	0.2670
14a.	Emma de Santos Oboza	758,190	0.2036
14b.	Alicia de Santos Villarama	758,190	0.2036
15.	Robert Jaleco Javellana Administrator for Estate of Trinidad V. Javellana	713,666	0.1916
16a.	Jose Hontiveros	650,107	0.1746
16b.	Manuel M. Paredes	650,107	0.1746
16c.	Amado R. Reyes	650,107	0.1746
17.	Conrado Sanchez, Jr.	650,000	0.1745
18.	Ma. Alexa J. Intengan	634,621	0.1704
19.	Leland &/or Melita Villadolid	560,523	0.1505
20.	Angelo A.S. Suntay	453,186	0.1217

There are no transactions that relate to an acquisition, business combination or other reorganization which will affect the amount and percentage of shareholdings of any of the University's directors, officers (as a group) or any person owning more than 5% of the University's outstanding capital stock.

Dividends

Dividends declared for the two most recent fiscal years, i.e., Fiscal Year ended March 31, 2013 and Fiscal Year ended March 31, 2014, are as follows:

Fiscal Year Ended March 31, 2014
(April 1, 2013 – March 31, 2014)

1. Cash dividend of ₱0.35 per share was declared on June 28, 2013 in favor of stockholders of record as of July 17, 2013, payable on August 8, 2013; and

2. Cash dividend of ₱0.25 per share was declared on October 25, 2013 in favor of stockholders of record as of November 19, 2013, payable on December 12, 2013.

Fiscal Year Ended March 31, 2013
(April 1, 2012 – March 31, 2013)

1. Cash dividend of ₱0.75 per share was declared on November 23, 2012 in favor of stockholders of record as of December 17, 2012, payable on January 15, 2013.

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.

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

Financial Performance (2013-2014; 2012-2013)

Tuition and Other School Fees increased by 7.05% to ₱1,550,560,322 from the previous year's ₱1,448,419,588 and 3.05% increased from ₱1,405,583,660 and 4.72% in 2012. This account consists of Tuition Fees, Other Fees, and Income from Other School Services. Other fees are comprised of fees for electricity, registration materials, miscellaneous classroom expenses, laboratory materials, health services fees, library fees and development fees. Income from Other School Services comprise of fees for diploma and certificates, transcript of records, entrance examinations and various collections for specific items or activities. Interest income were reported at ₱4,224,175 in 2014 and ₱6,512,411 in 2013.

The total revenues increased to ₱1,583,754,916 in 2014 from ₱1,480,344,709 last year and ₱1,438,005,652 in 2012. While the Operating Expenses were reported at ₱1,247,454,232 in 2014 from ₱1,154,874,939 last year and ₱1,132,640,049 in 2012.

Net income of the University for 2014 was ₱301,429,042 from ₱290,627,930 last year and ₱273,190,102 in 2012.

With almost the same first semester enrollment the 3% increase in tuition and other fees resulted in the increase in net income by almost ₱11.0 million.

Financial Condition

The University reported a healthy cash position as of March 31, 2014. Cash and cash equivalents were at ₱353,279,440 as compared to last year's balance of ₱257,765,951 and ₱209,522,046 in 2012. Tuition and other receivables were at ₱21,734,637 as compared to ₱25,539,044 last year and ₱23,528,601 in 2012. The University's receivables consist of tuition receivables, 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 ₱9,237,263. Other current assets, which consist largely of Prepayments stood at ₱362,227.

Available for Sale (AFS) Investments, reported under Other Assets in 2014, had a market value of ₱602,877 as compared to ₱621,453 last year. Other Assets also include Advances to Suppliers and Contracts at ₱29,969,854 compared to ₱10,790,052 last year.

The current assets of the University as of fiscal year ended March 31, 2014 were ₱384,613,567 as compared to ₱293,155,640 for March 31, 2013.

Property and Equipment were reported at revalued amount of ₱1,650,056,499 from ₱1,615,774,000 last year, and at cost amounting to ₱1,277,085,595 from ₱1,302,503,340 last year.

Total non-current assets were at ₱2,957,714,825 and Total Assets were at ₱3,342,328,392 at the end of the fiscal year.

Accounts payable and accrued expenses increased to ₱236,843,631 from ₱218,874,780 last year and ₱182,352,122 in 2012. Dividends payable were at ₱96,652,449 compared to ₱89,467,449 last year and ₱81,757,198 in 2012. The current portion of the long-term liability due to the building acquisition was ₱40,000,000 and the income tax payable decreased to ₱14,395,524 from ₱15,096,762 last year and ₱14,663,275 in 2012. Total current liabilities were at ₱387,891,604 at fiscal year end.

Total non-current liability as of March 31, 2014 decreased to ₱493,390,450 from ₱514,539,018 last year and ₱488,871,286 in 2012. The long-term liability of ₱67,148,366 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 ₱228,062,729. 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 2014, retirement liability was at ₱198,179,355.

The University's stockholder's equity stood at ₱2,461,046,338 as of March 2014 as compared to ₱2,344,866,476 in March 2013.

Key Performance Indicators

Key	2014	2013	2012	Manner of Computation	Significance
Revenue Growth	7.05%	3.05%	4.72%	Difference between current and last year's tuition and other school fees divided by last year's revenues	Measures Revenue growth
Return on Revenue	19%	20%	21%	Net income divided by Tuition and other school fees	Shows how much profit is derived from every pesos of tuition and other school fees
Dividend Pay-out Ratio	74%	95%	136%	Dividends divided by net income	Indicates how earnings support dividend payment
Return on Equity	12%	12%	11%	Net profit divided by average total stockholder's equity	Measures extent of profit earned
Return on Assets	9.18%	9.13%	8.58%	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 ₱425,166,087 for fiscal year ended March 31, 2014 as compared to cash flows provided by operating activities of ₱427,785,997 for the previous fiscal year and ₱412,938,978 in March in 2012.

Cash used in investing activities was ₱75,104,905 during fiscal year ended March 31, 2014, as compared to cash used in investing activities of ₱66,960,962 for previous fiscal year and ₱64,003,722 in March 31, 2012.

Cash used in financing activities was at ₱256,263,640 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 ₱311,600,548 for fiscal year ended March 31, 2013 and ₱399,285,662 in fiscal year ended March 31, 2012.

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 2013-2014 and 2012-2013, the University registered upward trends in Dentistry, Pharmacy and Medical Technology while nursing course continued to experience downward enrollment due to lesser demand in the United States and United Kingdom.

Key Variable and Other Qualitative and Quantitative Factors

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.

For school year 2014-2015, there are commitments for capital expenditures such as conversion of classrooms to laboratories, improvements of school auditorium, hallways and offices, maintenance of information and communications technology and procurement of computer for Computer Education Department and different offices which funding shall be derived from the increase in tuition fees in accordance with the guidelines of the Commission of Higher Education (CHED).

Currently, there are no known trends, events or uncertainties that have material impact on sales, aside from downward enrollment on nursing course, tourism and hotel and restaurant management courses.

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.

Material changes from FY 2013 to FY 2014 include an increase of 6.98% in total revenues which resulted from the 7.05% increase in total tuition and other school fees. In addition, 35.13% decrease in interest income was reported due to low interest rates. There was a foreign currency exchange gain because of higher foreign currency exchange rate towards the end of the year. For costs and expenses, posted was an increase of 11.45% in costs of services due to payment of adjustments in salaries and other benefits resulting from 2013 Collective Bargain Agreement (CBA) and 2012 faculty ranking paid this fiscal year and increases in development, laboratory, affiliation and registration expenses of students. General and administrative expenses decreased by 6.16% due to lower costs of transportation and communications, entertainment, amusement and recreation and decrease in write-off of receivables and provision for doubtful accounts. Interest expense decreased by 20.09% due to lower principal balance of loan. An increase of 197% in the loss on sale/retirement of assets was due to value of condemned assets. No provision for impairment losses pertaining to Hospital's laboratory equipment was recorded this fiscal year. These material changes resulted to an increase of 3.72% in net income after tax.

New Accounting Standards

The University presented its consolidated financial statements to comply with accounting principles generally accepted in the Philippines (Philippine GAAP) as set forth in Philippine Financial Reporting Standards (PFRS). New and revised accounting standards, consisting of Philippine Accounting Standards (PAS) and PFRS became effective for financial reporting purposes.

The transition to PFRS in 2006 resulted in certain changes to the University's previous accounting policies. The comparative figures for the 2005 financial statements were restated to reflect the changes in policies except those relating to financial instruments. The standards adopted were: PAS 16, Property and Equipment; PAS 19, Employee Benefits; PAS 21, Effects of Changes in Foreign Exchange Rates; PFRS 8, Operating Segments; and PAS 39, Financial Instruments: Recognition and Measurement.

The University has also adopted the following other PFRS, which did not materially affect the University's financial position and results of operation: PAS 1, Presentation of Financial Statements; PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors; PAS 10, Events After the Balance Sheet Date; PAS 16, Property, Plant and Equipment; PAS 17, Leases; PAS 24, Related Party Disclosures; PAS 32, Financial Instruments: Disclosure and Presentation; and, PAS 33, Earnings Per Share. The comparative presentation and disclosures have been amended as required by these standards. Adoption of these standards has no effect on equity as of April 1, 2004 and March 31, 2005.

The consolidated financial statements include the financial statements of the University and its wholly owned subsidiary namely the Hospital and Integrated School, 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.

Changes in Accounting Policies and Disclosures

The Group applied, for the first time, the following new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact on the financial position or performance of the Group. Except for these standards and amended PFRS which were adopted as at April 1, 2013, the accounting policies adopted are consistent with those of the previous financial year.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets Financial Liabilities* (Amendments). These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period.

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in © above.

  The amendments have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidated – Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The application of PFRS 10 did not affect the accounting for the Group's interest in Hospital and CE-IS.

- PRFS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures,* and SIC 13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

  The amendment does not have an impact on the Group since the Group has no related joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associated and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

  The adoption of PFRS 12 will affect disclosures only and has no impact on the Group's financial position or performance.

- PFRS 13. *Fair Value* Measurement
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exist price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note. 23.

- PAS 1, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  On January 1, 2013, the Company adopted the Revised PAS 19, *Employee Benefits.*

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs and an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net define benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on the expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modified the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	March 31, 2014	March 31, 2013	March 31,2012
Increase (decrease) in:			
Statements of financial position			
Retirement liability	₱117,606,685	₱ 95,422,830	₱ 38,808,330
Deferred tax liability	(11,760,669)	(9,542,283)	(3,880,833)
Retained earnings	(5,545,897)	20,533,359	25,050,753
Remeasurement loss on retirement plan	100,300,119	106,413,906	59,978,250

	March 31, 2014	March 31, 2013	March 31,2012
Increase (decrease) in:			
Statements of comprehensive income			
Cost of services	₱ 28,976,951	₱ 5,019,327	₱ 26,576,500
Income tax expense	(2,897,695)	(501,933)	(2,657,650)
Net income	(26,079,256)	(4,517,394)	(23,918,850)

	March 31, 2014	March 31, 2013	March 31,2012
Increase (decrease) in:			
Other comprehensive income			
Gain (loss) on re-measurement of retirement plan	₱ 6,793,096	(₱ 51,595,173)	(₱ 66,642,500)
Income tax effect	(679,309)	5,159,517	6,664,250
Other Comprehensive income	6,113,787	(46,435,656)	(59,978,250)

The transition adjustments were accounted in retained earning on the transition date. The Revised PAS 19 has been applied retrospectively from April 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at April 1, 2012 as adjustment to opening balances.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  This amendment has no impact on the Group's financial position or performance as it currently has no investments in associates.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements – Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at April 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment – Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation – Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

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. (SGV) 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

The appointment of Sycip Gorres, Velayo and Co. (SGV) as external auditor of the University for the fiscal year ending March 31, 2014 was approved by the stockholders during the annual meeting on July 23, 2013.

In compliance with the amended SRC Rule 68, Mr. Christian Lauron will be designated as partner in-charge this FY 2014. Ms. Janet A. Paraiso has been the partner in-charge for five years. Her appointment stated in 2009.

In 2014 and 2013, the University paid ₱800,000, VAT exclusive, 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.

There is no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the University financial statements.

*Due for submission with BIR on July 14, 2014.

Tax Fees

In 2011, the University paid ₱240,000, VAT exclusive to Sycip, Gorres, Velayo and Co (SGV) for the performance of a tax compliance review for the fiscal year ended March 31, 2010 covering income tax, expanded withholding tax, fringe benefit tax and withholding tax on wages. The review involved a study of the University's opposition and practices and procedures in relation to specific tax laws, regulations and rulings. The objectives were to determine whether or not the tax position, practices and procedures adopted and maintained are in compliance with the tax laws and regulations; top identify areas where non-compliance are noted and quantify, if possible, the extent of the University's exposure thereon, and to provide recommendations to improve or correct the University's tax practices and procedures in compliance with the tax laws and BIR regulations.

Other Fees

There are no other services provided by the external auditor, other than the services reported.

Audit Committee Pre-approval Policy

CEU's Audit Committee is composed of the Chairman, Dr. Emil Q. Javier, (independent director) and members, Dr. Angel C. Alcala and Atty. Sergio F. Apostol.

The Audit Committee is required to pre-approve all audit and non-audit services rendered and approve the engagement fees and other compensation to be paid to the external auditor.

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.

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

There was no change in nor disagreement with External Accountants on accounting and financial disclosures.

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 C. Yap*	86	Filipino	Chairman of the Board – since July 10, 2002	Yearly	Chairman, Manila Bulletin Publishing Corp., Manila Hotel Corp., Centro Escolar University Hospital, Inc.
2	Ma. Cristina D. Padolina	68	Filipino	Director - since July 25, 2006 President/Chief Academic Officer - since Aug. 18, 2006	Yearly	- Professor Emeritus, University of the Philippines, Los Baños - Director, Centro Escolar University Hospital, Inc.
3	Angel C. Alcala**	85	Filipino	Director - since July 22, 2008	Yearly	- Chairman, Silliman University-Angelo King Center for Research and Environmental Management (SUAKCREM) - Professor Emeritus, Silliman University - Member, Board of Trustees, Silliman University - President, Cap College Makati
4	Emil Q. Javier** 1	73	Filipino	Director - since July 10, 2002	Yearly	- Trustee, Asia Rice Foundation, Head Advisor, Biotech Coalition of the Phils., - - Academician, National Academy of Science & Technology (Phil) - Board Member, International Service for the Acquisition of Agri-Biotech Applications (South East Asia Center) - Board Member, Nutrition Center of the Philippines - Director, CEU Hospital, Inc. - Director, Del Monte Pacific Ltd. - Member, Advisory Committee, Japan International Cooperation Agency, Phils.

*Mr. Basilio C. Yap, was elected as Director and Chairman of the Board on April 25, 2014 replacing Dr. Emilio T. Yap who died on April 7, 2014.
**Independent directors.

5	Ricardo F. de Leon	64	Filipino	Director - since July 22, 2008 Executive Vice President - since Feb. 15, 2008 up to April 25, 2014	Yearly	- President, Philippine Public Safety Colleges - Director, Centro Escolar University Hospital, Inc.
6	Alejandro C. Dizon	53	Filipino	Director - since Aug. 31, 2007	Yearly	- Vice President & Chief Quality Officer; Head, St. Luke's Medical Center - Vice-Chairman, Institute of Surgery, St. Lukes Medical Center - Fellow and Member, Board of Regents, Philippine College of Surgeons - Fellow, American College of Surgeons - Examiner & Member, Board of Directors & Governors, Philippine Board of Surgery, - Asst. Professor, UERMMMC College of Medicine
7	Emilio C. Yap III	42	Filipino	Directors - since Sept. 1, 2009	Yearly	- Chairman, Manila Prime Holdings - Director, Manila Bulletin Corporation, Manila Hotel, Philtrust Bank and US Automotive Co., Inc.
8	Corazon M. Tiongco	64	Filipino	Director - since July 25, 2000 Assistant Treasurer - since Aug. 12, 2005	Yearly	Director, Centro Escolar University Hospital, Inc.
9	Johnny C. Yap	41	Filipino	Director - since Oct. 26, 2007	Yearly	- Vice Chairman & Treasurer, Euromed Laboratories Philippines, Inc. - Director, Philtrust Bank - Chairman, Café France Corp.

Executive Officers Who Are Not Directors

	Name	Age	Citizenship	Position	Term of Office	Directorship Held in Other Companies
1	Sergio F. Apostol	79	Filipino	Corporate Secretary & Compliance Officer - since Feb. 26, 2010	Yearly	- Chairman, Kaytrix Agri-Aqua Corp. - Director, Manila Hotel
2	Cesar F. Tan	598	Filipino	Treasurer - since April 17, 2006 Asst. Corp. Sec. – since Oct. 1, 2009	Yearly	- Treasurer, Centro Escolar University Hospital, Inc.

3	Maria Clara Perlita Erna V. Yabut	48	Filipino	VP-Research & Evaluation – since Jan. 29, 2010 AVP- Research & Evaluation - since August 18, 2006 Head, EDP Department - since August 1, 2001	Yearly	None
4	Teresa R. Perez	51	Filipino	VP-Academic Affairs – since Jan. 29, 2010 AVP- Academic Affairs - since July 25, 2008 Acting AVP-Academic Affairs - since July 27, 2007	Yearly	None
5	Olivia M. Limuaco	58	Filipino	VP-Makati Campus since August, 2013	Yearly	None
6	Rhoda C. Aguilar	41	Filipino	Acting University Registrar since June 1, 2013	Yearly	None
7	Ma. Flordeliza L. Anastacio	54	Filipino	Officer-in-Charge, CEU Malolos since November, 2013	Yearly	None
8	Wandalyn Maira L. Bondoc	31	Filipino	Assistant Treasurer - since August 18, 2006	Yearly	- Asst. Treasurer, Centro Escolar University Hospital, Inc.
9	Bernardita T. Traje	52	Filipino	Assistant Controller - since Aug. 18, 2006 Assistant Treasurer - March 8, 1995 to August 18, 2006	Yearly	None
10	Carlito B. Olaer	49	Filipino	VP-Student Affairs – since July 30, 2010 Acting AVP- Student Affairs, Student Affairs Office - since July 25, 2008 OIC, 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.	Teresita I. Barcelo 1573-Q Matienza St., San Miguel, Manila	Dean	2 years	None
3.	Charito M. Bermido 33-C 11th Ave., Murphy, Quezon City	Dean	3 years	None
4.	Teresita G. Carey 42 Acacia Lane, Palmera Heights, Ortigas Ave. Ext., Cainta, Rizal	Dean	1 year	None
5.	Julieta Z. Dungca Makabakle, Bacolor, Pampanga	Dean	2 years	None
6.	Nilo V. Francisco 247 San Jose, Paombong, Bulacan	Dean	3 years	None
7.	Maria Jona D. Godoy B-157, L-14, Central Bicutan, Taguig City	Dean	2 years	None
8.	Susan S. Montemayor 63 Villa Tupaz St., San Joaquin, Pasig City	Acting Dean	1 year	None
9.	Elizabeth C. Roces 339 A & V Subdivision, Panginay, Balagtas, Bulacan	Dean	3 years	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
15.	Juliana M. Laraya 2327-B San Anton St., Sampaloc, Manila	Assistant Dean	1 year	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	1 year	None

Heads

	Name and Address	Position	Term of Office	Directorship Held in Other Companies
1.	Elisa B. Ayo 989 Algeciras St., España, Manila	Head	1 year	None
2.	Ma. Lourdes R. Baello 43 M. Hizon St., 10th Ave., Caloocan Cty	Head	3 years	None

3.	Jonathan P. Catapang Unit 308, La Casarita Condominium 333 San Rafael, San Miguel, Manila	Head	3 years	None
4.	Dorothea C. Dela Cruz Blk 24A, Lot 3, Phase 3D Silvestre Street, Sto. Niño, Meycauayan, Bulacan	Head	1 year	None
5.	Teofilo A. de Guzman B-22, L-27, Citation Homes, Bahay Pare, Meycauayan, Bulacan	Head	3 years	None
6.	Thelma V. Jambalos 2024 Ilustre St., Sta. Cruz, Manila	Head	3 years	None
7.	Zenaida R. Los Baños Morning Glory St., Ridgemont Village Cainta, Rizal	Head	1 year	None
8.	Aleli V. Lozano 847 Inosentes Street, Mandaluyong City	Head	3 years	None
9.	Lolita D. Pablo 4012-A Dangal St., Bacood, Sta. Mesa, Manila	Head	3 years	None
10.	Tessie A. Ramirez B-1, L-23, Phase 4, Ecotrend Subd., Ligas 3, Bacoor, Cavite	Head	3 years	None
11.	Ana Marie T. Afortunado 1 Ridgelane St., Ridgemont Executive Village, Taytay, Rizal	Acting Head	1 year	None
12.	Lolita M. Balboa 16 I. Esteban St., Mandaluyong City	Head	3 years	None
13.	Victoria P. Baleva 33 Jasmin St., Roxas District, Quezon City	Acting Head	1 year	None
14.	Milagros L. Borabo 39 R. Magsaysay St., Potrero, Malabon, Metro Manila	Program Director	3 years	None
15.	Elvira G. Borlongan 852 Bambang St., Bocaue, Bulacan	Head	3 Years	None
16.	Raul J. Caparas 91 Hipolito St., Caingin, Malolos City	Head	3 years	None
17.	Ma. Dolores E. Delacruz 19 General San Luis St., San Juan City	Head	3 years	None
18.	Ma. Eleanor C. Espinas #164 P. Castillo St., San Diego Subd., Caloocan City	Head	3 years	None
19.	Nicarnor Jerry. A. Griño Mc-26, Unit 405 Pamayanang Diego Silang Village, BCDA, Taguig City	Head	1 year	None
20.	Rommel N. Jotic Unit 5-E, Talas Apartment Condominium 301 Kapilya St., San Miguel, Manila	Head	3 years	None
21.	Rosario Donalyne L. Manigbas 22 Queen’s Road, Project 8, Quezon City	Head	3 years	None
22.	Edita V. Maralit 1006 J. Se3nson St., Carebi Sto. Niño, Angono, Rizal	Head	3 years	None

23.	Teresita S. Mijares 2943 Lorenzo dela Paz St., Pandacan, Manila	Head	3 years	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.	Ma. Rolina S. Servitillo 15 Bayabas Road, Gardenville Subd., Pio Cruzcosa, Calumpit, Bulacan	Head	3 years	None
28.	Engr. Ronie U. Siniguian 01 Buenconsejo St., Planview, Mandaluyong City	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.	Edwin C. Huan 111-C McArthur Highway, Marulas, Valenzuela City	Program Head	3 years	None
33.	Cecilia D. Santiago 973 Bambang St., Bocaue, Bulacan	Program Head	3 years	None
34.	Cresencia Manalastas-Santos L-6, B-5 Queensland Village Novaliches, Quezon City	Program Head	1 year	None
35.	Maricar A. Veranga B4, L35, Sampaguita St., Sta. Rita Village, Guiguinto, Bulacan	Program Head	3 years	None
36.	Shirley S. Wong 27 Scout Madrinan St., South Triangle Quezon City	Program Head	3 years	None

Family Relationships

Mr. Basilio C. Yap, Mr. Emilio C. Yap III and Mr. Johnny C. Yap are relatives within the third degree of consanguinity.

Involvement in Certain Legal Proceedings

The University is not aware of any legal proceeding in the past five (5) years to date involving its directors and officers which are material to the evaluation of the ability and integrity of any director or officer of the University.

No director or officer has been convicted by final judgment during the last five (5) years up to the present of any offense punishable by Philippine laws or by the laws of any other country.

Likewise, the University has no knowledge of pending legal proceedings against any of its directors or executive officers involving: (a) any bankruptcy petition filed by or against any business of which its directors or executive officers is subject; or (b) any judgment or decree permanently or temporarily limiting or suspending their involvement in any type of business, securities, commodities or banking activities; or, (c) any violation of 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; Teresa R. Perez Alvaro, VP-Academic Affairs; Erna V. Yabut, VP-Research & Evaluation; Ricardo F. de Leon, Executive Vice President; Carlito B. Olaer, VP-Student Affairs	2012-2013[1] 2013-2014 2014-2015[2]	₱ 9,482,413.52 ₱ 10,333,764.34 ₱ 10,333,764.34	₱ 1,504,556.49 ₱ 1,436,067.89 ₱ 1,436,067.89	N.A. N.A. N.A.	₱ 10,986,970.01 ₱ 11,769,832.23 ₱ 11,769,832.23

[1]Mrs. Lucia D. Gonzales, VP University Registrar and Dr. Priscilla A. Panlasigui, VP for Makati, retired on March 31, 2013 and July 26, 2013 respectively. Dr. Juliana M. Alvaro, VP for Malolos died on August 4, 2013.

[2]igures 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	2012-2013 2013-2014 2014-2015				₱ 27,355,879.42 ₱ 26,246,338.92 ₱ 26,246,338.92

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.[3]

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.

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, 2014 were as follows:

Title of Class	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares held	Percent (%)
Common	USAUTOCO, Inc. 1000 UN Ave., Ermita, Manila Authorized Representative- Basilio C. Yap Relationship to Registrant - Stockholder	USAUTOCO, Inc Authorized Representative – Basilio C. Yap Position - President	Filipino	126,620,891	34.00

[3]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.

Common	U.S. Automotive, Co., Inc. 1000-1046 UN Ave, cor. San Marcelino, Ermita Manila Authorized Representative Basilio C. Yap Relationship to Registrant - Stockholder	U.S. Automotive, Co., Inc. Authorized Representative – Basilio C. Yap Position - President	Filipino	55,963,803	15.02
Common	PCD Nominee Corp. – Filipino	Alejandro C. Dizon Beneficial Owner	Filipino	49,981,575	13.43
Common	Southville Commercial Corporation 403 Topaz St., Posadas Village, Sucat, Muntinlupa City Authorized Representative Petronila G. Mallare Relationship to Registrant - Stockholder	Southville Commercial Corporation Authorized Representative – 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				262,252,562	70.41

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, 2014 are as follows:

Title of Class	Directors	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Basilio C. Yap (Chairman since April 7)	1001 (d)	Filipino	0.0003
Common	Ma. Cristina D. Padolina	38,316 (d)	Filipino	0.0102
Common	Angel C. Alcala*	1 (d)	Filipino	Nil
Common	Emil Q. Javier*	1 (d)	Filipino	Nil
Common	Ricardo F. de Leon	39,370 (d)	Filipino	0.01057
Common	Alejandro C. Dizon**	50,033,412 (d)	Filipino	13.4348
Common	Emilio C. Yap III	267,173 (d)	Filipino	0.0717
Common	Corazon M. Tiongco	10,108,404 (d)	Filipino	2.7143
Common	Johnny C. Yap	1,000 (d)	Filipino	0.0002
	Total	60,488,678 (d)		16.24

* Independent Director

**Dr. Alejandro C. Dizon has 51,837 shares registered in his name in addition to 49,981,575 shares Lodged with PCD Nominee Corporation.

Title of Class	Officers	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Ma. Cristina D. Padolina	38,316 (d)	Filipino	0.0102
Common	Cesar F. Tan	19,735 (d)	Filipino	0.0052
Common	Olivia M. Limuaco	12,153 (d)	Filipino	0.0033
Common	Ma. Flordeliza L. Anastacio	1,302 (d)	Filipino	0.0003
Common	Maria Clara Perlita Erna V. Yabut	4,000 (d)	Filipino	0.0010
Common	Teresa R. Perez	3,226 (d)	Filipino	0.0040
Common	Corazon M. Tiongco	10,107,793 (d)	Filipino	2.71
Common	Wandalyn Maria Lao-Bondoc	19,734 (d)	Filipino	0.0052
Common	Bernardita T. Traje	753 (d)	Filipino	0.0001
-	Rhoda C. Aguilar	0 (d)	Filipino	0
-	Carlito B. Olaer	0 (d)	Filipino	0
Total (excluding shares of Ma. Cristina D. Padolina, and Corazon M. Tiongco		60,903 (d)		0.0164
Aggregate Number of Shares and Percentage of All Security Ownership of Management as a Group		60,549,581 (d)		16.25

To the best knowledge of the University, the above lists include shares beneficially owned by the directors and officers.

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 the 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.

For a more detailed discussion on related party transactions, please see Note 20 of the attached Audited Financial Statements for fiscal year ending March 31, 2014.

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 and Internal Auditor 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.

On March 21, 25 and 26, 2013, Dr. Ricardo F. de Leon, Director attended the Professional Directors Program, a roundtable discussion sponsored by the Institute of Corporate Directors.

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 in November 2011.

In October 2012, The Audit Committee reported on the results of the self-assessment based on the guidelines prescribed in SEC Memorandum Circular No. 4 (series of 2012). The Committee discussed that the Committee charter should include the following: (1) succession plan for its members and chair; (2) whistle-blower program; (3) Business Continuity Plan; and (4) Code of Conduct for Management Discussion on such plans and programs are on-going.

In 2013, CEU complied with the SEC requirement to post its Annual Corporate Governance Report in the University's website.

CEU adheres to governance principles and best practices to attain its objectives. A system has been established to monitor and evaluate the performance of the University and its Management and CEU is committed. The University is committed 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

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.)

Reports on SEC Form 17-C

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

May 31, 2013	Deadline of Submission for Nominees of Independent Director
June 28, 2013	Nominees of Independent Directors
July 3, 2013	Declaration of Cash Dividend
July 23, 2013	Results of Annual Stockholders' Meeting
July 26, 2013	Resignation, Removal or Election of Registrant's Directors or Officers
	Results of Organizational Meeting
October 25, 2013	Declaration of Cash Dividend

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 14, 2014.

By:

MA. CRISTINA D. PADOLINA Principal Executive Officer	CESAR F. TAN Principal Financial Officer
RICARDO F. DE LEON Principal Operating Officer	ERACISIMO C. VERANGA Principal Accounting Officer

JUL 14 2014

SUBSCRIBED AND SWORN TO before me this _____ day of _________, 2014, affiants exhibiting to me their respective Philippine Passport Numbers, as follows:

NAME	PASSPORT	DATE ISSUED	PLACE OF ISSUE
Ma. Cristina D. Padolina	EB7351368	Feb. 11, 2013	Manila
Ricardo F. de Leon	EB3616454	Sept. 12, 2011	Manila
Cesar F. Tan	EC1088843	May 14, 2014	Manila
Eracisimo C. Veranga	XX5728862	March 11, 2010	Manila

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC
NOTARY PUBLIC
MCLE COMPLIANCE NO.III-0016380

Doc. No. 07
Page No. ___
Book No. ___
Series of 2014.

EXHIBIT 1

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Centro Escolar University (CEU) is responsible for the preparation and fair presentation of the financial statements for the year ended March 31, 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed opinion on the fairness of presentation upon completion of such examination.

Signed this 2nd day of July, 2014.

BASILIO C. YAP	**MA. CRISTINA D. PADOLINA**	**CESAR F. TAN**
Chairman	President/Vice Chairman	Treasurer

SUBSCRIBED AND SWORN TO before me this JUL 0 2 2014 of __________, 2014, affiants exhibiting to me their respective Philippine Passports, as follows:

	Passport No.	Date and Place Issued
BASILIO C. YAP	EB0905297	September 8, 2010, Manila
MA. CRISTINA D. PADOLINA	EB7351368	February 11, 2013, Manila
CESAR F. TAN	EC1088843	May 14, 2014, Manila

ATTY. AGUSTIN B. CABREDO
Notary Public for Manila
Notarial Commission No. 2013-10
Until December 31, 2014
Rm. 409, First United Bldg. Co
Escolta, Manila
Roll No. 26047
PTR No. 2450249 / 1-2-14 / M
IBP Life Member
MCLE No. IV

Doc. No. 226
Page No. 47
Book No. XXV
Series of 2014.

Centro Escolar University and Subsidiaries

Consolidated Financial Statements
March 31, 2014 and 2013
and Years Ended March 31, 2014, 2013 and 2012

and

Independent Auditors' Report

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31		April 1
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 4 and 20)	**₱353,279,440**	₱257,765,951	₱209,522,046
Tuition and other receivables (Note 5)	**21,734,637**	25,539,044	23,528,601
Inventories (Note 6)	**9,237,263**	8,394,243	7,455,321
Other current assets (Note 7)	**362,227**	1,456,402	3,457,765
Total Current Assets	**384,613,567**	293,155,640	243,963,733
Noncurrent Assets			
Property and equipment (Note 9)			
At revalued amount	**1,650,056,499**	1,615,774,000	1,569,164,000
At cost	**1,277,085,595**	1,302,503,340	1,323,484,868
Other assets (Note 8)	**30,572,731**	11,411,505	9,046,546
Total Noncurrent Assets	**2,957,714,825**	2,929,688,845	2,901,695,414
	₱3,342,328,392	₱3,222,844,485	₱3,145,659,147
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Note 10)	**₱236,843,631**	₱218,874,780	₱182,352,122
Dividends payable (Note 12)	**96,652,449**	89,467,449	81,757,198
Current portion of long-term liability (Note 11)	**40,000,000**	40,000,000	40,000,000
Income tax payable	**14,395,524**	15,096,762	14,663,275
Total Current Liabilities	**387,891,604**	363,438,991	318,772,595
Noncurrent Liabilities			
Long-term liability (Note 11)	**67,148,366**	96,741,749	123,717,899
Deferred tax liabilities - net (Note 17)	**228,062,729**	221,801,769	220,788,087
Retirement liability (Note 16)	**198,179,355**	195,995,500	144,365,300
Total Noncurrent Liabilities	**493,390,450**	514,539,018	488,871,286
Total Liabilities	**881,282,054**	877,978,009	807,643,881
Equity			
Capital stock (Note 12)	**372,414,400**	372,414,400	372,414,400
Additional paid-in capital	**664,056**	664,056	664,056
Revaluation increment on land - net (Note 9)	**1,315,441,022**	1,284,586,773	1,242,637,773
Revaluation reserve on available-for-sale financial assets (Note 8)	**191,018**	209,594	188,858
Remeasurement loss on retirement plan - net (Note 16)	**(100,300,119)**	(106,413,906)	(59,978,250)
Retained earnings (Note 12)			
Unappropriated	**421,381,927**	343,405,559	332,088,429
Appropriated	**450,000,000**	450,000,000	450,000,000
Noncontrolling interest	**1,254,034**	–	–
Total Equity	**2,461,046,338**	2,344,866,476	2,338,015,266
	₱3,342,328,392	₱3,222,844,485	₱3,145,659,147

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended March 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
REVENUES			
Sale of services:			
Tuition and other school fees (Note 13)	**₱1,550,560,322**	₱1,448,419,588	₱1,405,583,660
Miscellaneous income (Note 14)	**27,254,472**	26,393,292	26,714,952
Interest income (Notes 4 and 20)	**4,224,175**	6,512,411	5,411,136
Foreign currency exchange gains (losses) - net	**1,715,947**	(980,582)	295,904
	1,583,754,916	1,480,344,709	1,438,005,652
COSTS AND EXPENSES			
Costs of services (Note 15)	**1,076,298,956**	965,769,179	966,236,244
General and administrative expenses (Note 15)	**160,038,933**	170,548,503	149,715,564
Interest expense (Note 11)	**10,406,617**	13,023,850	15,409,616
Loss on sale /retirement of assets	**709,726**	238,683	1,278,625
Provision for impairment losses (Note 9)	**–**	5,294,724	–
	1,247,454,232	1,154,874,939	1,132,640,049
INCOME BEFORE INCOME TAX	**336,300,684**	325,469,770	305,365,603
PROVISION FOR INCOME TAX (Note 17)	**34,871,642**	34,841,840	32,175,501
NET INCOME (Note 22)	**₱301,429,042**	₱290,627,930	₱273,190,102
Attributable to			
Equity holders of the University	**₱301,425,008**	₱290,627,930	₱273,190,102
Non-controlling interest	**4,034**	–	–
	₱301,429,042	₱290,627,930	₱273,190,102
Basic/Diluted Earnings Per Share (Note 22)	**₱0.81**	₱0.78	₱0.73

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
NET INCOME	**₱301,429,042**	₱290,627,930	₱273,190,102
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified in profit or loss			
Change in revaluation reserve on available-for-sale financial assets (Note 8)	**(18,576)**	20,736	17,150
Items not to be reclassified in profit or loss			
Revaluation increment on land (Note 9)	**34,282,499**	46,610,000	–
Income tax effect	**(3,428,250)**	(4,661,000)	–
	30,854,249	41,949,000	–
Remeasurement gain (loss) on retirement liability (Note 16)	**6,793,096**	(51,595,173)	(66,642,500)
Income tax effect	**(679,309)**	5,159,517	6,664,250
	6,113,787	(46,435,656)	(59,978,250)
	36,968,036	(4,486,656)	(59,978,250)
TOTAL COMPREHENSIVE INCOME	**₱338,378,502**	₱286,162,010	₱213,229,002
Attributable to			
Equity holders of the University	**₱338,374,468**	₱286,162,010	₱213,229,002
Non-controlling interest	**4,034**	–	–
	₱338,378,502	₱286,162,010	₱213,229,002

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (₱1 par value)				Retained Earnings (Note 12)				Revaluation		
	Number of Shares						Remeasurement	Revaluation	Reserve on		
							loss on	Increment	Available-for	Non-	
		Issued and		Additional			retirement plan	on Land	sale Financial	controlling	
	Authorized	Outstanding	Amount	Paid-in Capital	Appropriated	Unappropriated	(Notes 2 and 16)	(Note 9)	Assets (Note 8)	Interest	Total Equity
Balances at April 1, 2013, as previously reported	**800,000,000**	**372,414,400**	**₱372,414,400**	**₱664,056**	**₱450,000,000**	**₱322,872,200**	**₱–**	**₱1,284,586,773**	**₱209,594**	**₱–**	**₱2,430,747,023**
Effect of retroactive application of PAS 19 (*Revised*) – Notes 2 and 16	–	–	–	–	–	**20,533,359**	**(106,413,906)**	–	–	–	**(85,880,547)**
Balances at April 1, 2013, as restated	**800,000,000**	**372,414,400**	**372,414,400**	**664,056**	**450,000,000**	**343,405,559**	**(106,413,906)**	**1,284,586,773**	**209,594**	–	**2,344,866,476**
Establishment of CE-IS	–	–	–	–	–	–	–	–	–	**1,250,000**	**1,250,000**
Net income	–	–	–	–	–	**301,425,008**	–	–	–	**4,034**	**301,429,042**
Other comprehensive income	–	–	–	–	–	–	**6,113,787**	**30,854,249**	**(18,576)**	–	**36,949,460**
Cash dividends (Note 12)	–	–	–	–	–	**(223,448,640)**	–	–	–	–	**(223,448,640)**
Balances at March 31, 2014	**800,000,000**	**372,414,400**	**₱372,414,400**	**₱664,056**	**₱450,000,000**	**₱421,381,927**	**(₱100,300,119)**	**₱1,315,441,022**	**₱191,018**	**₱1,254,034**	**₱2,461,046,338**
Balances at April 1, 2012, as previously reported	800,000,000	372,414,400	₱372,414,400	₱664,056	₱450,000,000	₱307,037,676	₱–	₱1,242,637,773	₱188,858	₱–	₱2,372,942,763
Effect of retroactive application of PAS 19 (*Revised*) – Notes 2 and 16	–	–	–	–	–	25,050,753	(59,978,250)	–	–	–	(34,927,497)
Balances at April 1, 2012, as restated	800,000,000	372,414,400	₱372,414,400	664,056	450,000,000	332,088,429	(59,978,250)	1,242,637,773	188,858	–	2,338,015,266
Net income	–	–	–	–	–	290,627,930	–	–	–	–	290,627,930
Other comprehensive income	–	–	–	–	–	–	(46,435,656)	41,949,000	20,736	–	(4,465,920)
Cash dividends (Note 12)	–	–	–	–	–	(279,310,800)	–	–	–	–	(279,310,800)
Balances at March 31, 2013	800,000,000	372,414,400	₱372,414,400	₱664,056	₱450,000,000	₱343,405,559	(₱106,413,906)	₱1,284,586,773	₱209,594	₱–	₱2,344,866,476

(Forward)

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (₱1 par value)				Retained Earnings (Note 12)						
	Number of Shares										
	Authorized	Issued and Outstanding	Amount	Additional Paid-in Capital	Appropriated	Unappropriated	Remeasurement loss on retirement plan (Notes 2 and 16)	Revaluation Increment on Land (Note 9)	Revaluation Reserve on Available-for-sale Financial Assets (Note 8)	Non-controlling Interest	Total Equity
Balances at April 1, 2011, as previously reported	800,000,000	372,414,400	₱372,414,400	₱664,056	₱450,000,000	₱382,343,124	₱–	₱1,242,637,773	₱171,708	₱–	₱2,448,231,061
Effect of retroactive application of PAS 19 (*Revised*) – Notes 2 and 16	–	–	–	–	–	48,969,603	–	–	–	–	48,969,603
Balances at April 1, 2011, as restated	800,000,000	372,414,400	372,414,400	664,056	450,000,000	431,312,727	–	1,242,637,773	171,708	–	2,497,200,664
Net income	–	–	–	–	–	273,190,102	–	–	–	–	273,190,102
Other comprehensive income	–	–	–	–	–	–	(59,978,250)	–	17,150	–	(59,961,100)
Cash dividends (Note 12)	–	–	–	–	–	(372,414,400)	–	–	–	–	(372,414,400)
Balances at March 31, 2012	800,000,000	372,414,400	₱372,414,400	₱664,056	₱450,000,000	₱332,088,429	(₱59,978,250)	₱1,242,637,773	₱188,858	₱–	₱2,338,015,266

See accompanying Notes to Consolidated Financial Statements.

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended March 31		
	2014	2013 (As restated Note 2)	2012 (As restated Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱336,300,684**	₱325,469,770	₱305,365,603
Adjustments for:			
Depreciation and amortization (Note 9)	**80,633,122**	80,023,388	87,025,111
Interest expense	**10,406,617**	13,023,850	15,409,616
Provision for credit and impairment losses (Notes 5 and 9)	**9,192,995**	17,951,349	2,974,277
Movement in retirement liability	**8,976,951**	35,027	23,601,100
Interest income	**(4,224,175)**	(6,512,411)	(5,411,136)
Unrealized foreign exchange losses (gains) - net	**(1,715,947)**	980,582	(295,904)
Losses on sale/retirement of assets	**709,726**	238,683	1,278,625
Operating income before changes in operating assets and liabilities	**440,279,973**	431,210,238	429,947,292
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Tuition fee and other receivables	**(4,303,723)**	(14,431,609)	(7,468,850)
Inventories	**(843,020)**	(938,922)	(717,823)
Other current assets	**1,094,175**	2,001,363	7,463,629
Increase in accounts payable and accrued expenses	**17,968,852**	36,564,128	4,804,400
Net cash generated from operations	**454,196,257**	454,405,198	434,028,648
Income taxes paid	**(33,419,480)**	(32,896,151)	(26,557,357)
Interest received	**4,389,310**	6,276,950	5,467,687
Net cash provided by operating activities	**425,166,087**	427,785,997	412,938,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment (Notes 9 and 21)	**(55,925,103)**	(64,590,267)	(55,807,887)
Increase in other assets	**(19,179,802)**	(2,385,695)	(8,445,828)
Proceeds from sale of property and equipment	**–**	15,000	249,993
Net cash used in investing activities	**(75,104,905)**	(66,960,962)	(64,003,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of cash dividends (Note 12)	**(216,263,640)**	(271,600,548)	(359,285,662)
Payments of long-term liability (Note 11)	**(40,000,000)**	(40,000,000)	(40,000,000)
Cash used in financing activities	**(256,263,640)**	(311,600,548)	(399,285,662)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**93,797,542**	49,224,487	(50,350,406)
EFFECT OF FOREIGN CURRENCY RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,715,947**	(980,582)	295,904
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**257,765,951**	209,522,046	259,576,548
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱353,279,440**	₱257,765,951	₱209,522,046

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The accompanying consolidated financial statements include the accounts of Centro Escolar University (the University), Centro Escolar University Hospital, Inc. (the Hospital), a wholly owned subsidiary, and Centro Escolar Integrated School (CE-IS), a newly established entity and 90%-owned subsidiary (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. The University renewed its corporate life for fifty (50) years on March 31, 1994.

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 (5) years from November 15, 2007 to November 14, 2012 per Resolution Nos. 087-2012 and 148-2012. Private Higher Education Institutions (HEIs) granted autonomous status in 2007 to 2009 and deregulated status in 2009 and 2010 shall retain their respective status until May 31, 2014 by virtue of CHED Memorandum Order No. 10, s. 2012. 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 autonomous status for a period of five (5) years effective November 15, 2009 to November 14, 2014 per Resolution Nos. 087-2012 and 148-2012.

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

The University invested in the Hospital, which was incorporated on June 10, 2008 and was consolidated beginning fiscal year ended 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. The registered principal office of the Hospital is 103 Esteban corner Legaspi Streets, Legaspi Village, Makati City. As at March 31, 2014, the Hospital has not yet started operations.

The University owns the 90% shares of CE-IS which was incorporated on July 24, 2013. CE-IS was consolidated beginning fiscal year ended 2014. CE-IS is a learning institution which offers pre-school, primary and secondary education. The principal place of business of CE-IS is located at Km 44 MacArthur Highway, Longos, Malolos City.

The accompanying consolidated financial statements were approved and authorized for issue by the University's Board of Directors (BOD) on May 30, 2014.

2. Summary of Significant Accounting Policies

Basis of Preparation
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. All values are rounded to the nearest peso unless otherwise indicated.

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

The consolidated financial statements provide comparative information in respect of the previous years. An additional statement of financial position at the beginning of the earliest year presented is included when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. A statement of financial position as at April 1, 2012 is presented in the financial statements due to the retrospective application of certain accounting policies as discussed in this Note.

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

Presentation of Financial Statements
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is either:
- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when either:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Group. This is not generally the case with master-netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the University and its subsidiaries as at March 31, 2014. Control is achieved when the University is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the University controls an investee if and only if the University has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the University has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and the net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to the equity holders of the University.

Changes in Accounting Policies and Disclosures
The Group applied, for the first time, the following new and revised accounting standards. Unless otherwise indicated, these new and revised accounting standards have no impact on the financial position or performance of the Group. Except for these standards and amended PFRS which were adopted as at April 1, 2013, the accounting policies adopted are consistent with those of the previous financial year.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The application of PFRS 10 did not affect the accounting for the Group's interest in Hospital and CE-IS.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The amendment does not have an impact on the Group since the Group has no related joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

  The adoption of PFRS 12 will affect disclosures only and has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 23.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  On April 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on the expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	March 31, 2014	March 31, 2013	March 31, 2012
Increase (decrease) in:			
Statements of financial position			
Retirement liability	₱117,606,685	₱95,422,830	₱38,808,330
Deferred tax liability	(11,760,669)	(9,542,283)	(3,880,833)
Retained earnings	(5,545,897)	20,533,359	25,050,753
Remeasurement loss on retirement plan	100,300,119	106,413,906	59,978,250

	2014	2013	2012
Increase (decrease) in:			
Statements of comprehensive income			
Cost of services	₱28,976,951	₱5,019,327	₱26,576,500
Income tax expense	(2,897,695)	(501,933)	(2,657,650)
Net income	(26,079,256)	(4,517,394)	(23,918,850)

	2014	2013	2012
Increase (decrease) in:			
Other comprehensive income			
Gain (loss) on re-measurement of retirement plan	₱6,793,096	(₱51,595,173)	(₱66,642,500)
Income tax effect	(679,309)	5,159,517	6,664,250
Other comprehensive income	6,113,787	(46,435,656)	(59,978,250)

The transition adjustments were accounted in retained earnings on the transition date. The Revised PAS 19 has been applied retrospectively from April 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at April 1, 2012 as adjustment to opening balances.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  This amendment has no impact on the Group's financial position or performance as it currently has no investments in associates.

Amendments to PFRS 1 covering first time adoption of PFRS on government loans and Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* are not applicable to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at April 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

Summary of Significant Accounting Policies

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 reporting date. Foreign exchange differentials between rate at transaction date and rate at settlement date or reporting 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 'Foreign currency exchange gains (losses) – net' in the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the initial transaction date. 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.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities in the absence of a principal market, in the most advantageous market for the asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at every reporting date.

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 trade 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 fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) financial assets, AFS financial assets, and loans and receivables. The financial liabilities, on the other hand, are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market and for HTM financial assets, the ability and intention to hold the investment until maturity. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at March 31, 2014 and 2013, 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 an observable market, the Group recognizes the difference between the transaction price and fair value ('Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where the transaction price used is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or 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 method and is included under 'Interest income' in the consolidated statement of income. The losses arising from impairment of such financial assets are recognized in 'Provision for credit losses' under 'General and administrative expenses' account in the consolidated statement of income.

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. All AFS financial assets except unquoted equity shares 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 consolidated statement of income.

Classified under this category are the Group's investments in quoted and unquoted 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 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 of accounts payable and accrued expenses, dividends payable and long-term liability.

Impairment of Financial Assets
The Group assesses at each reporting date whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost
If there is objective evidence that an impairment loss on loans and receivables 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 (write-off) or through the use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and 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.

Financial assets together with the associated allowance are written off when there is no realistic prospect of future recovery. 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 consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. If a write-off is later recovered, the recovery is credited to 'Other fees' in the consolidated statement of income.

This policy applies to the Group's tuition and other receivables. The Group directly writes-off the receivables when recovery is not realistic after due efforts of collection at the end of school year. Normally, this applies to receivables from summer classes and first semester. Receivables from the second semester are impaired through the use of an allowance account.

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

Derecognition of Financial Assets and Liabilities
Financial Assets
The derecognition of a financial asset takes place when the Group 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 is discharged, cancelled or expired.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any accumulated impairment in value. The initial cost and 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 profit or loss, in which case the increase is recognized in the consolidated statement of comprehensive income. A revaluation decrease is recognized in profit or 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 costs related to acquisition of new enrolment and payroll systems that are not yet completed as of the reporting date. Construction in progress is not depreciated until such time that the relevant assets are completed and become available for intended 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 profit or loss 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 reporting 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 and 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 fair value less cost to sell 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 assessments 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 'Provision for impairment losses' in the consolidated statement of income.

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.

<u>Other Assets</u>
Advances to suppliers and contractors
Advances to suppliers and contractors represent amounts paid to suppliers and contractors for purchases not yet received as of reporting date. This is subsequently reversed to asset or expense accounts when the goods or services are received.

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

<u>Income Taxes</u>
Current Tax
Current 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 substantively enacted at the reporting date.

Deferred Tax
Deferred tax is provided or recognized in full for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date except (a) where the deferred income tax asset or liability relating to the temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and (b) in respect of temporary differences associated with investments in subsidiaries and associates, deferred income tax is provided or recognized where the timing of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred 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 tax assets is reviewed at each reporting 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 tax assets to be utilized.

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 Group has assessed that it is acting as a principal (as opposed to as an agent) in all revenue arrangement. 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.

Miscellaneous Income
Revenue is recognized when services are rendered or goods are delivered.

Rental Income
Rental income arising from operating leases is accounted for on a straight line basis over the corresponding lease terms.

Retirement Benefits
The Group operates a defined benefit retirement plan which requires contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statements of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Equity

Capital stock is measured at par value for all shares issued. When the Group 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.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Expense Recognition

Expenses are recognized in the consolidated statement of income when a decrease in future economic benefits 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 an 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset 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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios 'a', 'c' or 'd' above, and at the date of renewal or extension period for scenario 'b'.

Group as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as income in the period in which they are earned.

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 assessments 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 but 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 Reporting Period
Post year-end events up to the date of approval of the BOD of the financial statements that provide additional information about the Group's position at reporting 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.

Future Changes in Accounting Policies
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its financial statements.

Effective in 2014

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
These amendments are effective for annual periods beginning on or after January 1, 2014. The amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments will not have a significant impact on the financial statements of the Group.

Philippine Interpretation IFRIC 21, *Levies*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that trigger payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group does not anticipate that these amendments will have material impact in its future financial statements.

PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (Amendments)
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group will assess the impact of these amendments on its financial position or performance when they become effective.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share based payments.

PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments will not have a material effect in the financial statements of the Group.

PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment will not have material impact on the Group's financial position or performance.

PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

PAS 24, *Related Party Disclosures – Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no material impact on the Group's financial position or performance.

PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no material impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The *Annual Improvements* to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

PFRS 1, *First-time Adoption of PFRS – Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

PAS 40, *Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

PFRS 9*, Financial Instruments*
PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in the statement of income, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in the statement of income. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first

phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Philippine Interpretation 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

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:

Consolidation of subsidiaries
The determination whether the Group has control over an investee company requires significant judgment. The Group considers that the following criteria are all met, including: (a) an investor has the power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's return.

As discussed in Note 2, in accordance with PFRS 10, the Group included the accounts of the Hospital and CE-IS in its consolidated financial statements.

Operating Lease - Group as Lessee
The University has entered into a lease on premises it uses for its Makati-Buendia campus.

The University has determined, based on an evaluation of (a) the terms and conditions 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 transferred to the University and so accounts for the contract as operating lease.

Operating Lease - Group as Lessor
The University has entered into commercial property leases on its Mendiola campus. The University has determined, based on an evaluation of (a) the terms and conditions 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 it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Group considers the following: (a) the currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled); (b) the currency in which funds from financing activities are generated; and (c) the currency in which receipts from operating activities are usually retained.

Contingencies
The University is currently involved in tax assessment from the City Treasurer's office. The estimate of the probable cost for the resolution of claims has been developed in consultation with the aid of the outside legal counsel handling the Group's defense in this matter and is based upon an analysis of potential results. The Group is waiting for the clarification as to the basis of the amount assessed from the City Treasurer's office. Thus, the management assessed that it is not probable to settle the tax assessment.

Going concern
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Financial assets not quoted in an active market
The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether the asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Refer to Note 23 for the fair value measurement of financial assets and liabilities.

Estimates
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

Estimation of 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.

Impairment of Property and Equipment
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

As at March 31, 2014 and 2013, allowance for impairment losses amounted to ₱5.29 million. The carrying value of property and equipment as at March 31, 2014 and 2013 amounted to ₱2.93 billion and ₱2.92 billion, respectively (see Note 9).

Estimation of Useful Lives of Property and Equipment
The Group estimates the useful lives of its property and equipment based on the expected usage and expected wear and tear. 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 estimated useful lives of property and equipment are disclosed in Note 2.

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. The revalued amount of land included under property and equipment in the consolidated statements of financial position amounted to ₱1.65 billion and ₱1.62 billion as at March 31, 2014 and 2013, respectively (see Note 9).

Recognition of deferred income taxes
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimates of future taxable income indicate that certain temporary differences will be realized in the future. The recognized net deferred tax liabilities and unrecognized deferred tax assets for the Group are disclosed in Note 17.

Present value of retirement obligation
The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The present value of the retirement liability and fair value of plan assets are disclosed in Note 16.

4. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash on hand and in banks	**₱137,373,941**	₱119,471,225
Short-term deposits	**215,905,499**	138,294,726
	₱353,279,440	₱257,765,951

Cash in banks earned annual interest ranging from 0.25% to 0.50% in 2014 and 0.50% to 1.00% in 2013 and 2012. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earned interest ranging from 1.25% to 3.25% in 2014, 2.08% to 3.60% in 2013 and 3.60% in 2012. Interest income from cash in banks and time deposits amounted to ₱4.22 million, ₱6.51 million and ₱5.41 million in 2014, 2013 and 2012, respectively.

5. Tuition and Other Receivables

This account consists of:

	2014	2013
Tuition fee receivables	**₱28,300,748**	₱25,982,800
Accrued interest receivables	**187,970**	423,502
Others:		
Advances to employees	**5,369,355**	8,253,384
Advances to CE-IS stockholders (Note 20)	**1,250,000**	–
Accrued rent receivable	**258,367**	3,535,983
	35,366,440	38,195,669
Less allowance for doubtful accounts	**13,631,803**	12,656,625
	₱21,734,637	₱25,539,044

Tuition fee receivables are non-interest-bearing and are generally on a 120-day term. Advances to employees are given on 6 to 42-month terms, collectible through salary deductions, which comprise non-interest-bearing advances and interest-bearing loans that earn annual interest of 12.00%.

The allowance for doubtful accounts pertains to the Group's tuition fee receivables which were impaired through collective assessment. The rollforward of allowance for doubtful accounts follows:

	2014	2013
Balance at beginning of year	**₱12,656,625**	₱2,974,277
Provision (Note 15)	**9,192,995**	12,656,625
Write-off	**(8,217,817)**	(2,974,277)
Balance at end of year	**₱13,631,803**	₱12,656,625

As at March 31, 2014 and 2013, the aging analysis of tuition and other receivables follows:

	2014				
	Neither Past Due nor Impaired	**Past Due but not Specifically Impaired**			
		1-30 days	**Over 30 days**	**Over 60 days**	**Total**
Tuition fees receivable	**₱–**	**₱–**	**₱–**	**₱28,300,748**	**₱28,300,748**
Accrued interest receivable	**187,970**	**–**	**–**	**–**	**187,970**
Others:					
Advances to employees	**5,369,355**	**–**	**–**	**–**	**5,369,355**
Advances to CE-IS stockholders	**1,250,000**	**–**	**–**	**–**	**1,250,000**
Accrued rent receivable	**258,367**	**–**	**–**	**–**	**258,367**
	₱7,065,692	**₱–**	**₱–**	**₱28,300,748**	**₱35,366,440**

	2013				
	Neither Past Due nor Impaired	Past Due but not Specifically Impaired			
		1-30 days	Over 30 days	Over 60 days	Total
Tuition fees receivable	₱–	₱–	₱–	₱25,982,800	₱25,982,800
Accrued interest receivable	423,502	–	–	–	423,502
Others:					
Advances to employees	8,253,384	–	–	–	8,253,384
Accrued rent receivable	3,535,983	–	–	–	3,535,983
	₱12,212,869	₱–	₱–	₱25,982,800	₱38,195,669

6. **Inventories**

This account consists of:

	2014	2013
At cost:		
Uniforms and outfits	**₱4,206,580**	₱1,734,584
Materials	**3,660,015**	4,148,985
Supplies	**1,370,668**	2,510,674
	₱9,237,263	₱8,394,243

In 2014, 2013 and 2012, the amount of inventories charged to ‘Stationery and office supplies’ under cost of services amounted to ₱12.62 million, ₱13.03 million and ₱18.29 million, respectively.

7. **Other Current Assets**

This account consists of:

	2014	2013
Prepayments	**₱311,612**	₱1,385,279
Others	**50,615**	71,123
	₱362,227	₱1,456,402

Prepayments pertain to insurance for personnel, vehicles and accidents and library.

8. **Other Assets**

This account consists of:

	2014	2013
Advances to suppliers and contractors	**₱29,969,854**	₱10,790,052
Available-for-sale financial assets	**602,877**	621,453
	₱30,572,731	₱11,411,505

The change in revaluation reserve on AFS financial assets included in other comprehensive income amounted to a loss of ₱18,576 in 2014 and gain of ₱20,736 and ₱17,150 in 2013 and 2012, respectively. As at March 31, 2014 and 2013, the revaluation reserve on AFS financial assets amounted to ₱0.19 million and ₱0.21 million, respectively.

9. Property and Equipment

The rollforward analysis of this account follows:

	2014							
	Land (At revalued amount)	**Land Improvements**	**Buildings and Leasehold Improvements**	**Furniture, Transportation and Auxiliary Equipment**	**Laboratory Equipment**	**Library Books**	**Construction in Progress**	**Total**
Cost								
Balances at beginning of year	**₱1,615,774,000**	**₱29,128,832**	**₱1,524,128,682**	**₱446,423,615**	**₱279,078,414**	**₱88,790,293**	**₱8,523,339**	**₱3,991,847,175**
Additions	**34,282,499**	**–**	**7,314,947**	**20,363,742**	**15,507,861**	**3,607,943**	**9,130,610**	**90,207,602**
Retirements / disposals (Note 21)	**–**	**–**	**–**	**(5,036,195)**	**(1,999,421)**	**–**	**–**	**(7,035,616)**
Balances at end of year	**1,650,056,499**	**29,128,832**	**1,531,443,629**	**461,751,162**	**292,586,854**	**92,398,236**	**17,653,949**	**4,075,019,161**
Accumulated Depreciation and Amortization								
Balances at beginning of year	**–**	**28,847,476**	**467,785,642**	**354,943,281**	**163,104,834**	**53,593,878**	**–**	**1,068,275,111**
Depreciation and amortization (Note 15)	**–**	**129,850**	**35,324,230**	**20,972,945**	**18,463,759**	**5,742,338**	**–**	**80,633,122**
Retirements / disposals (Note 21)	**–**	**–**	**–**	**(4,340,370)**	**(1,985,520)**	**–**	**–**	**(6,325,890)**
Balances at end of year	**–**	**28,977,326**	**503,109,872**	**371,575,856**	**179,583,073**	**59,336,216**	**–**	**1,142,582,343**
Accumulated Allowance for Impairment Losses								
Balance at beginning and end of year	**–**	**–**	**–**	**–**	**5,294,724**	**–**	**–**	**5,294,724**
Net Book Values	**₱1,650,056,499**	**₱151,506**	**₱1,028,333,757**	**₱90,175,306**	**₱107,709,057**	**₱33,062,020**	**₱17,653,949**	**₱2,927,142,094**

	2013							
	Land (At revalued amount)	Land Improvements	Buildings and Leasehold Improvements	Furniture, Transportation and Auxiliary Equipment	Laboratory Equipment	Library Books	Construction in Progress	Total
Cost								
Balances at beginning of year	₱1,569,164,000	₱29,128,832	₱1,512,469,760	₱422,500,080	₱258,438,641	₱81,823,353	₱8,523,339	₱3,882,048,005
Additions	46,610,000	–	11,658,922	24,949,383	21,015,022	6,966,940	–	111,200,267
Retirements / disposals (Note 21)	–	–	–	(1,025,848)	(375,249)	–	–	(1,401,097)
Balances at end of year	1,615,774,000	29,128,832	1,524,128,682	446,423,615	279,078,414	88,790,293	8,523,339	3,991,847,175
Accumulated Depreciation and Amortization								
Balances at beginning of year	–	28,712,843	433,250,231	333,706,157	145,604,277	48,125,629	–	989,399,137
Depreciation and amortization (Note 15)	–	134,633	34,535,411	22,042,692	17,842,403	5,468,249	–	80,023,388
Retirements / disposals (Note 21)	–	–	–	(805,568)	(341,846)	–	–	(1,147,414)
Balances at end of year	–	28,847,476	467,785,642	354,943,281	163,104,834	53,593,878	–	1,068,275,111
Accumulated Allowance for Impairment Losses								
Provision for impairment losses	–	–	–	–	5,294,724	–	–	5,294,724
Net Book Values	₱1,615,774,000	₱281,356	₱1,056,343,040	₱91,480,334	₱110,678,856	₱35,196,415	₱8,523,339	₱2,918,277,340

Construction in progress includes software development costs for the University's payroll and enrollment system and construction of building located in Malolos, Bulacan.

Provision for impairment losses pertains to the Hospital's laboratory equipment.

As at March 31, 2014 and 2013, the cost of the Group's fully depreciated property and equipment still in use amounted to ₱574.44 million and ₱552.30 million, respectively.

As at March 31, 2014 and 2013, land at revalued amounts consists of:

	2014	2013
At cost	**₱188,455,363**	₱188,455,363
Revaluation increment	**1,461,601,136**	1,427,318,637
	₱1,650,056,499	₱1,615,774,000

The table below shows the reconciliation of the fair value of land at March 31, 2014 and 2013, respectively:

	2014	2013
Opening balance	**₱1,615,774,000**	₱1,569,164,000
Remeasurement recognized in other comprehensive income	**34,282,499**	46,610,000
Closing balance	**₱1,650,056,499**	₱1,615,774,000

The fair value of the Group's various land at revalued amount was based on a third party appraisal with effective dates of valuation at March 31, 2014 and March 31, 2013 using sales comparison approach.

The increase in revaluation increment, before the tax effect, amounted to ₱34.28 million and ₱46.61 million in 2014 and 2013, respectively.

Deferred tax liability related to the revaluation surplus amounted to ₱146.16 million and ₱142.73 million as at March 31, 2014 and 2013, respectively.

The table below summarizes the valuation techniques used and the significant unobservable inputs valuation for each type of land under revaluation model held by the Group:

	Valuation techniques	**Significant unobservable inputs**	**Range (weighted average)**
Land	Sales Comparison Approach/Market Approach	Internal factors:	
		Location	-10%
		Size	+3% to +5%
		Time Element	-2% to +1%

The range of the prices per square meter used in valuation is shown below:

	Valuation techniques	**Location**	**Range (weighted average)**
Land	Sales Comparison Approach/Market Approach	Comparable analysis: External factor (net price)	
		Manila – Site 1 and 2	₱25,000 to ₱90,000 per square meter
		Makati	₱250,000 to ₱320,000 per square meter
		Malolos, Bulacan	₱5,800 to ₱18,000 per square meter

Description of the valuation technique and inputs used in valuation of the Group's land are as follow:

Market Data Approach	A comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.
Size	Physical magnitude, extent or bulk, relative or proportionate dimensions. The value of the lot varies in accordance to the size of the lots. Basic rule of thumb is the bigger the lot size the lower the value, the smaller the lot size the higher the value.
Shape	Particular form or configuration. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	For a tract of land designated for a purpose or site occupied or available for occupancy, one of the key factors in land valuation is the location or area of preference.
Time Element	The measured or measurable period during action or condition exist. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

Sensitivity analyses to the significant changes in unobservable inputs are shown below:

- Significant increases (decreases) in the price (per sqm.) would result in a significantly higher (lower) fair value measurement.
- Significant improvements (deterioration) in the location would result in a significantly higher (lower) fair value measurement.
- Significant increases (decreases) in the size of the property would result in a significantly lower (higher) fair value (per sqm.) measurement.
- Significant increases (decreases) in the period in which the property can be sold in an open market would result in a significantly lower (higher) fair value measurement.

The appraiser uses the highest and best use concept which defines as the most probable use of a property of which is physically possible, appropriately justified, legally permissible and which results in the highest value of the property being valued.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2014	2013
Accounts payable	**₱169,331,548**	₱148,866,199
Accrued expenses:		
Payable to employees	**48,781,699**	40,173,163
Other accrued expenses	**14,270,296**	26,690,798
Deposits	**2,317,104**	1,592,870
Alumni fees payable	**2,142,984**	1,437,854
X-ray laboratory fees	–	113,896
	₱236,843,631	₱218,874,780

Accounts payable are non-interest-bearing and are generally on 30 to 60-day terms. Other accrued expenses include utilities.

11. Long-term Liability

This account consists of:

	2014	2013
Long-term liability	**₱115,657,162**	₱152,140,547
Less prepaid interest	**8,508,796**	15,398,798
	107,148,366	136,741,749
Less current portion of long-term liability	**40,000,000**	40,000,000
	₱67,148,366	₱96,741,749

The long-term liability for the property acquired in 2007 amounting to ₱500.00 million consists of ₱100.00 million prepaid interest and ₱400.00 million, payable in 10 annual installments of ₱40.00 million payable every July 5 starting in 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 5.00%. In addition, a penalty amounting to 12.00% per annum will be paid to the vendor.

The long-term liability was initially recognized at fair value, determined based on present 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 integral part of the effective interest rate. Interest expense on long-term liability amounted to ₱10.41 million, ₱13.02 million and ₱15.41 million in 2014, 2013 and 2012, respectively. The Group paid its annual installment of ₱40.00 million in July 2013, 2012 and 2011.

12. **Equity**

Capital Stock

a. Below is the summary of the University's track record of registration of securities under the Securities Regulation Code (SRC):

Date	Number of Shares	Issue Price
November 10, 1986	305,000	₱100
August 9, 1988	152,500	100
February 23, 1994	297,375	100
September 18, 1995	993,174	100
March 17, 1998	2,237,356	100

As at March 31, 2014 and 2013, the total number of shares registered under the SRC is 372,414,400 shares being held by 1,069 and 1,062 stockholders, respectively.

Cash Dividends

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

	2014	2013
October 25, 2013, ₱0.25 per share cash dividends to stockholders of record as of November 19, 2013 payable on December 12, 2013	**₱93,103,600**	₱–
July 3, 2013, ₱0.35 per share cash dividends to stockholders of record as of July 17, 2013 payable on August 8, 2013	**130,345,040**	–
November 23, 2012, ₱0.75 per share cash dividends to stockholders of record as of December 17, 2012 payable on January 15, 2013	–	279,310,800
	₱223,448,640	₱279,310,800

As at March 31, 2014 and 2013, the carrying value of dividends payable amounted to 96.65 million and ₱89.47 million, respectively.

Appropriated Retained Earnings

On April 26, 2013, the University's BOD approved the detailed expansion program and projects of the University relating to the appropriated retained earnings amounting to ₱450.00 million. These projects include the budget for capital expenditures for the fiscal year April 2013 to March 2014, the planned construction of a 3-storey building for the proposed setting up of a pre-school, elementary and high school in preparation for the K-12 program and to support the proposed five-year development plan for Malolos campus.

The estimated date of completion of the said projects as set by the University is within one to five years.

13. Tuition and Other School Fees

This account consists of:

	2014	2013	2012
Tuition fees	**₱760,249,693**	₱709,876,145	₱738,305,557
Other fees	**456,901,243**	436,140,251	402,032,276
Income from other school services	**333,409,386**	302,403,192	265,245,827
	₱1,550,560,322	₱1,448,419,588	₱1,405,583,660

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 , qualifying and special examinations, laboratory materials, computer laboratory fees and energy fees, application fees for foreign students and various collections for specific items or activities.

14. Miscellaneous Income

This account consists of:

	2014	2013	2012
Dental materials	**₱8,414,230**	₱6,891,027	₱3,971,892
Rental (Note 18)	**4,609,070**	8,985,173	10,416,189
Swimming fees	**3,080,541**	2,939,853	2,945,059
Locker fees	**3,058,858**	2,811,234	2,217,635
Service commissions	**2,876,807**	864,727	883,553
Professional and continuing education	**1,827,759**	1,081,186	2,753,747
Photograph fees	**1,082,474**	963,692	1,052,293
Dental pre-board	**615,159**	641,526	491,236
Handling fees	**352,996**	16,689	390,562
Insurance fees	**346,708**	305,307	321,978
Others	**989,870**	892,878	1,270,808
	₱27,254,472	₱26,393,292	₱26,714,952

15. Costs and Expenses

This account consists of:

	2014	2013 (As restated Note 2)	2012 (As restated Note 2)
Cost of services:			
SSS contributions and other employee benefits	**₱346,398,170**	₱263,866,884	₱269,980,475
Salaries and wages	**298,046,888**	278,673,091	264,098,694
Light and water	**99,891,419**	100,149,064	91,650,377

(Forward)

	2014	2013 (As restated Note 2)	2012 (As restated Note 2)
Depreciation and amortization (Note 9)	**₱80,633,122**	₱80,023,388	₱87,025,111
Development	**33,811,442**	31,303,320	31,144,513
Library	**32,013,593**	30,017,718	28,027,686
Retirement expense (Note 16)	**28,976,951**	26,035,027	47,601,100
Rental	**24,921,722**	24,871,834	24,646,200
Management information	**23,455,377**	20,171,945	12,989,526
Recruitment and placement	**18,391,350**	24,642,225	23,399,752
Laboratory	**16,271,167**	13,503,699	10,756,726
Instructional and academic expenses	**15,463,602**	15,428,013	17,132,241
Stationery and office supplies	**14,563,650**	16,514,635	13,916,902
Guidance and counseling	**11,542,566**	9,030,119	9,264,483
Expenses for co-curricular activities	**11,335,660**	16,288,285	18,234,178
Directors' and administrative committee	**6,580,869**	6,324,861	6,602,291
Professional fees	**5,707,238**	3,578,689	4,619,712
Registration expenses of students	**3,554,379**	1,247,214	1,414,901
Affiliation	**1,430,104**	678,136	547,063
University chapel expenses	**1,302,571**	1,151,757	1,099,939
Publications	**1,110,649**	1,018,151	909,240
Comprehensive and oral examinations	**896,467**	1,251,124	1,175,134
	1,076,298,956	965,769,179	966,236,244
General and administrative expenses:			
Janitorial and security services	**33,098,702**	32,465,738	28,327,564
Transportation and communications	**25,558,640**	27,907,770	28,764,960
Repairs and maintenance	**23,662,101**	24,460,292	20,898,069
Taxes and licenses	**19,278,105**	20,130,521	11,597,698
Clinical expenses	**18,330,387**	14,475,984	28,477,078
Write-off of receivables	**13,308,804**	20,871,704	13,038,131
Provision for credit losses (Note 5)	**9,192,995**	12,656,625	2,974,277
Entertainment, amusement and recreation	**7,033,083**	8,482,631	8,352,197
Insurance	**3,590,381**	3,633,948	3,775,454
Membership fees and dues	**564,779**	902,531	420,534
Miscellaneous	**6,420,956**	4,560,759	3,089,602
	160,038,933	170,548,503	149,715,564
	₱1,236,337,889	₱1,136,317,682	₱1,115,951,808

Miscellaneous expenses mainly pertain to expenses for conducting review classes, professional and continuing education trainings and community outreach programs, bank service charges, donations and other contributions.

16. **Retirement Plan**

The University has a funded, noncontributory defined benefit 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. Benefits are based on the employee's years of service and final plan salary.

The fund is administered by a trustee bank under the supervision of the Board of Trustees of the Plan. The Board of Trustees is responsible for the investment strategy of the plan.

In 2011, the University approved a new collective bargaining agreement with its employees with changes in the increments on employee retirement benefits.

The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

Changes in net defined benefit liability of funded funds in the fiscal period ended March 31, 2014 are as follow:

		Net benefit cost in statement of income*				**Remeasurements in other comprehensive income**					
	March 31, 2013 (As restated-Note 2)	**Current service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest)**	**Experience adjustments**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contribution by employer**	**March 31, 2014**
Present value of defined benefit obligation	**₱462,229,700**	**₱22,098,300**	**₱16,167,246**	**₱38,265,546**	**(₱25,890,943)**	**₱–**	**₱85,207,597**	**(₱96,151,600)**	**(₱10,944,003)**	**₱–**	**₱463,660,300**
Fair value of plan assets	**(266,234,200)**	**–**	**(9,288,595)**	**(9,288,595)**	**25,890,943**	**4,150,907**	**–**	**–**	**4,150,907**	**(20,000,000)**	**(265,480,945)**
Net defined benefit liability (asset)	**₱195,995,500**	**₱22,098,300**	**₱6,878,651**	**₱28,976,951**	**₱–**	**₱4,150,907**	**₱85,207,597**	**(₱96,151,600)**	**(₱6,793,096)**	**(₱20,000,000)**	**₱198,179,355**

Changes in net defined benefit liability of funded funds in the fiscal period ended March 31, 2013 are as follow:

		Net benefit cost in statements of income*				Remeasurements in other comprehensive income					
	April 1, 2012 (As restated-Note 2)	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	March 31, 2013 (As restated-Note 2)
Present value of defined benefit obligation	₱373,949,416	₱17,372,700	₱22,065,000	₱39,437,700	(₱28,949,600)	₱–	(₱39,981,316)	₱117,773,500	₱77,792,184	₱–	₱462,229,700
Fair value of plan assets	(229,584,116)	–	(13,402,673)	(13,402,673)	28,949,600	(26,197,011)	–	–	(26,197,011)	(26,000,000)	(266,234,200)
Net defined benefit liability (asset)	₱144,365,300	₱17,372,700	₱8,662,327	₱26,035,027	₱–	(₱26,197,011)	(₱39,981,316)	₱117,773,500	₱51,595,173	(₱26,000,000)	₱195,995,500

**The net benefit cost is recorded under 'Retirement expense" classified as cost of services in the statements of income.*

The number of plan number members in 2014 and 2013 is 768 and 777, respectively.

The maximum economic benefit available is a combination of expected refunds from the plan and reduction in future contributions. The fair value of plan assets by each class as of the end of the reporting period are as follow:

	2014	2013
Cash and cash equivalents	**₱11,689,617**	₱27,872,675
Unquoted long term investments:		
Equity Securities	**108,320,140**	108,381,508
Debt Securities	**141,119,570**	128,746,987
Others assets	**4,713,232**	1,568,932
Liabilities	**(361,614)**	(335,902)
Fair value of plan assets	**₱265,480,945**	₱266,234,200

All plan assets do not have quoted prices in an active market except for government bonds. Cash and cash equivalents are with reputable financial institutions and related parties and are deemed to be standard grade. Equity securities, mutual fund, loans and other assets are unrated.

The plan assets have diverse investments and do not have any concentration risk.

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the University's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2014	2013	2012
Discount rates	**5.21%**	3.61%	6.09%
Future salary increases	**5.00%**	5.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (Decrease) in Present Value of Obligation
Discount rates	
6.21% (increase by 100 bps)	(₱47,990,800)
4.21% (decrease by 100 bps)	56,624,200
Future salary increases	
6.00% (increase by 100 bps)	53,935,300
4.00% (decrease by 100 bps)	(46,714,700)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014	2013
Less than 1 year	**₱22,029,943**	₱14,327,934
More than 1 year to 5 years	**100,670,621**	114,502,230
More than 5 years to 10 years	**212,264,121**	178,581,207
More than 10 years to 15 years	**273,962,898**	230,307,616
More than 15 years to 20 years	**424,498,398**	367,880,086
More than 20 years	**686,098,316**	576,788,877

17. **Income Taxes**

The provision for income tax represents the 10.00% income tax on special corporations, which consists of:

	2014	2013	2012
Current	**₱32,718,241**	₱33,329,641	₱33,158,656
Deferred	**2,153,401**	1,512,199	(983,155)
	₱34,871,642	₱34,841,840	₱32,175,501

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, 2014, 2013 and 2012 follow:

	2014	2013	2012
Income tax at statutory income tax rate	**₱33,630,068**	₱32,546,977	₱30,536,560
Adjustments on:			
Nondeductible interest expense	**1,040,662**	1,302,386	1,540,962
Effect of higher tax rate of the Hospital	**394,708**	958,544	518,760
Interest income subjected to final tax	**(533,995)**	(750,096)	(485,243)
Nondeductible expense	**340,517**	784,331	65,620
Others	**(318)**	(302)	(1,158)
Provision for income tax	**₱34,871,642**	₱34,841,840	₱32,175,501

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

	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
Deferred income tax assets on:			
Accrued retirement benefit	**₱19,817,936**	₱19,599,550	₱14,436,530
Unamortized excess of contribution over the normal cost	**5,327,604**	5,859,861	5,494,608
Allowance for doubtful accounts	**1,361,111**	1,263,593	297,427
Unrealized foreign currency exchange loss	**–**	98,058	–
	26,506,651	26,821,062	20,228,565
Deferred income tax liabilities on:			
Revaluation increment on land	**146,160,114**	142,731,864	138,070,864
Undepreciated cost of property and equipment	**108,237,671**	105,890,967	102,916,197
Unrealized foreign currency exchange gain	**171,595**	–	29,591
	254,569,380	248,622,831	241,016,652
Net deferred tax liabilities	**₱228,062,729**	₱221,801,769	₱220,788,087

The Group claims the tax deductions of capital expenditures for tax purposes when incurred.

As at March 31, 2014, 2013 and 2012, deferred tax liability on revaluation increment on land amounting to ₱146.16 million, ₱142.73 million and ₱138.07 million, respectively, and deferred tax assets on accrued retirement benefit amounting to ₱11.14 million, ₱11.82 million and ₱6.66 million in 2014, 2013 and 2012, respectively, were directly charged to equity.

The Group did not recognize deferred tax assets on temporary differences related to NOLCO and allowance for impairment of the Hospital amounting to ₱5.46 million in 2014 and ₱5.76 million in 2013 and 2012.

The details of NOLCO which can be claimed in the future by the Hospital as credit against the regular corporate income follow:

Year Incurred	Amount	Expiry Year
2014	₱3,772,218	2017
2013	3,561,562	2016
2012	5,565,236	2015
	₱12,899,016	

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 land and building in Makati. The contract requires for ₱24.00 million fixed minimum annual rentals plus 40.00% of the annual income of the Group's Makati-Buendia campus.

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

	2014	2013	2012
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	**258,000,000**	282,000,000	306,000,000
	₱378,000,000	₱402,000,000	₱426,000,000

The Group's rental expense for its Makati-Buendia campus follows:

	2014	2013	2012
Minimum lease payments	**₱24,000,000**	₱24,000,000	₱24,000,000
Contingent rents	**–**	–	–
	₱24,000,000	₱24,000,000	₱24,000,000

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 ₱4.61 million, ₱8.99 million and ₱10.42 million in 2014, 2013 and 2012, respectively (see Note 14).

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

	2014	2013
Within one year	**₱10,296,489**	₱7,577,958
After one year but not more than five years	**747,465**	1,407,215
	₱11,043,954	₱8,985,173

19. Segment Reporting

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

	2014							
	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	Malolos – Integrated School	Adjustments	Total
Segment assets	**₱1,881,939,930**	**₱770,580,178**	**₱76,676,278**	**₱587,522,484**	**₱12,458,671**	**₱12,547,974**	**₱602,877**	**₱3,342,328,392**
Segment liabilities	**208,393,932**	**15,435,120**	**8,277,394**	**111,636,888**	**248,662**	**–**	**537,290,058**	**881,282,054**
Capital expenditures	**23,282,131**	**5,087,118**	**8,006,046**	**10,182,003**	**–**	**–**	**–**	**46,557,298**
Segment revenues	**1,105,982,979**	**180,450,635**	**141,226,556**	**155,852,214**	**194,558**	**47,974**	**–**	**1,583,754,916**
Expenses	**826,690,906**	**149,999,813**	**110,275,110**	**156,708,549**	**3,772,218**	**7,636**	**–**	**1,247,454,232**
Depreciation expense	**48,931,762**	**8,277,911**	**7,698,065**	**14,475,466**	**1,249,918**	**–**	**–**	**80,633,122**
Net income (loss)	**279,339,113**	**30,370,791**	**(4,994,109)**	**35,122,211**	**(3,577,660)**	**40,338**	**(34,871,642)**	**301,429,042**

	2013 (As restated – Note 2)						
	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	Adjustments	Total
Segment assets	₱1,748,134,860	₱771,310,946	₱78,466,081	₱595,503,027	₱28,808,118	₱621,453	₱3,222,844,485
Segment liabilities	193,075,528	9,345,937	10,041,994	142,985,682	167,388	522,361,480	877,978,009
Capital expenditures	40,121,914	7,951,151	4,914,628	11,602,574	–	–	64,590,267
Segment revenues	1,039,542,020	166,316,402	128,483,692	145,647,401	355,194	–	1,480,344,709
Expenses	771,206,697	142,875,142	123,117,911	107,690,248	9,984,941	–	1,154,874,939
Depreciation expense	48,692,239	8,176,870	7,138,838	13,750,026	2,265,415	–	80,023,388
Net income (loss)	288,726,693	25,496,864	(10,659,607)	30,406,913	(8,501,093)	(34,841,840)	290,627,930

	2012 (As restated – Note 2)						
	Mendiola	Malolos	Makati-Buendia	Makati-Legaspi	Makati-Legaspi Hospital (Pre-operating)	Adjustments	Total
Segment assets	₱1,718,295,347	₱751,948,407	₱67,588,007	₱559,763,614	₱47,463,055	₱600,717	₱3,145,659,147
Segment liabilities	164,481,848	8,182,485	7,878,936	165,446,106	80,646	461,573,860	807,643,881
Capital expenditures	39,325,940	5,510,347	6,512,125	4,459,475	–	–	55,807,887
Segment revenues	1,001,613,908	159,811,666	126,867,776	149,334,666	377,636	–	1,438,005,652
Expenses	753,301,403	129,613,551	140,675,197	103,484,662	5,565,236	–	1,132,640,049
Depreciation expense	59,213,928	8,053,649	5,407,495	11,964,555	2,385,484	–	87,025,111
Net income (loss)	248,312,505	30,198,115	(13,807,420)	45,850,003	(5,187,600)	(32,175,501)	273,190,102

The Hospital and CE-IS have not yet started its operations as at March 31, 2014.

In 2014, 2013 and 2012, there were no inter-segment revenues and all revenues are made to external customers.

Segment assets for each segment do not include AFS financial assets amounting to ₱0.60 million, ₱0.62 million and ₱0.60 million as at March 31, 2014, 2013 and 2012, respectively.

Segment liabilities for each segment do not include the following:

	2014	2013 (As restated - Note 2)	2013 (As restated - Note 2)
Deferred income tax liabilities - net	**₱228,062,729**	₱221,801,769	₱220,788,087
Retirement liability	**198,179,356**	195,995,500	144,365,300
Dividends payable	**96,652,449**	89,467,449	81,757,198
Income tax payable	**14,395,524**	15,096,762	14,663,275
	₱537,290,058	₱522,361,480	₱461,573,860

Net income (loss) for each segment does not include provision for income tax amounting to ₱34.87 million, ₱34.84 million and ₱32.18 million in 2014, 2013 and 2012, 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.

Affiliates are entities that are subject to common control.

Significant transactions with related parties include the following:

March 31, 2014

	Entities	Financial Statement Account	Nature	Terms and Conditions	Transactions during the year	Outstanding Balance
Affiliate	PhilTrust Bank	Cash/Interest income	Savings deposit	Interest rate at 0.5%	**₱108,300**	**₱58,348,979**
		Short term deposits/Interest income	Money market placements	Terms are at 6 to 53 days while interest rates range from 2.08 to 3.20%	**2,348,691**	**196,621,867**
		Accrued interest receivable	Related to savings deposit and money market placements		–	**235,291**
Affiliate		Rent expense/ Accrued expenses	Rent of Building in Makati	25 years rent agreement; monthly fixed amount of rent at ₱2.00 million plus 40.00% of annual income of Makati campus	**24,000,000**	**24,000,000**
	Manila Hotel	Culminating fees	Rental of room and facilities for Commencement exercises		**540,000**	–
	Manila Bulletin Publishing Corporation	Recruitment and placement	Advertising services	Terms vary as to type and frequency of advertisements	**9,868,878**	–
Stockholders	Various individuals	Other receivables	Advances to CE-IS stockholders	On demand	**1,250,000**	**1,250,000**

March 31, 2013

	Entities	Financial Statement Account	Nature	Terms and Conditions	Transactions during the year	Outstanding Balance
Affiliate	PhilTrust Bank	Cash/Interest income	Savings deposit	Interest rate at 0.50%	₱89,223	₱66,514,610
		Short term deposits/Interest income	Money market placements	Terms are at 6 to 53 days while interest rates range from 2.08 to 3.20%	5,846,190	107,609,560
		Accrued interest receivable	Related to savings deposit and money market placements		–	329,864
		Rent expense/ Accrued expenses	Rent of Building in Makati	25 years rent agreement; monthly fixed amount of rent at ₱2.00 million plus 40.00% of annual income of Makati campus	24,000,000	24,000,000
	Manila Hotel	Culminating fees	Rental of room and facilities for Commencement exercises		515,893	–
	Manila Bulletin Publishing Corporation	Recruitment and placement	Advertising services	Terms vary as to type and frequency of advertisements	1,018,151	–

In 2014 and 2013, the University purchased laboratory equipment from the Hospital with a face value of ₱16.49 million and ₱6.48 million, respectively. The purchase was recorded in the University's books as payable to the Hospital which was eliminated during consolidation.

Transactions with Retirement Plans
Under PFRS, certain post-employment benefit plans are considered as related parties. The University's retirement plan is in the form of a trust administered by a trustee bank. The carrying value of the fund which approximates its fair value follows:

	2014	2013
Cash and cash equivalents	**₱11,689,617**	₱27,872,675
Unquoted long term investments:		
Equity Securities	**108,320,140**	108,381,508
Debt Securities	**141,119,570**	128,746,987
Others assets	**4,713,232**	1,568,932
Liabilities	**(361,614)**	(335,902)
Fair value of plan assets	**₱265,480,945**	₱266,234,200

The asset and investment of the fund consists mainly of cash and cash equivalents, government securities, bonds and equity securities.

As at March 31, 2014 and 2013, the retirement fund has 8,072,299 shares or 2.17% interest in the University. The total unrealized gains recognized from these investments amounted to ₱6.17 million and ₱12.47 million in 2014 and 2013, respectively. No limitations and restrictions are provided and voting rights over these shares are exercised by a trust officer or any of its designated alternate officers of the fund.

There are no other transactions by the University or its related parties with the retirement fund as at March 31, 2014 and 2013.

Remuneration of Key Management Personnel
The Group's key management personnel include all management committee officers. The summary of compensation of key management personnel follows:

	2014	2013
Short-term employee salaries and benefits	**₱11,769,832**	₱10,986,970
Post-employment benefits	**7,566,498**	11,880,354
	₱19,336,330	₱22,867,324

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 Group's retirement plan.

21. Notes to Statements of Cash Flows

Noncash investing activities pertain to the following:

a. In 2014, the University retired its fixed assets consisting of furniture and fixtures and laboratory equipment with cost amounting to ₱7.04 million and accumulated depreciation of ₱6.33 million.

b. Revaluation increment on the land in 2014 and 2013 - The University engaged the service of an independent appraiser and obtained valuation for its Land at Mendiola and Malolos in 2014 and at Legaspi-Makati in 2013. The appraisal resulted in the recognition of increase in revaluation increment on land of ₱34.28 million, gross of deferred income tax of ₱3.43 million in 2014 and ₱46.61 million, gross of deferred income tax of ₱4.66 million in 2013.

c. In 2013, the University retired its fixed assets consisting of furniture and fixtures and transportation equipment with cost amounting to ₱1.31 million and accumulated depreciation of ₱1.06 million.

22. Basic/Diluted EPS

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

	2014	2013 (As restated - Note 2)	2012 (As restated - Note 2)
Net income (a)	**₱301,429,042**	₱290,627,930	₱273,190,102
Weighted average number of outstanding common shares (b)	**372,414,400**	372,414,400	372,414,400
Basic/diluted earnings per share (a/b)	**₱0.81**	₱0.78	₱0.73

There were no potential dilutive financial instruments in 2014, 2013 and 2012.

23. **Fair Value Measurement**

The Group uses a hierarchy for determining and disclosing the fair value of its assets and liabilities (see accounting policy on Fair Value Measurement).

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Group's financial and non-financial assets and liabilities as at March 31, 2014:

		Fair value measurement using		
	Carrying value	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Total fair value
Assets measured at fair value:				
Financial assets				
Available for sale - quoted (Note 8)	₱196,560	₱196,560	₱–	₱196,560
Non-financial assets				
Land under revaluation model (Note 9)	1,650,056,499	–	1,650,056,499	1,650,056,499
	₱1,650,253,059	₱196,560	₱1,650,056,499	₱1,650,253,059
Liability for which fair values are disclosed:				
Financial liabilities				
Long-term liability (including current portion)	₱107,148,366	₱–	₱107,011,785	₱107,011,785

Unquoted equity securities amounting to ₱0.41 million carried at cost less any impairment.

In 2013, the carrying values and estimated fair values of long-term liability (including current portion) were ₱136.74 million and ₱154.35 million, respectively.

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are:

Cash and cash equivalents, tuition and other receivables, accounts payable and accrued expenses and dividends payable
Fair values approximate carrying amounts given the short-term nature of these accounts.

Property and equipment
Refer to related notes for the discussion on the valuation methodology and unobservable inputs.

The valuation techniques and significant inputs used by the Group in measuring the fair value of its property and equipment are disclosed in Notes 9.

Unquoted equity investments under Available for sale securities
Fair value could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. There is no market for these investments and the Group does not intend to dispose these investments. These investments are carried at cost less any impairment.

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

In 2014 and 2013, there have been no transfers between level 1 and level 2 fair value movements, and no transfers into and out of level 3 fair value measurement.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, tuition fee and other receivables, AFS financial assets, accounts payable and accrued expenses 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, accounts payable and accrued expenses and dividends payable that arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk , liquidity risk and market 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 reporting date, there are no significant concentrations of credit risk.
As at March 31, 2014 and 2013, the analysis of financial assets follows:

	2014		
	Neither past due nor impaired	**Past due but not impaired**	**Total**
Loans and receivables:			
Cash and cash equivalents	**₱353,279,440**	**₱–**	**353,279,440**
Tuition fee and other receivables:			
Tuition fee receivable	**–**	**28,300,748**	**28,300,748**
Accrued interest receivable	**187,970**	**–**	**187,970**
Others:			
Advances to employees	**5,369,355**	**–**	**5,369,355**
Advances to CE-IS stockholders	**1,250,000**	**–**	**1,250,000**
Accrued rent receivables	**258,367**	**–**	**258,367**
AFS financial assets	**602,877**	**–**	**602,877**
	₱360,948,009	**₱28,300,748**	**₱389,248,757**

	2013		
	Neither past due nor impaired	Past due but not impaired	Total
Loans and receivables:			
Cash and cash equivalents	₱257,622,674	₱–	₱257,622,674
Tuition fee and other receivables:			
Tuition fee receivable	–	25,982,800	25,982,800
Accrued interest receivable	423,502	–	423,502
Others:			
Advances to employees	8,253,384	–	8,253,384
Accrued rent receivables	3,535,983	–	3,535,983
AFS financial assets	621,453	–	621,453
	₱270,456,996	₱25,982,800	₱296,439,796

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.

As at March 31, 2014 and 2013, the age of the entire Group's past due but not impaired tuition fee receivables is over 60 days (see Note 5).

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 assets and liabilities as at March 31, 2014 and 2013 based on contractual undiscounted payments follows:

	2014				
	On demand	**Less than 3 months**	**3 to 6 months**	**Over 1 year**	**Total**
Financial Assets					
Cash and cash equivalents	**₱137,373,941**	**₱217,254,908**	**₱–**	**₱–**	**₱354,628,849**
Tuition fee and other receivables:					
Tuition fee receivable	**28,300,748**	–	–	–	**28,300,748**
Accrued interest receivable	**187,970**	–	–	–	**187,970**
Others:					
Advances to employees	**5,369,355**	–	–	–	**5,369,355**
Advances to CE-IS stockholders	**1,250,000**	–	–	–	**1,250,000**
Accrued rent receivables	**258,367**	–	–	–	**258,367**
AFS financial assets	–	–	–	**602,877**	**602,877**
	172,740,381	**217,254,908**	–	**602,877**	**390,598,166**
Financial Liabilities					
Accounts payable and accrued expenses:					
Accounts payable	**169,331,548**	–	–	–	**169,331,548**
Accrued expenses	–	**63,051,995**	–	–	**63,051,995**
Alumni fees payable	**2,142,984**	–	–	–	**2,142,984**
Deposits	–	–	**2,317,104**	–	**2,317,104**
Dividends payable	**96,652,449**	–	–	–	**96,652,449**
Long-term liability (including current portion)	–	–	**40,000,000**	**80,000,000**	**120,000,000**
	268,126,981	**63,051,995**	**42,317,104**	**80,000,000**	**453,496,080**
Net undiscounted financial asset (financial liabilities)	**(₱95,386,600)**	**₱154,202,913**	**(₱42,317,104)**	**(₱79,397,123)**	**(₱62,897,914)**

	2013				
	On demand	Less than 3 months	3 to 6 months	Over 1 year	Total
Financial Assets					
Cash and cash equivalents	₱119,471,225	₱139,444,747	₱–	₱–	₱258,915,972
Tuition fee and other receivables:					
Tuition fee receivable	25,982,800	–	–	–	25,982,800
Accrued interest receivable	423,502	–	–	–	423,502
Others:					
Advances to employees	8,253,384	–	–	–	8,253,384
Accrued rent receivables	3,535,983	–	–	–	3,535,983
AFS financial assets	–	–	–	621,453	621,453
	157,666,894	139,444,747	–	621,453	297,733,094
Financial Liabilities					
Accounts payable and accrued expenses:					
Accounts payable	148,866,199	–	–	–	148,866,199
Accrued expenses	–	66,863,961	–	–	66,863,961
Alumni fees payable	1,437,854	–	–	–	1,437,854
X-ray fees payable	113,896	–	–	–	113,896
Deposits	–	–	1,592,870	–	1,592,870
Dividends payable	89,467,449	–	–	–	89,467,449
Long-term liability (including current portion)	–	–	40,000,000	120,000,000	160,000,000
	239,885,398	66,863,961	41,592,870	120,000,000	468,342,229
Net undiscounted financial asset (financial liabilities)	(₱82,218,504)	₱72,580,786	(₱41,592,870)	(₱119,378,547)	(₱170,609,135)

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest risk. As at March 31, 2014 and 2013, the Group has no exposure to the risk of changes in market interest rates. The Group paid in advance the interest on its long-term liability.

Foreign currency risk
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Philippine Peso and its exposure to foreign currency risk arises primarily with respect to the Group's cash in banks and short-term investments which are denominated in US dollar ($),

The following table shows the foreign currency-denominated accounts of the Group as at March 31, 2014 and 2013 in US dollars:

	2014	2013
Cash in banks	**$135,687**	$3,062
Short term investments	**217,433**	140,748
Total	**$353,120**	$143,810

In translating the foreign currency-denominated accounts to Philippine peso amounts, the exchange rate used was ₱44.82 to $1.0 and ₱40.08 to $1.0 in 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso exchange rate, with all other variables held constant, of the Group's net income before tax. There is no impact on the Group's equity other than those already affecting the excess of revenue over expenses.

Currency	Change in currency rate in %	Effect on net income before tax
2014		
USD	**+5.0**	**₱791,342**
	–5.0	**(791,342)**

Currency	Change in currency rate in %	Effect on net income before tax
2013		
USD	+5.0	₱288,195
	–5.0	(288,195)

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, 2014, 2013 and 2012.

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 at March 31, 2014 and 2013:

	2014	2013
Accounts payable and accrued expenses (a)	**₱236,843,631**	₱218,874,780
Long-term liability (including current portion) (b)	**107,148,366**	136,741,749
Liabilities (c)	**₱343,991,997**	₱355,616,529
Total Equity (d)	**₱2,461,046,338**	₱2,344,866,476
Debt-to-Equity ratio (c/d)	**0.14:1**	0.15:1

CENTRO ESCOLAR UNIVERSITY

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CENTRO ESCOLAR UNIVERSITY

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2014

Unappropriated Retained Earnings, *beginning*	₱347,293,888
Effect of retroactive application of PAS 19 (Revised)	20,533,359
Adjustments in previous year's reconciliation*	–
Unappropriated Retained Earnings, beginning, as adjusted	367,827,247
Add (deduct): Net income actually earned/realized during the year	304,792,440
Adjustments for non-actual/unrealized income and non-actual losses, net of tax*	–
Unappropriated Retained Earnings, *as adjusted before dividend declaration*	672,619,687
Deduct: Dividends declared during the fiscal year	(223,448,640)
Unappropriated retained earnings, *as adjusted to available for dividend declaration, end of year*	₱449,171,047

**The University's unrealized items pertain to deferred tax liability (i.e. has an effect of increasing tax expense) and unrealized foreign exchange gain on cash and cash equivalents. Thus, no unrealized item for adjustment in the above reconciliation.*

CENTRO ESCOLAR UNIVERSITY AND A SUBSIDIARY

SUPPLE MENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS (PART 1,4J)

List of Philippine Financial Reporting Standards (PFRSs) [which consists of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at March 31, 2014, unless otherwise indicated:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X		
PFRSs Practice Statement Management Commentary		X		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			X
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			X
	Amendments to PFRS 1: Government Loans			X
	Improvement to PFRS 1: Borrowing Costs	X		
	Improvement to PFRS 1: Meaning of 'Effective PFRSs'	X		
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2: Vesting Conditions and Cancellations			X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			X
	Improvement to PFRS 2: Definition of Vesting Condition			X
PFRS 3 (Revised)	Business Combinations			X
	Improvement to PFRS 3: Accounting for Contingent Consideration in a Business Combination			X
	Improvement to PFRS 3: Scope Exceptions for Joint Arrangements			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources			X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PFRS 7: Transition	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			X
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	X		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X*	
PFRS 8	Operating Segments	X		
	Improvement to PFRS 8: Aggregation of Operating Segments and Reconciliation of Total of the Reportable Segments' Assets to the Entity's Assets	X		
PFRS 9	Financial Instruments		X*	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X*	
PFRS 10	Consolidated Financial Statements	X		
	Amendment to PFRS 10: Investment Entities	X		
PFRS 11	Joint Arrangements			X
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendment to PFRS 12: Investment Entities	X		
PFRS 13	Fair Value Measurement	X		
	Improvement to PFRS 13: Short-term Receivables and Payables		X*	
	Improvement to PFRS 13: Portfolio Exception			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
	Improvement to PAS 1: Clarification of the Requirements for Comparative Information	X		
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		
	Improvement to PAS 16: Classification of Servicing Equipment	X		
	Improvement to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	X		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19 (Amended)	Employee Benefits	X		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		X*	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23	Borrowing Costs	X		
PAS 24	Related Party Disclosures	X		
	Improvement to PAS 24: Key Management Personnel	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	X		
	Amendment to PAS 27: Investment Entities	X		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			X
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues			X
	Improvement to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
	Improvement to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	X		
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		X*	
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets			X
	Improvement to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			X
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			X
	Amendments to PAS 39: The Fair Value Option			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			X
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			X
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		X*	
PAS 40	Investment Property	X		
	Improvement to PAS 40: Interrelationship of PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			X
PAS 41	Agriculture			X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease			X
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 8	Scope of PFRS 2			X
IFRIC 9	Reassessment of Embedded Derivatives			X
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			X
IFRIC 10	Interim Financial Reporting and Impairment	X		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			X
IFRIC 12	Service Concession Arrangements			X
IFRIC 13	Customer Loyalty Programmes			X
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			X
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			X
IFRIC 17	Distributions of Non-cash Assets to Owners			X
IFRIC 18	Transfers of Assets from Customers			X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			X
SIC-7	Introduction of the Euro			X
SIC-10	Government Assistance - No Specific Relation to Operating Activities			X
SIC-15	Operating Leases - Incentives			X
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			X
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			X
SIC-29	Service Concession Arrangements: Disclosures			X
SIC-31	Revenue - Barter Transactions Involving Advertising Services			X
SIC-32	Intangible Assets - Web Site Costs			X

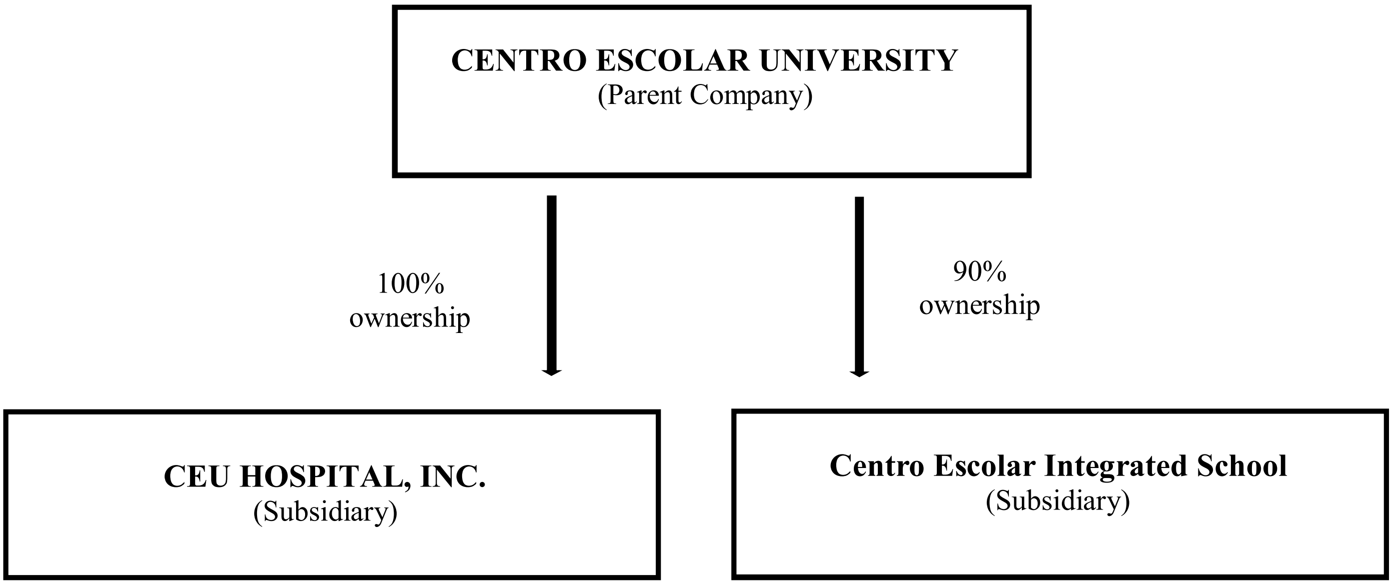
Note: Standards and amendments which will become effective on or after April 1, 2014 are denoted with an asterisk (*). The Group has not early adopted standards and amendments which are not yet effective as at April 1, 2013.

Annex III

CENTRO ESCOLAR UNIVERSITY AND SUBSIDIARIES

THE MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS SUBSIDIARIES

MARCH 31, 2014



CENTRO ESCOLAR UNIVERSITY

LIST OF FINANCIAL RATIOS

MARCH 31, 2014

		2014	2013
Current ratio	Current assets / Current liabilities	**0.99:1**	0.81:1
Debt to equity ratio	Accounts payable and accrued expenses + interest bearing loans / Total equity (capital)	**0.14:1**	0.15:1
Interest rate coverage ratio	Net income before income tax / Interest expense	**32.32:1**	24.99:1
Revenue growth	(CY tuition +other school fees) – (PY tuition + other school fees) / PY tuition + other school fees	**7.05%**	3.05%
Return on Revenue	Net income / Tuition +other school fees	**19.44%**	20.07%
Return on equity	Net income / Average stockholder's equity	**12.54%**	12.41%
Return on assets	Net Income / Average total assets	**9.18%**	9.13%

Centro Escolar University

Schedule A – Financial Assets

March 31, 2014

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Available for sale investments				
Casino Espanol de Manila	1	₱200,000	₱200,000	₱–
PLDT- Common	72	196,560	196,560	(18,576)
Polymedic General Hospital	80	110,000	110,000	–
PLDT- Preferred	9,500	95,000	95,000	–
PLDT Comm & Energy Ventures, Inc. (formerly Pilipino Telephone Corp.)	300	1,317	1,317	–
	9,953	₱602,877	₱602,877	(₱18,576)

*The revaluation in AFS amounting to ₱18,576 was recognized under other comprehensive income.

Centro Escolar University

*Schedule B – Amounts Receivable from Directors, Officers, Employees and Principal Stockholders (Other than Affiliates)**

March 31, 2014

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Housing Loan							
Cervillon, Hedrick – Faculty	₱–	₱150,000	₱–	₱–	₱150,000	₱–	₱150,000
CE-IS Stockholders							
Ma. Cristina D. Padolina - President		250,000			250,000		250,000
Ricardo F. De Leon – Vice President		250,000			250,000		250,000
Corazon M. Tiongco		250,000			250,000		250,000
	₱–	₱900,000	₱–	₱–	₱900,000	₱–	₱900,000

Note: *This schedule pertains to advances above PHP100,000 only.

Centro Escolar University

Schedule C – Amounts Receivable from Related Parties which are eliminated during the Consolidation of financial assets

March 31, 2014

			Deductions		Ending balance	
Name and Designation o debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current
Centro Escolar University Hospital Inc.	₱55,500	₱3,700	₱55,500	₱–	₱3,700	₱–
Centro Escolar Integrated School	₱-	16,024			16,024	₱-
TOTAL	₱55,500	₱19,724	₱55,500	₱-	19,724	₱-

Centro Escolar University
Schedule D – Intangible Assets – Other Assets
March 31, 2014

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes Additions(deductions)	Ending balance

As at March 31, 2014, the University has no intangible assets.

Centro Escolar University

Schedule E – Long Term Debt

March 31, 2014

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related statement of financial position	Amount shown under caption "Long-term Debt" in related statement of financial position
Term Loans	₱500,000,000	₱40,000,000	₱67,148,366
			10 annual installments July 5, 2007 to July 5, 2016

Centro Escolar University

Schedule F – Indebtedness to Related Parties (Long-Term Loans from Related Companies

March 31, 2014

Name of Related Party	Balance at beginning of period	Balance at end of period

As at March 31, 2014, the University has no long term loans from related companies.

Centro Escolar University

Schedule G – Guarantees of Securities of Other Issuers

March 31, 2014

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by persons for which statement is filed	Nature of guarantee

As at March 31, 2014, the University has no guaranteed securities by other issuers.

Centro Escolar University

Schedule H – Capital Stock

March 31, 2014

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by: Related parties	Directors, officers and employees	Others
Centro Escolar University	372,414,400	₱372,414,400	₱–	₱182,584,694	₱ 61,728,512	₱128,101,194